

ASX ANNOUNCEMENT

25 January 2023

DECEMBER 2022 QUARTERLY ACTIVITIES REPORT

South Harz Potash Limited (ASX:SHP) (**South Harz** or the **Company**) reports on its activities for the quarter ended 31 December 2022.

Highlights

- Quarter marked by consolidation and project readiness ahead of commencing the Ohmgebirge Pre-Feasibility Study (**PFS**)
- PFS progressing in line with overall schedule with key workstreams including:
 - Site selection dovetailing with permitting and preparation for baseline studies of the Environmental Impact Assessment (**EIA**).
 - Work included options on greenfield sites versus brownfield to utilise existing infrastructure where available.
 - Request for quotations from tendering parties to participate in the PFS and EIA.
 - Selection of preferred bidders and consultant consortium.
- Metallurgical test work results performed by K-UTEC confirmed the suitability of Ohmgebirge processing route outlined in Scoping Study in order to achieve production of K60 (agriculture sales grade) MOP.
- Kllstedt and Grfentonna exploration licenses granted three-year extensions by the Thuringian mining authority Thringer Landesamt fr Umwelt, Bergbau und Naturschutz (**TLUBN**)
- Proven natural resources business leader and executive, Mr Luis da Silva, appointed as Managing Director and CEO in November 2022.
- Deeply experienced potash industry executive and non-executive director, Mr Lawrence Berthelet, appointed Chief Operating Officer (**COO**), effective 1 January 2023.
- Completion of A\$3.0 million Placement with strong support from all Directors for the advancement of Ohmgebirge near-term value-adding initiatives and PFS workstreams.
- Cash balance of A\$5.8 million at 31 December 2022 (with a further A\$625,000 to be received from Directors following shareholder approval, and zero debt).
- Board renewal and right-sizing initiatives continued delivering significant skills matrix enhancement.

CONTACT DETAILS

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ASX Code: SHP

ASX Code (Options): SHPO

Frankfurt Code: A2DWXX

586.1M Ordinary Shares

64.1M Unlisted Options

46.2M Listed Options

South Harz Managing Director, Luis da Silva, commented:

“The team has made strong and consistent progress in the December quarter in preparing for the year ahead. With the foundation of the Mineral Resource upgrade and the Ohmgebirge Scoping Study completed in the previous quarter, the focus has been on ensuring project readiness for the PFS we will imminently embark on. Our Board renewal and optimisation initiatives also continued, including the recent key executive appointment of Lawrence Berthelet to the role of COO, further enhancing the collective skills and experience across the team who are focussed on realising the latent value held by the South Harz Project.”

“Ohmgebirge is a globally significant and highly cost-competitive potash asset. It deserves the attention of medium to long term, like-minded investors sharing in the development of a critical mineral in the heart of the European Union and the end market. I look forward to updating shareholders regularly as we progress through the next key phase of project development delivering a robust PFS that will unlock the full potential in this historic potash region.”

PROJECT DEVELOPMENT

Site selection, EIA and PFS

The team established in Erfurt during 2022 has provided for knowledge and timely actions to deliver on multiple workstreams ensuring a solid foundation for the next two years of studies focused on the delivery of a robust PFS that will enable a seamless transition into a full definitive feasibility study (**DFS**) during 2024.

The permitting requirements and site selection process have dovetailed to allow environmental baseline studies to begin imminently which will capture the required twelve months of seasonality. Local stakeholders including mayoral authorities and landowners have been consulted in preparation for site selection and optionality exists on the potential use of existing infrastructure. During the PFS period, the full extent of these efficiencies will be further developed in an iterative manner. Determining greenfield versus brownfield optionality, or a hybrid model, will allow the Company to arrive at the most viable option to enhance project economics.

Following the response to RFQs being received from interested parties, the Company has exhaustively assembled what it believes to be the strongest study team. The Company is in the final stages of internal approvals to sign off on the study team and the lead consultant. Similarly, the consultant for the EIA will be announced imminently.

Metallurgical test work confirms Ohmgebirge processing route

On 21 December 2022, the Company reported confirmatory results from the metallurgical test work completed by K-UTEC AG Salt Technologies (K-UTEC). The Company engaged K-UTEC to carry out initial bench scale metallurgical test work to confirm the selected process route and to evaluate recoveries. Test work was conducted on core samples collected from drillholes OHM-01 and OHM-02 completed during 2022 within the Ohmgebirge Mining Licence.

Results of the metallurgical test work confirm the process route selected for the Ohmgebirge Scoping Study is suitable for processing the ore type expected to be delivered to the mill. Results confirm a preliminary crushing size of <4mm and will enable KCl extraction from the cold leach stage of the process flow design. The selected processing route is expected to achieve production of K60 (agriculture sales grade) MOP that is the standard of the global potash industry.

Test work carried out by K-UTECH in their Sondershausen laboratories, located close to the project area, considered the quantity and quality of NaCl (salt) by-product expected to be produced from future operations. Results verified the selected process route and can produce chemical grade vacuum salt with a purity exceeding 99%. K-UTECH further reported that additional $Mg(OH)_2$ and $CaCO_3$ by-products can be extracted via the selected processing route. A well-established market for chemical grade NaCl, $Mg(OH)_2$ and $CaCO_3$ exists in the NW European area. Test work informed the composition and character of the resultant waste products and additionally confirmed that process waste is suitable for use as mine backfill material. Further metallurgical and backfill testing is planned during the PFS.

Next steps

The Company expects to achieve the following important milestones in the near term:

- Key site selection determinations are culminating, with a selection decision to be advised in accordance with the established permitting timetable.
- Following completion of the detailed CEO and COO-led workplan and PFS optimisation activities, South Harz also expects to make several key study consultant appointments.

Extension of exploration licences granted

The Thuringian mining authority Thüringer Landesamt für Umwelt, Bergbau und Naturschutz (**TLUBN**) granted three-year extensions to both the Küllstedt and Gräfentonna exploration licenses to January 2026.

Following the submission of an application in October 2022, the TLUBN provided the three-year extension for the Küllstedt exploration license in November 2022 (see SHP ASX release dated 21 November 2022).

The Küllstedt exploration licence covers an area of 242 km² and contains a JORC Inferred Mineral Resource of 1,538 million tonnes grading 10.2% K₂O. The Küllstedt licence has been held by the Company's wholly owned German subsidiary, Südharz Kali GmbH, since January 2015 and contains a substantial potash resource adjoining the high-grade Mühlhausen mining licence area.

The approval of a three-year extension to the Gräfentonna exploration licence was announced in December 2022, following submission of an application in November 2022 (see SHP ASX release dated 30 December 2022). The Gräfentonna exploration licence lies immediately south of the Company's Ebeleben mining licence and would form the natural extension of any future mine at Ebeleben. The licence covers over 216 km² of known potash territory and encloses the eastern portion of the known South Harz potash basin. Results from historical drilling campaigns facilitated South Harz's estimation of an Exploration Target on the Gräfentonna licence of between 2.678 and 3.396 billion metric tonnes at a potash grade between 4.3% and 25% K₂O.

CORPORATE

Key executive appointments and Board renewal

Over the quarter, South Harz made significant changes to the Board as part of ongoing renewal and optimisation initiatives.

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 (TSXV: IFOS). Mr da

Silva officially commenced his role on 1 November 2022, with Executive Chairman Mr Ian Farmer resuming his role as Non-Executive Chairman.

On 31 December 2022, Mr Hansjorg Plaggemars resigned from his non-executive director role with the Company and Mr Jason Wilkinson resigned from his role as COO.

Mr Lawrence Berthelet assumed the role of COO from 1 January 2023, relinquishing his role as a non-executive director. Mr Berthelet is a deeply experienced potash executive who was appointed to the South Harz Board as a non-executive director and as a member of its Technical Committee in October 2022 (see SHP ASX release dated 10 October 2022). Mr Berthelet brings more than 35 years operational and executive experience with major global potash and fertilizer firms including the Mosaic Company (leading the US\$2.9B K3 mine expansion project, completed on budget and ahead of time), SNC-Lavalin and Agrium (now Nutrien). He was most recently Head of the Mining Division at global agriculture and chemicals business, EuroChem.

Placement

During the quarter, the Company received firm commitments for A\$3 million via a placement of 66,666,666 ordinary shares at an issue price of A\$0.045 per share representing a discount of approximately 5.3% to last close (see SHP ASX release dated 16 November 2022). The placement includes 13,888,888 shares raising A\$625,000 to be issued to South Harz Directors (or their respective nominees). The issue of shares to Directors is subject to shareholder approval at a General Meeting to be held on 23 February 2023.

The new equity places the Company in a strong position from which to conduct strategic partnership discussions for long term investment, JV partnerships, royalty funding, offtake streams and the continued progression of PFS activities. The raised funds are to be applied directly to the delivery of the Ohmgebirge project's value-adding initiatives.

South Harz's cash balance at 31 December 2022 was A\$5.8 million with a further \$625,000 to be received from Directors following shareholder approval.

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\$667k.
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\$150k.

Summary of tenement holdings as at 31 December 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 the Board of Directors.

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 10 October 2022, "Non-Executive Director Appointment"*
- *The report released 24 October 2022, "Managing Director & CEO Appointment"*
- *The report released 16 November 2022, "A\$3M Equity Raised for Ohmgebirge Advancement"*
- *The report released 21 November 2022, "Küllstedt Exploration Licence Extension Granted"*
- *The report released 29 November 2022, "Ongoing Board Renewal"*
- *The report released 20 December 2022, "Appointment of Chief Operating Officer"*
- *The report released 21 December 2022, "Metallurgical Test Work Confirms Ohmgebirge Processing Route"*
- *The report released 30 December 2022, "Gräfentonna Exploration Licence Extension Granted"*

About South Harz

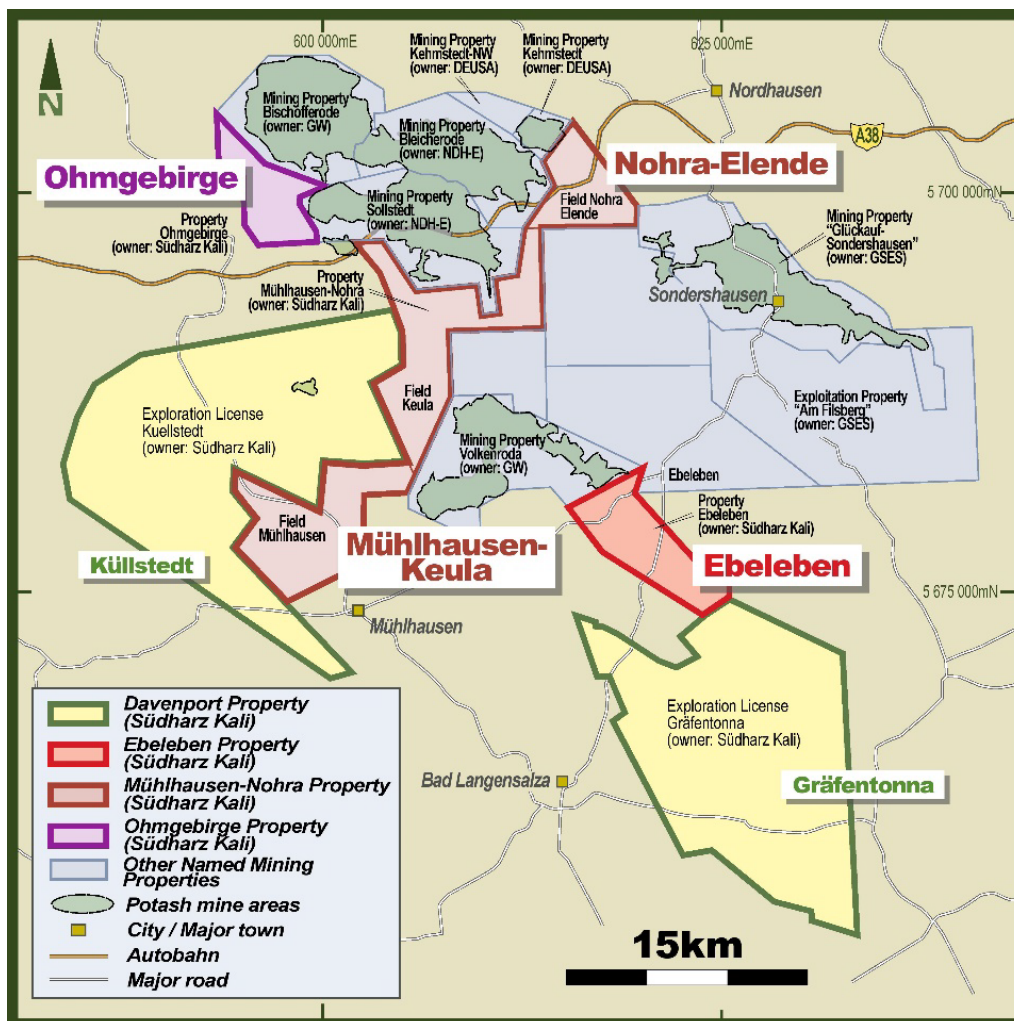
South Harz Potash (ASX: SHP) (**South Harz**) is a potash exploration and development company with its flagship project located in the South Harz Potash District region of Germany, midway between Frankfurt and Berlin.

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 Gräfontonna, 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 and the Company confirms that, to the best of its knowledge, all material assumptions and technical parameters underpinning the estimates in this release continue to apply and have not materially changed.

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")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..6....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(667)	(1,441)
(b) development		
(c) production		
(d) site admin & site staff costs	(260)	(420)
(e) corporate costs	(770)	(1,435)
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 VAT and Other	601	174
1.9 Net cash from / (used in) operating activities	(1,096)	(3,122)
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		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..6....months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(28)	(50)
(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	(28)	(50)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	2,411	2,411
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	(134)	(134)
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	2,277	2,277

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,503	6,673
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,096)	(3,122)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(28)	(50)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,277	2,277

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 (..6....months) \$A'000
4.5	Effect of movement in exchange rates on cash held	174	52
4.6	Cash and cash equivalents at end of period	5,830	5,830

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	5,830	4,503
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)	5,830	4,503

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	150
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.</i>		
<i>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)	(1,096)
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)	(1,096)
8.4 Cash and cash equivalents at quarter end (item 4.6)	5,830
8.5 Unused finance facilities available at quarter end (item 7.5)	
8.6 Total available funding (item 8.4 + item 8.5)	5,830
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	5.3
<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.

25 January 2023

Date:

Luis da Silva

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.