

ASX ANNOUNCEMENT

29 October 2021

SEPTEMBER 2021 QUARTERLY ACTIVITY REPORT

South Harz Potash Limited (ASX:SHP) (**South Harz** or the **Company**), a potash exploration and development company with world-class projects in Germany, is pleased to report on its activities for the quarter ended 30 September 2021.

Highlights

- Permit received to drill the first of two planned holes at the flagship Ohmgebirge Mining Licence Area within the Company's South Harz Potash Project
- Drilling contractor to commence immediately with expected hole completion in early Q1 CY2022
- Permit for second hole at Ohmgebirge expected to follow shortly with drilling completion expected in mid Q1 CY2022
- Ohmgebirge Scoping Study launched with completion expected at end Q1 CY2022
- Global potash price strength continues with further price increases seen across all key markets
- Cash balance of A\$7.6M at 30 September 2021 and zero debt (excluding typical trade creditors).

South Harz Managing Director, Dr Chris Gilchrist, commented:

"The September quarter saw South Harz take substantial steps towards upgrading the classification of our Mineral Resource estimate at Ohmgebirge, with the granting of a drilling permit for our first confirmatory hole together with receipt of landowner and tenant permission for the second. An upgraded resource classification for Ohmgebirge, to Indicated status, is expected to enable South Harz to complete and release a preliminary technical and economic assessment, otherwise known as a Scoping Study, on the Ohmgebirge Mining Licence Area. This Scoping Study is to be completed towards the end of Q1 CY2022 and is expected to lay the immediate foundation for the next stage of technical evaluation and development advancement of the South Harz Project."

SOUTH HARZ POTASH PROJECT: OHMGEBIRGE

First drilling permit secured

As announced on 29 October 2021, South Harz secured drilling approval from the relevant regulatory authority, *Thüringer Landesamt für Umwelt, Bergbau und Naturschutz (TLUBN)*, for the first of two planned confirmation drill holes at its flagship Ohmgebirge Mining Licence (**Ohmgebirge**) within the South Harz Potash Project.

The permit is was granted subject to conditions relating to drill site remediation and drill hole grouting, post-drilling, together with conditions relating to the protection of soils and water. These were provided for in the operating plan submitted to the TLUBN at time of permit application and are currently being discussed with the driller, Angers, to ensure exact compliance will be reached.

South Harz has instructed the drilling contractor, *H. Anger's Söhne – Bohr- und Brunnenbaugesellschaft (Angers)*, to commence drilling at drillhole OHM-02 with immediate effect. Drilling of the hole is expected to take approximately 8-10 weeks with completion currently scheduled for early Q1 CY2022.

Drillhole OHM-02 is planned to a depth of 665m, which is expected to fully penetrate the known potash horizon in the area. A “HAS UH 4/45” drill rig is to be used for the drilling work, which commences with 508 mm diameter casing and is set to recover potash and salt core with an ultimate diameter of 63.5 mm (standard HQ). The drillhole is to be surveyed using a full suite of geophysical tools including caliper, borehole deviation, temperature, salinity, gamma, gamma-gamma, neutron log, resistance and acoustic logging. Cement bond logs, cement integrity tests and formation integrity tests are to be carried out as standard.

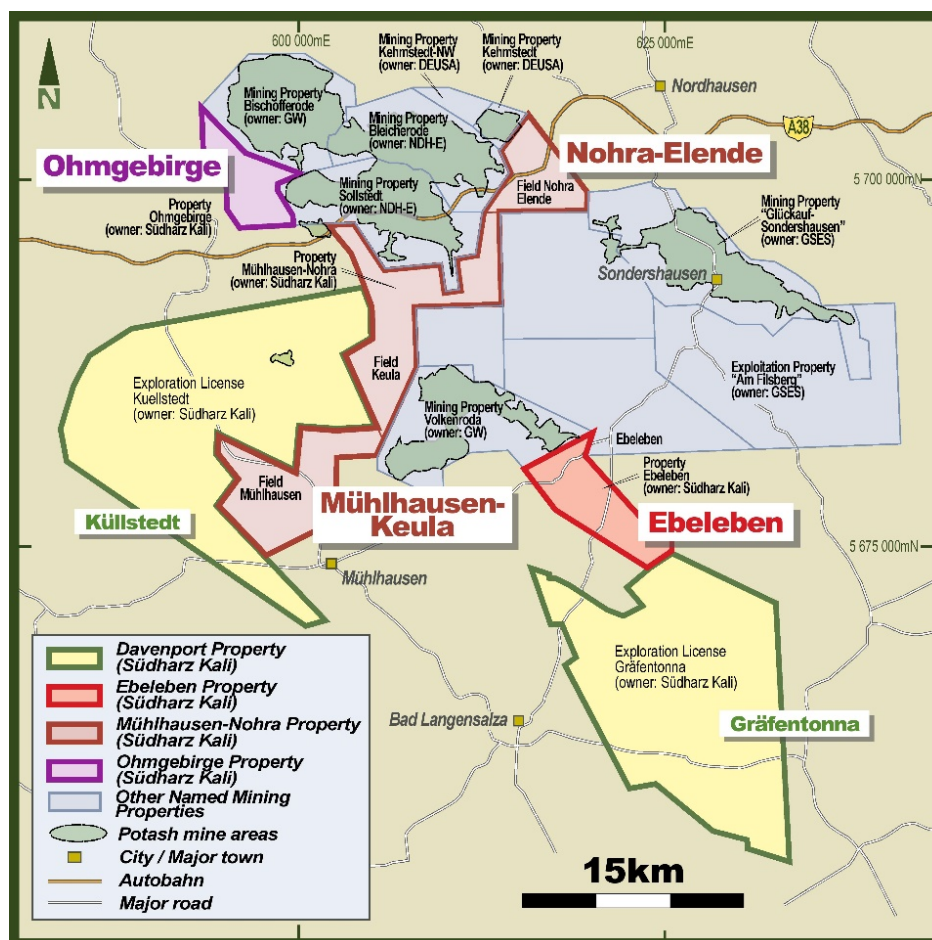


Figure 1: Location of the Ohmgebirge Mining Licence Area (top left) showing proximity to former potash mines and other South Harz Project Licence Areas

The aim of the drilling is to recover potash core from depth to assist in verifying historical drilling carried out at Ohmgebirge by the former GDR state mining company as recently as the 1980's. Drillhole OHM-02 is designed to twin the historical drillhole, *Kal Wr 6 Liese*, which recorded an historical potash intercept of 5.5m at 14.4% K₂O (from 651.7m) (as reported by South Harz in ASX announcement dated 23 December 2019).

During the quarter, South Harz received landowner and tenant permission for the second confirmatory drill hole at Ohmgebirge, OHM-01 (see South Harz ASX release dated 19 July 2021). An application for OHM-01 was submitted to the TLUBN in early August 2021. The Company now awaits confirmation of this permit and anticipates work on this second drill hole to begin immediately after completion of drill hole OHM-02, with expected completion of OHM-01 in mid Q1 CY2022.

Results from the two confirmatory drillholes are expected to allow South Harz to upgrade the current Ohmgebirge JORC (2012) Inferred Mineral Resource estimate to the Indicated category. Subject to concurrent and satisfactory advancement of all modifying factors, this is expected to allow the release of a Scoping Study (a preliminary technical and economic assessment) for Ohmgebirge by the end of Q1 CY2022.

Scoping Study commenced

Arrangements have been made with both primary and secondary analytical laboratories in Germany to undertake chemical and mineralogical analyses on the drill cores extracted from OHM-01 and OHM-02. Both laboratories have potash experience and are internationally accredited.

Contributing entities for the compilation of the Ohmgebirge Scoping Study have been appointed and instructed to commence their respective scopes of work.

Micon is tasked with re-modelling the Ohmgebirge Mineral Resource estimate based on the results of the confirmatory drilling, advise on their correlation with historic results and, if appropriate, provide an Indicated Mineral Resource estimate.

The mining and processing methodologies for Ohmgebirge are to be assessed by internationally recognised potash consultants, K-Utec, and their recommendations will be reported, together with initial capital and operating cost estimates for developing Ohmgebirge.

Potash marketing, ESG and financial modelling specialists, all with previous potash experience, have also been appointed to contribute to the Scoping Study.

Completion of the Ohmgebirge Scoping Study is expected in late Q1 CY2022.

POTASH MARKET DYNAMICS

It is intended that the Ohmgebirge project will produce the most common form of potash, MOP, which represents 92% of global potash sales. The market has undergone a significant transformation in recent months as post-COVID food security fears have increased the cost of major crops, such as corn, soya and cereals in recent months by as much as 70% (*Argus Media, Potash Analytics, August 2021*). In turn, this has made fertilisers more affordable in relative terms which has impacted favourably on the prices and traded volumes of all three key fertilizer components, nitrogen, phosphate and potash.

The global MOP market is forecast to reach record levels in excess of 70 million metric tonnes during 2021/2022, a trend which is set to continue for the foreseeable future as food security concerns, population growth and changing dietary habits place an increasing demand on fertilisers. Potash prices are set to increase further to

over US\$500 per tonne during 2022 and the global market is forecast to rise to over 90 million metric tonnes by 2033 in line with an annual volume increase of 2-3% (*Argus Media, Potash Analytics, August 2021*).

During the quarter, BHP announced that market conditions were favourable in which to invest US\$5.7 billion into its ongoing Jansen potash project in Canada (Source: www.bhp.com/what-we-do/global-locations/canada-jansen-potash-project-10-October2021). The project will reach an annual output of 4.35 million metric tonnes by 2033, representing approximately 5% of global production at that date.

CORPORATE

Cash

South Harz held cash of A\$7.6 million at 30 September 2021 and zero debt (excluding typical trade creditor balances).

Annual Report and AGM

The 2021 Annual Report was released to the ASX on 30 September 2021. The Company's 2021 Annual General Meeting is to be held on 10 December 2021.

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\$234,000. Full details of exploration activity during the September 2021 quarter are set out in this report.
2. ASX Listing Rule 5.3.2: No mining production or development.
3. ASX Listing Rule 5.3.5: There were no payments to related parties of the Company and their associates during the quarter

Summary of tenement holdings as at 30 September 2021

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 Chief Executive Officer, Dr Chris Gilchrist.

Investor and media enquiries

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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) Inferred Mineral Resource estimate of 5.3 billion tonnes at 10.8% K₂O across four wholly-owned project areas¹ located favourably within central Europe. 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 and close proximity to the key European market, the South Harz Project is well positioned to enable rapid 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 announcement dated 23 December 2019 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 announcement.

END NOTES

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

- *The report released 24 October 2017 "Final Approval for German Mining Licence"*
- *The report released 22 December 2019 "Davenport Announces Ohmgebirge Potash Resource"*
- *The report released 6 July 2021 "South Harz Potash selects Ohmgebirge drillers"*
- *The report released 19 July 2021 "South Harz Potash secures second Ohmgebirge drill site"*
- *The report released 21 July 2021 "Change of Auditor"*
- *The report released 29 October 2021 "Drilling Permit Secured for Ohmgebirge Project"*

Appendix 5B

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

Name of entity

South Harz Potash Limited

ABN

64153414852

Quarter ended ("current quarter")

30 September 2021

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	(235)	(235)
(b) development		
(c) production		
(d) staff costs	(211)	(211)
(e) administration and corporate costs	(378)	(378)
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		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(824)	(824)

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		
	(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		

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
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		
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		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,236	8,236
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(824)	(824)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)		

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	215	215
4.6	Cash and cash equivalents at end of period	7,627	7,627

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	7,627	7,627
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)	7,627	7,627

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	
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 <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
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)	(824)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(824)
8.4 Cash and cash equivalents at quarter end (item 4.6)	7,627
8.5 Unused finance facilities available at quarter end (item 7.5)	
8.6 Total available funding (item 8.4 + item 8.5)	7,627
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	9.25
<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. Subject to permit, we are expecting to commence drilling in the next quarter which will significantly increase our exploration costs	
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 adequate funding in the short term and when more capital is required this will be raised from a combination of existing and potentially new shareholders.	

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, subject to permits and raising additional funding when required.

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: 29/10/2021

Authorised by: A. A. Roberts CFO
(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.