

ASX ANNOUNCEMENT

31 October 2022

SEPTEMBER 2022 QUARTERLY ACTIVITIES REPORT

South Harz Potash Limited (ASX:SHP) (**South Harz** or the **Company**) is pleased to report on a milestone quarter in which the Company delivered a Scoping Study for development of the flagship Ohmgebirge deposit at its 100%-owned South Harz Potash Project in Thuringia, Germany (**Ohmgebirge Development**).

Highlights

- Updated Ohmgebirge Mineral Resource estimate to 338Mt at 12.9% K₂O, with extensive categorisation upgrade achieved (Indicated Sylvinitic Mineral Resource of 258 Mt at 13.5% K₂O).¹
- Scoping Study evidenced technical and financial robustness of vertical shaft access, underground mining operation at Ohmgebirge with conventional cold water leach - hot crystallization process producing approx. 1 Mtpa of premium MOP for sale predominantly into proximate European fertilizer markets.¹
- South Harz Board approved progression to a Pre-Feasibility Study (**PFS**), with completion scheduled by end Q4 CY2023.
- Environmental and social impact assessment and permitting activities advancing in parallel with PFS.
- Post quarter end, deeply experienced agriculture and potash senior executive, Mr Lawrence Berthelet, appointed as a Non-Executive Director.
- Post quarter end, leading natural resources industry executive, Mr Luis da Silva, appointed Managing Director and CEO, effective 1 November 2022.
- Cash balance of A\$4.5 million at 30 September 2022 and zero debt.

South Harz Executive Chairman, Ian Farmer, commented:

"It has been an important quarter for South Harz with a significant update and upgrade to the Ohmgebirge Mineral Resource estimate followed by the release of the Ohmgebirge Scoping Study. Both events highlighted the significant latent potential that this asset, and the broader South Harz portfolio, offers. The Ohmgebirge Development is a Tier 1 potash project, with South Harz having a real opportunity to become a new supplier of choice for potash in Europe and beyond. The high quality of our recent Board and executive appointments further adds to the underlying value of the business and provides the skills and experience necessary to realise meaningful shareholder value as we advance the South Harz Potash journey."

¹ Refer South Harz ASX releases dated 12 July 2022 and 8 August 2022. South Harz is not aware of any new information or data that materially affects the information included in these ASX releases, and the Company confirms that, to the best of its knowledge, all material assumptions and technical parameters underpinning the estimates in these releases continue to apply and have not materially changed.

CONTACT DETAILS

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ASX Code: SHP

ASX Code (Options): SHPO

Frankfurt Code: A2DWXX

532.7M Ordinary Shares

102.9M Unlisted Options

46.2M Listed Options

0.8M Performance Rights

OHMGEBIRGE DEVELOPMENT

Updated Ohmgebirge Mineral Resource estimate

Results of the confirmatory drillhole program completed earlier this year were used to upgrade a substantial proportion of the Ohmgebirge Mineral Resource estimate to the Indicated category (see ASX release dated 12 July 2022). The updated Mineral Resource is 338 Mt at 12.9% potassium oxide (K₂O) totalling approximately 44 Mt of contained K₂O (see Table 1). This estimate comprises 290 Mt of Sylvinite (key focus seam for development) grading 13.5% K₂O (split approximately 89% Indicated and 11% Inferred categories) and 48 Mt of Carnallite at 9.8% K₂O (100% Inferred).

Table 1: Updated Ohmgebirge Mineral Resource estimate (July 2022)

Mineralised Seam	Categorisation	Tonnage (Mt)	K ₂ O (%)	K ₂ O (Mt)
Sylvinite	Indicated	258	13.54	35
	Inferred	32	12.85	4
	Sylvinite total	290	13.47	39
Carnallite	Inferred	48	9.81	5
	Carnallite total	48	9.81	5
Total Resource	Indicated and Inferred	338	12.91	44

Minimum cut-off grade $\geq 5\%$ K₂O; 15% geological loss applied to account for potential unknown geological losses.

Scoping Study (August 2022) highlights

The Ohmgebirge Development Scoping Study demonstrated the technical and financial robustness of a vertical shaft access, underground mining operation at Ohmgebirge with a conventional cold water leach - hot crystallization process producing approximately 1 Mtpa of premium Muriate of Potash (**MOP**) product for sale predominantly into proximate European fertilizer markets (see ASX release dated 8 August 2022).

Key highlights of the proposed project development include:

- Outstanding, first world jurisdiction in a region rich with infrastructure and potash mining history.
- Relatively shallow, thick potash deposit of simple and well understood mineralogy.
- Adopted mining and processing mechanics are long established and extensively proven in the district.
- Low-impact development based on self-imposed commitment to zero permanent waste piles on surface.
- Equal commitment to zero water discharges, which have historically been a defining feature of the industry.
- Expected utilisation of grid power, which in Germany is already approximately 50% from renewable sources.
- Delivered operating costs projected to be in the bottom half of the global unit cost curve.
- Capital intensity of development forecast to be comfortably below average for equivalent scale operations.

- Proximity to European market offers huge cost and carbon footprint advantages versus other suppliers.
- Asset domicile increasingly valuable given heightened geopolitical tensions and supply chain challenges.
- Clear strategic opportunity for South Harz to become a new supplier of choice for potash in Europe.
- Tier 1 scale with broader South Harz Project resources delivering potential for multiple developments.
- Range of potential funding pathways available given scale, projected economics and strategic location.

Table 2: Key Ohmgebirge Development Scoping Study outcomes (August 2022)

Key parameter	Unit	Point estimate	Range estimate
Ore throughput	Mtpa ROM	4.5	-
Initial life-of-mine	years	21	-
K ₂ O head grade	%	13.5%	-
MOP output and sales (+60% K₂O)	Mtpa MOP	1.0	-
Industrial salt sales (+99% NaCl)	Mtpa MOP	1.0	-
Pre-production capital expenditure	US\$M	620	589 - 651
Cash operating cost (AISC, delivered NW Europe) – pre salt credits	US\$/t MOP	172	163 - 181
Industrial salt price (delivered NW Europe)	US\$/t	79	-
Cash operating cost (AISC, delivered NW Europe) – post salt	US\$/t MOP	93	88 - 98
Weighted average FOB Hamburg equivalent potash price	US\$/t MOP	385	-
NPV_{8%} (post-tax, real basis, ungeared)	US\$M	1,279	1,215 - 1,343
IRR (post-tax, real basis, ungeared)	%	26.6%	25.3% - 27.9%
Annual free cash flow post ramp-up	US\$M pa	229	217 - 240
Payback following commissioning	years	3.6	3.4 - 3.8
Project net cashflow (post-tax)	US\$M	3,928	3,732 - 4,124

Further substantial upside potential

The Scoping Study utilises a weighted average FOB Hamburg equivalent MOP price of US\$385/t. This includes an assumed price of US\$370/t for Standard European MOP product, which compares with an average price for this product of approximately US\$340/t (real basis, FOB NW Europe) over the past decade, and a currently substantially higher spot price. Conservative salt price and sales volumes assumptions have also been adopted for the Ohmgebirge Development. Clear potential upside to both inputs delivers the prospect of considerably greater revenue realisation from both MOP and salt sales at Ohmgebirge than currently incorporated.

The Ohmgebirge Development focuses on the mining, processing and sale of MOP from solely the Ohmgebirge Sylvinitic deposit (290 Mt resource). The broader South Harz Potash Project comprises multiple deposits with total potash resources exceeding 5 Bt. Substantial long-term opportunity exists in developing multiple potash mining operations in the district. Opportunities to partner proximate existing regional mine infrastructure with potential capital and permitting synergies are also set to be examined.

Next steps

The South Harz Board has approved progression to a Pre-Feasibility Study (**PFS**) on the Ohmgebirge Development, which is scheduled for completion in Q4 CY2023. The immediate focus of incoming Managing Director and CEO, Luis da Silva, is the evaluation and optimisation of PFS delivery work plans.

The Company has engaged K-UTEC to carry out initial bench scale metallurgical test work to confirm the selected process route and to confirm recoveries. ERCOSPLAN will complete detailed geological modelling, with results to be incorporated into future rock mechanical modelling to aid underground mine design. Geotechnical work is ongoing using samples recovered from the recent Ohmgebirge drillholes.

Requisite environmental and social impact assessment and permitting requirements are well understood and set to parallel the next phases of technical feasibility work.

In conjunction with progressing PFS workstreams, the Company is proactively advancing financing initiatives, including preliminary discussions with future potential strategic funding partners.

CORPORATE

Board and executive appointments

Effective 17 October 2022, Mr Lawrence Berthelet, a deeply experienced potash executive commenced as a non-executive director of the Company and member of its Technical Committee. Mr Berthelet brings more than 30 years' operational and executive experience with major global potash and fertilizer firms including The Mosaic Company, SNC-Lavalin and Agrium (previously Nutrien).

On 24 October 2022, the Company announced the appointment of Mr Luis da Silva as Managing Director and CEO. Mr da Silva is a proven natural resources business leader and executive with close to 30 years' experience in the mining industry. Previous roles include President and CEO of Andean Precious Metals (TSXV:APM), a leading Latin American silver producer, and President and CEO of Phosphate developer, GB Minerals, leading the company through to its eventual acquisition by Canadian phosphate producer, Itafos. Mr da Silva will commence his role on 1 November 2022, and Acting Executive Chairman Mr Ian Farmer will resume his role as Non-Executive Chairman.

A holistic review of the South Harz Board's size and structure is also underway.

Cash

South Harz's cash balance at 30 September 2022 was A\$4.5 million (A\$6.7 million at 30 June 2022). In early October the company received a A\$0.6m delayed VAT refund which should have been received in September but was held up by an ad hoc tax audit. Otherwise our cash position would have been A\$5.1m.

There were minimal options exercised during the quarter.

ASX additional information

South Harz provides the following information pursuant to ASX Listing Rule requirements:

1. ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure spend during the quarter was A\$639,000.
2. ASX Listing Rule 5.3.2: No mining production or development.
3. ASX Listing Rule 5.3.5: Payments to related parties during the quarter totalled A\$59,000.

Summary of tenement holdings as at 30 September 2022

Tenement Name/Number	Location	Licence	Beneficial Holding
Küllstedt	Thüringen, Germany	Exploration	100%
Gräfentonna	Thüringen, Germany	Exploration	100%
Mühlhausen-Nohra	Thüringen, Germany	Mining	100%
Ebeleben	Thüringen, Germany	Mining	100%
Ohmgebirge	Thüringen, Germany	Mining	100%

This ASX release has been approved by Executive Chairman, Ian Farmer.

Investor and media enquiries

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END NOTES

The information contained in this Quarterly Activities Report, including detail related to the Company's past exploration results is extracted from, or was set out in, the following ASX announcements:

- *The report released 12 July 2022, "Landmark Resource upgrade at Ohmgebirge"*
- *The report released 8 August 2022, "Ohmgebirge study evidences world-class potash development"*
- *The report released 10 October 2022, "Non-Executive Director appointment"*
- *The report released 24 October 2022, "Managing Director and CEO appointment"*

About South Harz

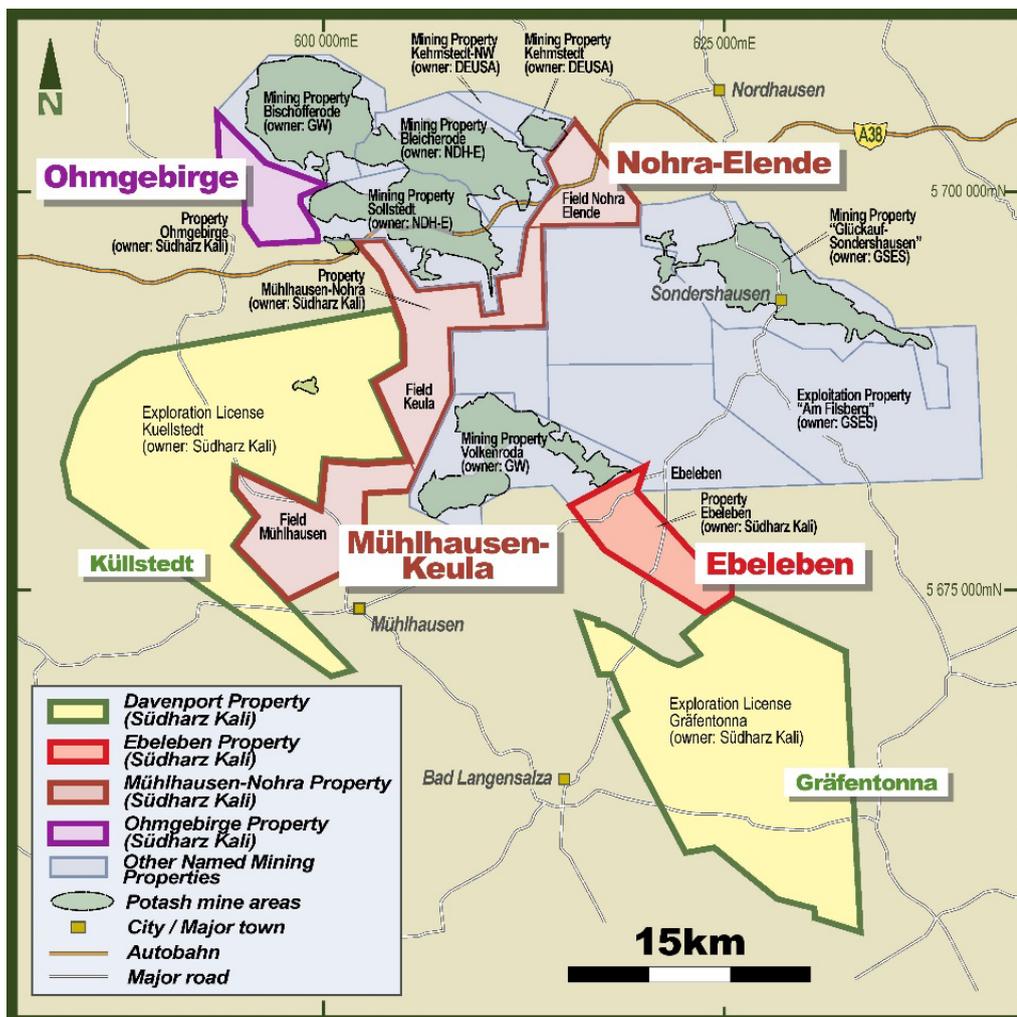
South Harz Potash (ASX: SHP) (**South Harz**) is a potash exploration and development company with its flagship project located in the South Harz Potash District region of Germany, midway between Frankfurt and Berlin.

The South Harz Project hosts a globally large-scale potash JORC (2012) Mineral Resource estimate of 5 billion tonnes at 10.6% K₂O of Inferred resources and 258 million tonnes at 13.5% K₂O of Indicated Resources across four wholly-owned project areas located favourably within central Europe.¹ This comprises three perpetual potash mining licences, Ohmgebirge, Ebeleben and Mühlhausen-Nohra, and two potash exploration licences, Küllstedt and Gräfentonna, covering a total area of approximately 659km².

With strong established infrastructure proximate to the key European market, the South Harz Project is well positioned to enable rapid economic development across multiple deposits.

South Harz Potash: Growing a responsible potash business in the heart of Germany

www.southharzpotash.com



1. Refer to South Harz ASX release dated 12 July 2022 for full Mineral Resource estimate details. In accordance with ASX Listing Rule 5.23, the Company is not aware of any new information or data that materially affects the information included in this release.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

South Harz Potash Limited

ABN

64 153 414 852

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..3....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(639)	(639)
(b) development		
(c) production		
(d) staff costs	(417)	(417)
(e) administration and corporate costs	(543)	(543)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Working Capital	(427)	(427)
1.9 Net cash from / (used in) operating activities	(2,026)	(2,026)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation		
(e) investments		
(f) other non-current assets		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..3....months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(22)	(22)
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(22)	(22)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	0	0
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,673	6,673
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,026)	(2,026)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(22)	(22)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	0

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..3....months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(122)	(122)
4.6	Cash and cash equivalents at end of period	4,503	4,503

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,503	6,673
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,503	6,673

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	59
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	0	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	0	0
7.5 Unused financing facilities available at quarter end		0
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,026)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	0
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,026)
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,503
8.5 Unused finance facilities available at quarter end (item 7.5)	
8.6 Total available funding (item 8.4 + item 8.5)	4,503
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.2
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:31 October 2022.....

The Board of South Harz Potash Limited

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.