

ASX ANNOUNCEMENT

30 April 2024

MARCH 2024 QUARTERLY ACTIVITIES REPORT

South Harz Potash Limited (ASX:SHP) (**South Harz** or the **Company**) reports on its activities for the quarter ended 31 March 2024.

Highlights

- Ohmgebirge Development Pre-Feasibility Study (**PFS**) at an advanced stage of completion and on track for delivery in coming weeks.
- Commercial discussions with Ohmgebirge neighbour, DEUSA International GmbH (**Deusa**), at an advanced stage to enable implementation of proposed brownfield development pathway.
- Non-binding Memorandum of Understanding (**MoU**) executed with Euroports Germany GmbH & Co. KG and Euroports Belgium NV (collectively, **Euroports**) relating to the storage, handling and export of potash through a transport facility in Rostock (Germany) and/or Antwerp (Belgium).
- Spatial Planning Application for Ohmgebirge in progress with regulatory authority, Thüringer Landesverwaltungsamt (**TLVwA**), with decision expected in Q2 CY2024.
- South Harz to enter a lower cost, internal project optimisation phase following completion of the PFS, in line with current potash market conditions.
- Due diligence granted and discussions commenced with another party in respect of a potential commercial transaction.
- Appointment of Non-Executive Director, Len Jubber, to the role of Non-Executive Chairman, following retirement of previous Chairman, Ian Farmer.
- Non-Executive Director, Seamus Cornelius, resigned from the Board to avoid potential conflicts.

South Harz Managing Director, Luis da Silva, commented:

“During the March Quarter, the South Harz team has continued to work tirelessly to progress the Ohmgebirge PFS, which is expected to be complete in the next few weeks. Concurrently, we have continued our commercial discussions with neighbour, Deusa, which are now reaching the final stages with respect to an agreement for an arrangement to facilitate the proposed brownfield development pathway for Ohmgebirge.

“A successful outcome on both workstreams is targeted to fast-track the realisation of the significant underlying value of the Ohmgebirge Potash Development. We look forward to the expected culmination of both the PFS outcomes and commercial negotiations with Deusa in the coming weeks.”

OHMGEBIRGE DEVELOPMENT

Ohmgebirge PFS Update

The Ohmgebirge PFS is in the final stages of completion and on track for delivery in the next few weeks.

During the quarter, capital and operating cost estimations were assembled by leading global engineering consultant and study manager, Hatch plc. This was a function of a staged finalisation of expected utility requirements (water, power, gas) as well as receipt of final estimations for major equipment sizing, installation costs, project delivery schedules and ‘hard dollar’ supplier quotations.

Progressive cost estimate finalisation is inclusive of fulsome purchase versus lease trade-off analysis on key items across relevant construction phases. Quality risk analysis has been a major focus as various workstreams approach close-out.

Discussions with Deusa Advancing

In the previous quarter, South Harz signed a non-binding MoU with adjoining producer and infrastructure owner, Deusa, with respect to a potential collaboration between the parties to allow South Harz to utilize Deusa’s Bernterode shaft infrastructure. This enabled the advancement of the Ohmgebirge PFS and Spatial Planning Application on a brownfield pathway (refer South Harz ASX release dated 2 November 2023, “*MoU Executed for Existing Shaft and Infrastructure Utilisation*”). This pathway offers substantial time, capital cost and footprint advantages versus greenfield shaft construction.

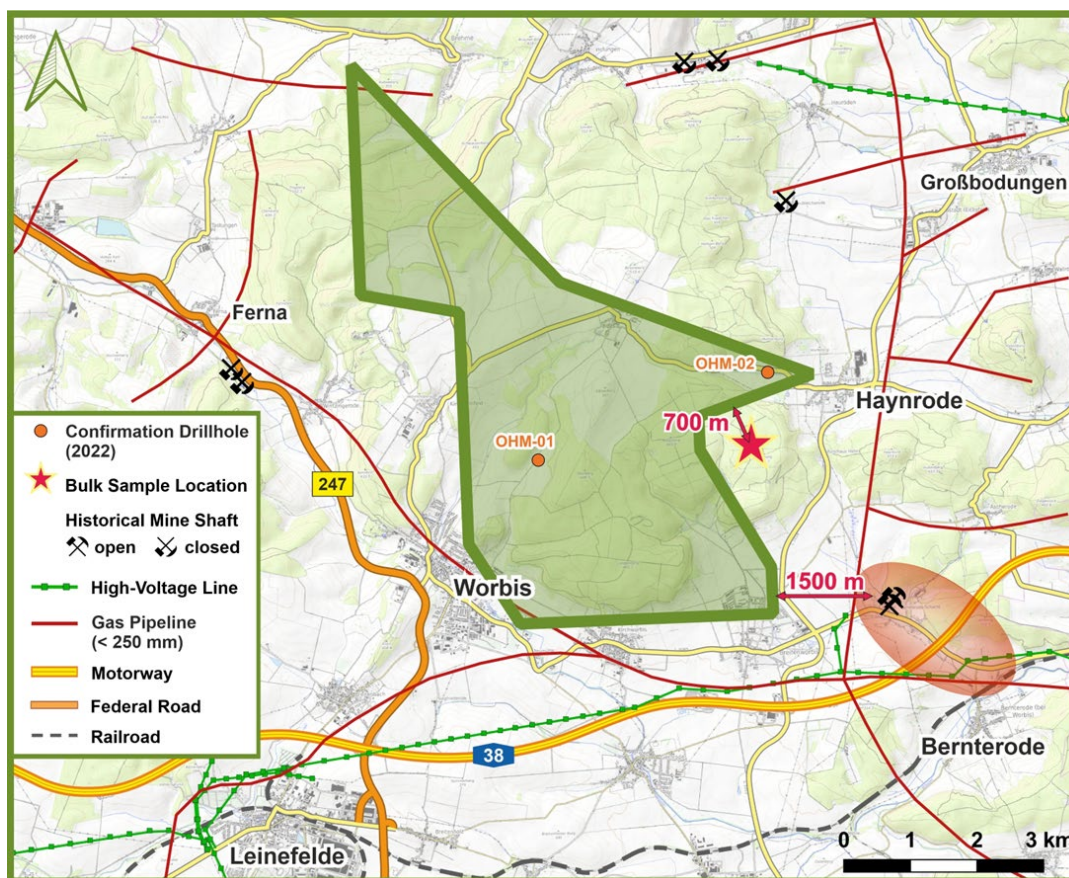


Figure 1: Location of Bernterode Shaft in relation to proposed Ohmgebirge Development.

Throughout the quarter, commercial partnership discussions with Deusa progressed well, with both parties working constructively in seeking the optimal engineering, environmental and economic outcome for Ohmgebirge. While the MoU only granted exclusivity to South Harz until 31 March 2024, South Harz affirms that commercial discussions with Deusa are at an advanced stage, with agreement expected to be reached in coming weeks.

Export Access MOU Executed with Euroports

On 23 February 2024, a non-binding MoU was executed with Euroports to advance commercial discussions towards a potential long-term agreement for the storage, handling, and export of potash product from Ohmgebirge, located in central Germany, through one of Euroports’ operated facilities in Rostock (Germany) and/or Antwerp (Belgium).

Figure 1 depicts the location of these export facilities along with the key overland transport routes linking them to Ohmgebirge. The Ohmgebirge Potash Development area is situated approximately 450 km by rail or road to Rostock, and 470 km to Antwerp.

Euroports is a leading port-centric platform with a global network of circa 50 port terminals across Europe and China; complemented by integrated end-to-end supply chain services including freight forwarding services, through its subsidiary, Manuport Logistics (the “Euroports Group”). Euroports handles more than 70 million tons of paper, pulp, fertilisers, agribulk, sugar, metals and minerals while capturing many fast-growing products, such as wind turbines, lithium, biofuel, and recycling waste. Focusing on achieving zero harm, Euroports places safety and compliance as its highest priority.



Figure 2: Location of Euroports’ facilities in Rostock and Antwerp relative to Ohmgebirge

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.. 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 has a regulated period of six (6) months to consider and decide on the Application. The Application documentation has subsequently been available to the public (refer South Harz ASX release dated 11 January 2024, "*Spatial Planning Application Achieves important milestone*") to facilitate further consultation. The consultation phase was completed in February for the public interest groups and in mid-March for the citizens in the regions. The TLVwA is now considering any concerns related strictly to the relevant Spatial Planning legal framework.

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.

At the end of the March quarter, this permitting process remains on track for targeted receipt of a spatial planning decision by the TLVwA during Q2 CY2024. The overall permitting approach and regulatory schedule for Ohmgebirge is being led by highly experienced South Harz Regional Director, Dr Babette Winter.

Following targeted receipt of Spatial Planning approval and completion of the Ohmgebirge environmental baseline studies, South Harz will be able to progress the work required to support a General Operating Permit application for build approval.

Future Project Optimisation

Following completion of the PFS, South Harz is set to enter a lower cost, internal project optimisation phase on Ohmgebirge. This decision has been taken as a function of current global potash market conditions, including cyclically depressed price levels, impacting on available opportunities for more rapid project advancement and financing.

The Company plans to systematically progress permitting on Ohmgebirge during this phase, allowing the project to steadily advance in this critical path area, and remain well positioned versus potash development competitors, alongside the expected re-strengthening in global potash market conditions over the next 12 to 24 months.

As such, this planned optimization phase is also expected to provide the opportunity for ongoing value engineering processes to be undertaken on final PFS capital and operating cost outcomes, which are naturally expected to reflect the context of the present inflationary environment.

Other Commercial Discussions

During the quarter, South Harz also announced that it had granted due diligence access and entered discussions with another party in respect of a potential commercial transaction. It should be noted, there is no assurance that any transaction will result from these discussions.

CORPORATE

Capital Raising Activities to Advance Ohmgebirge

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\$1.27 million (before costs) at an issue price of A\$0.023 per share. The Company also proposed to raise an additional A\$1.2 million via a 1-for-15 pro-rata non-renounceable rights issue to eligible shareholders at the same issue price (**Entitlement Offer**).

The Entitlement Offer closed on 26 February 2024, with the Company raising a total of A\$586,059 (before costs) in new funds. A\$489,500 was raised from eligible shareholders (totalling 21,282,628 New Shares) and A\$96,559 was partially underwritten through director participation in the raising from Non-Executive Chairman, Len Jubber, CEO, Luis da Silva, and Non-Executive Director, Seamus Cornelius (totalling 4,198,206 new Shares). For further details, refer South Harz ASX release dated 28 February 2024, "*Completion of Entitlement Offer*".

South Harz subsequently raised a further A\$496,915 through the placement of the majority of the Entitlement Offer shortfall (21,605,000 shortfall shares at A\$0.023 per share). Overall, the Entitlement Offer raised approximately A\$1.1 million in new funds to be allocated towards the completion of the Ohmgebirge PFS.

New Chair Appointment

On 29 January 2024, South Harz advised the appointment of Mr Len Jubber to the role of Non-Executive Chairman, effective from 1 February 2024.

As an existing Non-Executive Director of the South Harz Board and Management, Len's elevation to the role of Chairman followed the decision of incumbent South Harz Chairman, Mr Ian Farmer, to retire from the Board for personal reasons.

Mr Jubber was appointed to the South Harz Board in March 2021 and is a civil engineering by training. With a professional mining and executive career spanning more than 30 years, he possesses a wealth of technical, commercial, and listed company leadership experience.

Resignation of Non-Executive Director

Following the granting of due diligence access and the commencement of discussions with another party in respect of a potential commercial transaction (refer South Harz ASX release dated 11 March 2024, *Ohmgebirge Project and Corporate Update*), South Harz Non-Executive Director, Seamus Cornelius elected to resign from the South Harz Board in order to avoid any potential or perceived conflicts of interest.

Cash

South Harz's cash balance at 31 March 2024 was A\$1.009 million (A\$2.157 million at 31 December 2023) with zero debt (excluding typical trade creditors). This cash balance includes A\$1.1 million in proceeds from the Entitlement Offer.

Strategic partnership and finance 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\$1.389 million.

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\$133k, which was for Directors' Fees. To assist the Company in conserving its cash in the short term, the current Non-Executive Directors, Len Jubber, Reinout Koopmans and Rory Luff, have agreed to defer the payment of their Directors' Fees during the quarter. The Company expects, at its next general meeting of shareholders, to seek approval to convert these deferred fees to shares in the Company.

Summary of tenement holdings as at 31 March 2024

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%

No tenements were acquired or disposed of during the quarter.

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 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"*
- *The report released 11 January 2024, "Spatial Planning Application Achieves Important Milestone"*
- *The report released 18 January 2024, "Pro-Rata Non-Renounceable Entitlement Issue"*
- *The report released 29 January 2024, "New Chair Appointment"*
- *The report released 5 February 2024, "Progress Update on Ohmgebirge PFS & Discussions with Deusa"*
- *The report released 23 February 2024, "Export Access MOU Executed with Euroports"*
- *The report released 28 February 2024, "Completion of Entitlement Offer"*
- *The report released 11 March 2024, "Ohmgebirge Project and Corporate Update"*
- *The report released 28 March 2024, "Placement of Entitlement Offer Shortfall and Deusa Update"*

The company confirms it is not aware of any new information or data that materially affects the information included in the previous market announcements noted above.

About South Harz

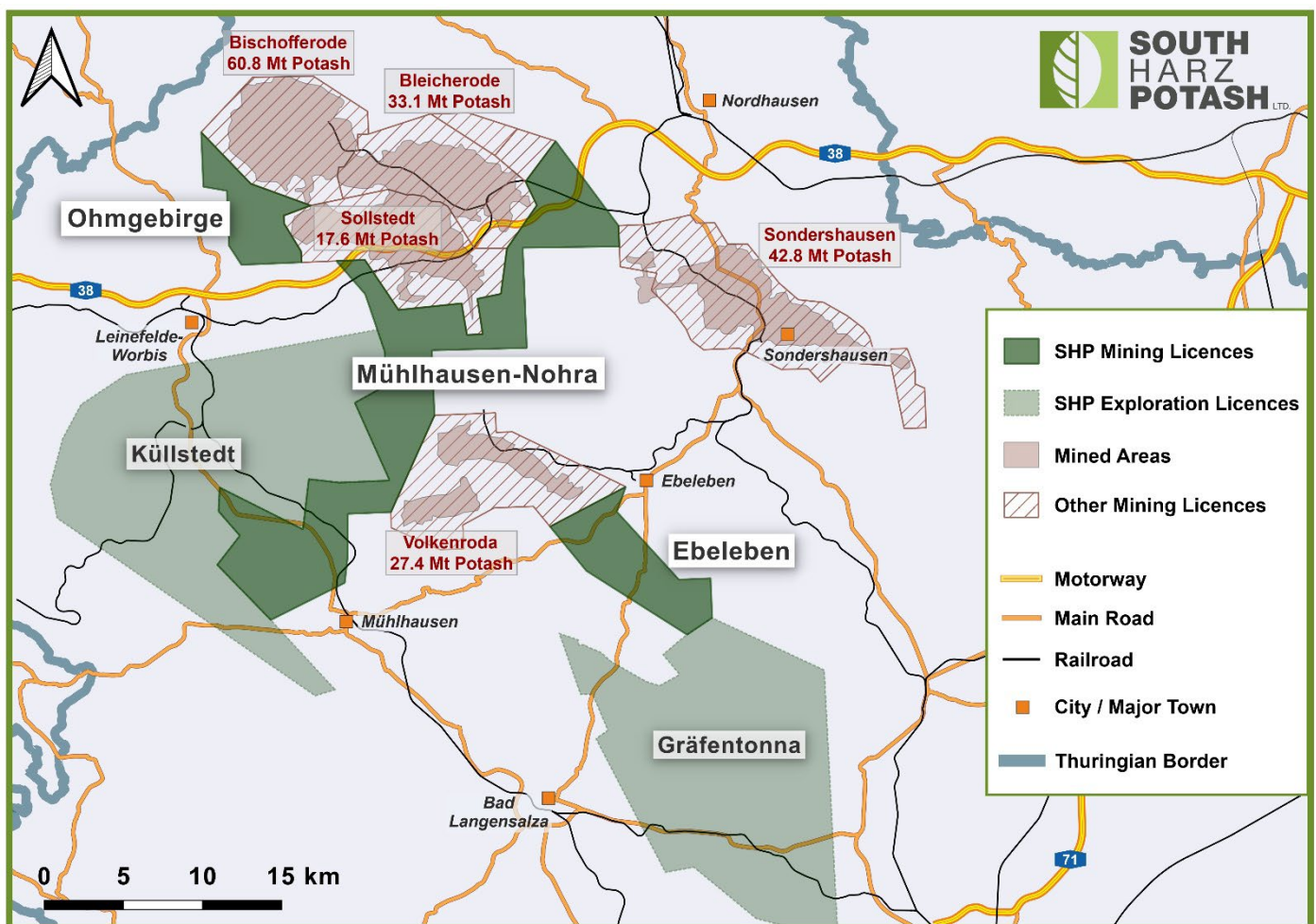
South Harz Potash (ASX: SHP) (**South Harz**) is a potash exploration and development company with its flagship project located in the South Harz Potash District region of Germany, midway between Frankfurt and Berlin.

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 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	(2)
(b) PFS & permitting	(1,389)	(4,368)
(c) production		
(d) site admin & site staff costs	(304)	(537)
(e) corporate costs	(393)	(1,428)
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	(107)	(471)
1.9 Net cash from / (used in) operating activities	(2,193)	(6,806)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		

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 (9 months) \$A'000
(c) property, plant and equipment		
(d) exploration & evaluation		
(e) investments		
(f) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		(2)
(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)	1,083	5,922
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(56)	(330)
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)		
3.10 Net cash from / (used in) financing activities	1,027	5,592

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 (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,157	2,267
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,193)	(6,806)
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)	1,027	5,592
4.5	Effect of movement in exchange rates on cash held	18	(42)
4.6	Cash and cash equivalents at end of period	1,009	1,009

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	1,009	2,157
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)	1,009	2,157

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	133
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

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)	(2,193)
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)	(2,193)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,009
8.5	Unused finance facilities available at quarter end (item 7.5)	
8.6	Total available funding (item 8.4 + item 8.5)	1,009
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.46
	<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: No. South Harz is in the final stages of a Pre-Feasibility Study (**PFS**) on the Ohmgebirge Potash Development (expected completion in next few weeks), which is the reason for its elevated spend level over recent quarters. Expenditure is expected to decrease significantly over coming quarters as South Harz moves to a lower cost structure focussed on internal project optimisation (as previously announced).

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: Yes. The Company is currently reviewing opportunities for obtaining capital and believes, as shown by its recent capital raising, it will have the ability to raise any funds needed to meet its business objectives.

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. The Company believes, as shown by its recent capital raising, it will have the ability to raise any funds needed to meet its business objectives..

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.

Date:30 April 2024.....

Authorised by:The Board.....

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