

ASX ANNOUNCEMENT

31 January 2024

DECEMBER 2023 QUARTERLY ACTIVITIES REPORT

South Harz Potash Limited (ASX:SHP) (**South Harz** or the **Company**) reports on its activities for the quarter ended 31 December 2023.

Highlights

- Non-binding Memorandum of Understanding (**MoU**) executed with Ohmgebirge neighbour, NDH-E/DEUSA International GmbH (**Deusa**), for long-term utilisation of existing Bernterode shaft and associated infrastructure:
 - Delivers brownfield development pathway utilising proximate existing shaft infrastructure that offers substantial time, capital cost and footprint advantages versus greenfield shaft construction.
 - Exclusivity granted until 31 March 2024 to reach definitive commercial agreement.
 - Brownfield Pre-Feasibility Study incorporating infrastructure in tandem with value engineering.
- Spatial Planning Application for Ohmgebirge submitted to the responsible regulatory authority on 8 December 2023, marking a major milestone in the Ohmgebirge development process.
 - Regulatory period for decision is a maximum of 6 months (early June 2024).
- Up to A\$2.4 million in new funding targeted via equity placement (A\$1.2 million net completed) and up to A\$1.2 million from a Rights Issue ¹ (in progress) to enable completion of Ohmgebirge Pre-Feasibility Study (**PFS**) targeting utilisation of the brownfield Bernterode shaft infrastructure as the base case development pathway.
- Cash balance of A\$2.2 million ² at quarter end and zero debt apart from normal trade creditors

South Harz Managing Director, Luis da Silva, commented:

“Throughout the December quarter, the South Harz team has delivered multiple important milestones in the advancement of our world-class Ohmgebirge Potash Project.

“We executed a non-binding MoU with Deusa for the utilisation of an existing Bernterode shaft, highlighting the strong capacity Ohmgebirge possesses in leveraging existing regional infrastructure and providing an exceptional brownfield development pathway. The MoU enabled us to finalise and submit the Spatial Planning Application for Ohmgebirge, a fundamental step in the approval process.

“Moving into Q1 2024 we are nearing the completion of the Ohmgebirge PFS and look forward to releasing the study in early Q2 2024.”

1. Partially underwritten 15 for 1 non renounceable rights issue opened on 18 January 2024 and is currently scheduled to close on 12 February 2024.
2. Cash balance at quarter end includes proceeds from equity placement and excludes rights issue subscriptions.

CONTACT DETAILS

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ASX Code: SHP

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780.1 M Ordinary Shares

113.4 M Unlisted Options

OHMGEBIRGE DEVELOPMENT

MOU Executed for utilisation of adjacent Existing Shaft at Bernterode

On 2 November 2023, South Harz announced the execution of a non-binding MoU with Deusa, the owner of the neighbouring property to South Harz's Ohmgebirge development in Thuringia, Germany.

The MoU facilitates ongoing collaboration between the parties that allows South Harz to utilise targeted future access to Deusa's Bernterode Shaft #2 (which is currently only being utilised by Deusa for ventilation purposes). This facilitated the advancement of Ohmgebirge planning, PFS preparation and submission of the Ohmgebirge Spatial Planning Application on a brownfield pathway basis. It also granted on a non-binding exclusivity to South Harz until 31 March 2024 to work towards a definitive commercial agreement with Deusa for long-term shaft access, upgrade installation and operating rights.

The collaboration with Deusa enables South Harz to pursue its preferred base case development layout for Ohmgebirge, utilising an existing shaft through widening, followed by installation of a Pocketlift conveyor and personnel/material cage. This arrangement delivers substantial time and capital cost advantages to South Harz (versus a greenfield construction option), and reduces three-dimensional development footprint, while also ensuring that requisite ventilation levels are maintained for Deusa's Bernterode operation.

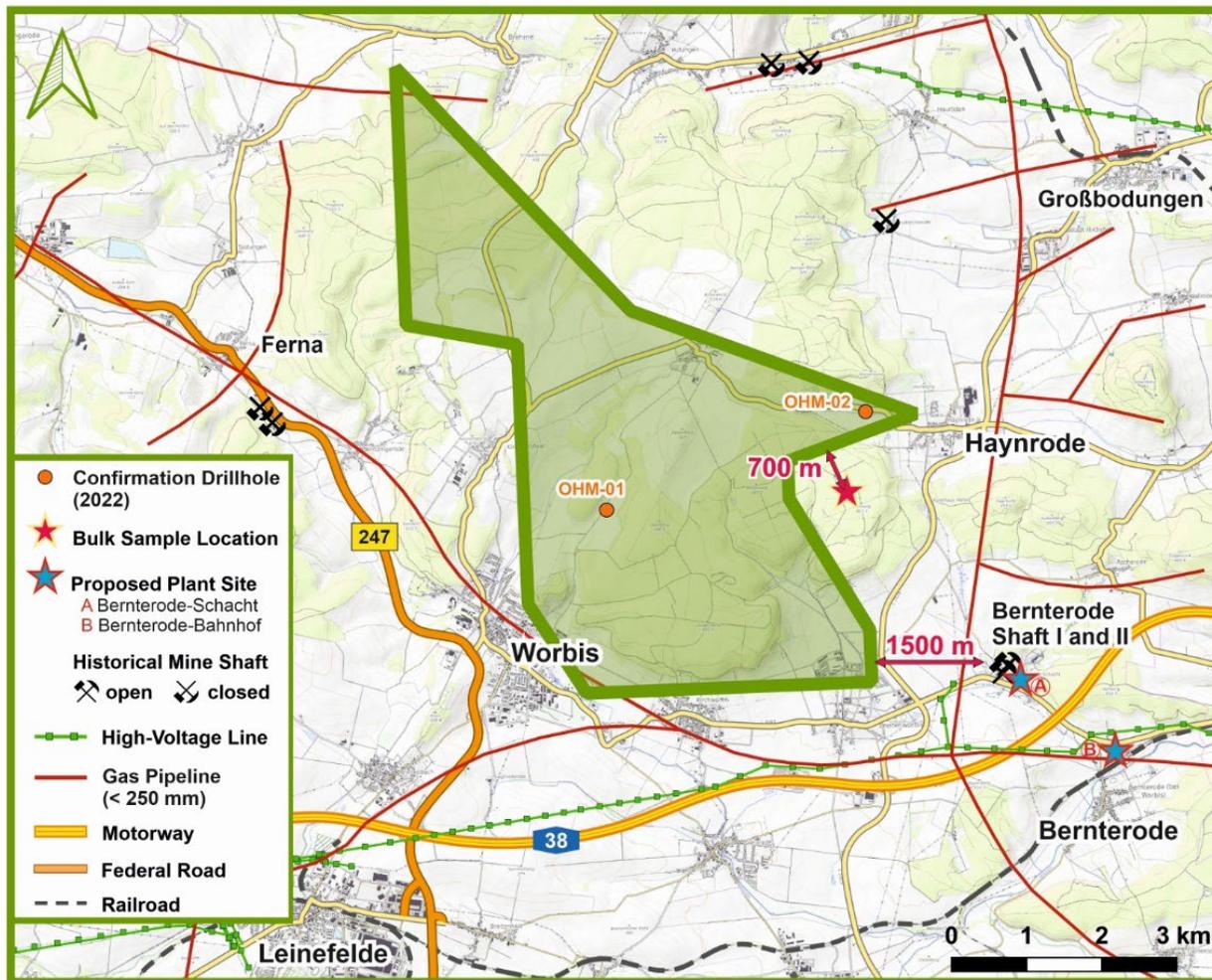
Execution of the MoU allowed South Harz to finalise and submit the full Spatial Planning Application for Ohmgebirge utilising a preferred development layout. Further business development opportunities that may give rise to increased technical and commercial synergies between the two businesses will continue to be explored.

The brownfield development option delivers substantial time and capital cost advantages versus a greenfield construction option. The arrangement with Deusa is expected to result in substantial capital cost advantages to South Harz, offsetting potential inflationary capital cost escalation when compared to a greenfield project development.

A major ongoing focus for the Company is to work with Deusa to achieve the optimal engineering, environmental and economic outcome for the Ohmgebirge development. Key benefits of the collaboration include:

1. Majority of land to be utilised is already designated industrial land, for streamlined permitting pathway.
2. Gaining access to power, water and gas, for reduced utility capital.
3. Proximity to surface infrastructure such as rail and road, for ease of access and logistical optimisation.
4. Improved access to the underground orebody, significantly reducing potential development capital cost
5. Meets ventilation requirements for underground operations, further improving shaft capital outlay.
6. Potential underground access to additional orebodies on existing South Harz permits for enhanced project scalability.

Figure 1: Location of Bernterode Shaft in relation to proposed Ohmgebirge Development.



Ohmgebirge PFS Update

On 7 December 2023, South Harz provided an update on the progress of the Ohmgebirge PFS:

- Ongoing review of mine planning driving further efficiencies.
- Baseline process flow sheet, including mass balance.
- Surface water containment design finalised including 100-year run-off event capture capacity.
- Power, water and gas supplies have been identified and a preliminary estimate for connection has been provided by each of the local utility supplier. All equipment and contract work required has been included in the estimate.
- Product storage and loadout strategy refined to maximise rail freight utilisation, thereby reducing truck traffic and minimising GHG emissions.
- Ongoing value engineering activities driving capital and operating cost efficiencies for a brownfield development.

Spatial Planning Application Submitted

On 8 December 2023, South Harz announced that its wholly owned subsidiary, Südharz Kali GmbH, had submitted the comprehensive Spatial Planning Application (**Application**) for its flagship Ohmgebirge Potash Development to the responsible regulatory authority, TLVwA.

The Application documentation was prepared in conjunction with international environmental and permitting consultancy, ERM, and includes an explanatory report, an environmental impact study, a preliminary species protection assessment and a spatial impact assessment document. The application is based on a brownfield development of Ohmgebirge which includes utilisation of the neighbouring Bernterode shaft infrastructure.

Under the German Spatial Planning Act, the TLVwA now has a regulated period of a maximum six (6) months to consider and decide on the Application. The Application documentation has subsequently been available to the public (refer ASX announcement dated 11 January 2024, Spatial Planning Application Achieves important milestone) to facilitate further consultation.

A successful initial consultation meeting for South Harz's Ohmgebirge Spatial Planning impact assessment was previously held during September 2023 (refer SHP ASX release dated 21 September 2023, Ohmgebirge Permitting Process On Track). No significant concerns or objections to the proposed development of Ohmgebirge were raised through that initial hearing process.

The Spatial Planning procedure is a fundamental step in the approval process for all infrastructure and industrial projects in Germany which occupy more than 10 hectares surface area. It involves assessing the impact of a project on the landscape, environment, economy, and broader social aspects. The process is designed to ensure the balancing of interests between the project proponent and all local stakeholders.

Post completion of the Ohmgebirge environmental baseline studies (expected Q1 CY 2024) and following targeted receipt of Spatial Planning approval in mid-2024, South Harz would then be set to proceed with the submission of a General Operating Permit application for build approval.

CORPORATE

Capital Raised to Advance Ohmgebirge Potash Project

On 15 December 2023, South Harz advised that it had received binding commitments for a placement to sophisticated and professional investors to raise approximately A\$1.25 million (before costs) at an issue price of A\$0.023 per share (**Placement**).

Up to A\$1.2 million in additional funds is also set to be raised via a 1-for-15 pro-rata non-renounceable rights issue to eligible shareholders (**Rights Issue**). The Company engaged Morgans Corporate Limited (ACN 453 414 852) (AFSL 235407) to act as lead manager and bookrunner to the Placement and Rights Issue.

Proceeds from the Placement and Rights Issue are planned to be directed towards:

- Completion of the PFS on South Harz's flagship Ohmgebirge potash development targeting inclusion of value engineering for the optimised brownfield scenario.
- Complete a binding agreement with Deusa to access their infrastructure.
- General working capital.

Under the terms of the Placement, South Harz issued approximately 54,134,773 new fully paid ordinary South Harz shares (**Placement Shares**) at an issue price of A\$0.023 per share to raise A\$1.25 million (before costs). Placement Shares were issued under South Harz’s existing ASX Listing Rule 7.1 capacity.

South Harz subsequently advised on 2 January 2024 that it had postponed the opening of its Rights Issue until Thursday 18 January 2024. The deferment of the opening date enables participation in the Rights Issue from additional overseas shareholders. The Rights Issue is being partially underwritten by directors Len Jubber, Luis da Silva and Seamus Cornelius.

New Chair Appointment

On 26 January 2024, Ian Farmer advised he was stepping down as Chairman and resigning from the Board of Directors. The Board expressed their gratitude to Mr Farmer for his tireless leadership and work in furthering the interests of South Harz.

Following Mr Farmer’s resignation, Len Jubber was elected as Non-Executive Chairman. Len was appointed to the South Harz Board in March 2021 and has a professional mining and executive career spanning more than 35 years. He possesses a wealth of technical, commercial, and listed company leadership experience.

Cash

South Harz’s cash balance on 31 December 2023 was A\$2.2 million (A\$2.3 million at 30 September 2023) with zero debt (excluding typical trade creditors). This cash balance includes A\$1.2 million in Placement funds received and excluding rights issue subscriptions.

Strategic partnership discussions continue to run in parallel with Ohmgebirge PFS workstreams.

ASX additional information

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

1. ASX Listing Rule 5.3.1: Pre Feasibility and Permitting Expenditure spend during the quarter was A\$1.1m.
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\$119k.

Summary of tenement holdings as at 31 December 2023

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 2 November 2023, "MOU Executed for Existing Shaft & Infrastructure Utilisation"*
- *The report released 7 December 2023, "Ohmgebirge Pre-Feasibility Study Update"*
- *The report released 8 December 2023, "Spatial Planning Application Submitted"*
- *The report released 15 December 2023, "A\$2.4 Million Capital Raising to Fund Extended Ohmgebirge Project Pre-Feasibility Study"*
- *The report released 2 January 2024, "Change to Rights Issue Timetable"*

About South Harz

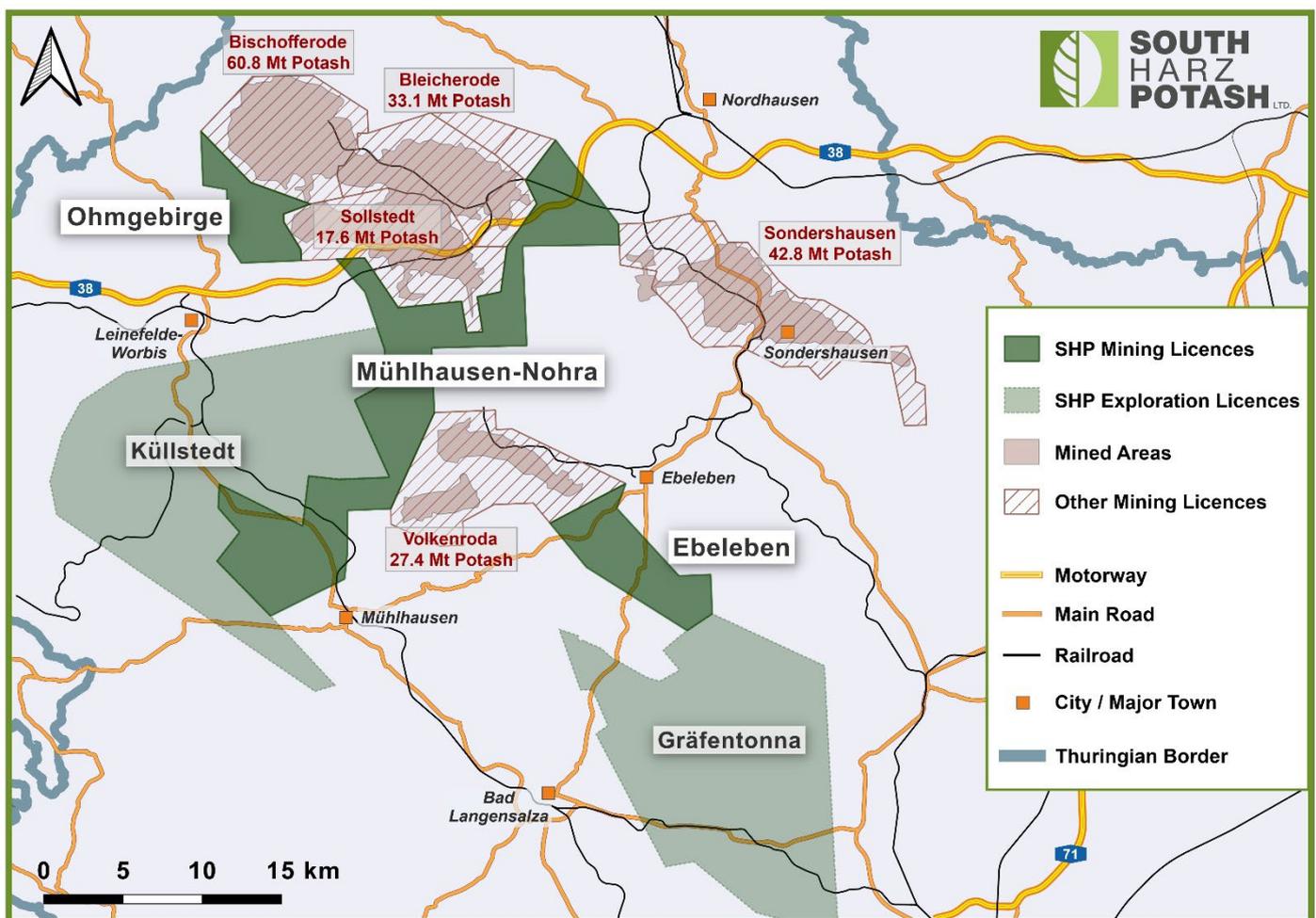
South Harz Potash (ASX: SHP) (**South Harz**) is a potash exploration and development company with its flagship project located in the South Harz Potash District region of Germany, midway between Frankfurt and Berlin.

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")

31 December 2023

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	(2)	(2)
(b) PFS & permitting	(1,145)	(2,979)
(c) production		
(d) site admin & site staff costs	(91)	(233)
(e) corporate costs	(583)	(1,035)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8a VAT	287	(364)
1.9 Net cash from / (used in) operating activities	(1,534)	(4,613)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	-	(2)
(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 (..6....months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(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	-	(2)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,435	4,840
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	(78)	(274)
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	1,357	4,566
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,303	2,267
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,534)	(4,613)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(2)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,357	4,566

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	31	(61)
4.6	Cash and cash equivalents at end of period	2,157	2,157

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	2,157	2,303
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)	2,157	2,303

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	119
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)	(1,534)
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)	(1,534)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,157
8.5 Unused finance facilities available at quarter end (item 7.5)	
8.6 Total available funding (item 8.4 + item 8.5)	2,157
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.4
<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: The delivery of a Pre-Feasibility Study for our flagship Ohmgebirge Project has been the focus of activities for the previous five quarters, requiring an elevated level of operating expenditure. Outflows are to be substantially reduced in the lead up to, and post completion of the PFS, currently scheduled for H1 CY24.	
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: We have launched a partially underwritten rights issue to raise up to A\$1.2 million in additional funds (Rights Issue). The Rights Issue includes an ability to place any shortfall securities to eligible shareholders. The closing date is currently scheduled for Monday 12 February 2024.	

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

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: Yes – due to the actions in 8.8.2 as well as continued shareholder support

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.

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.

31 January 2024

Date:

The Board of Directors

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.