

ASX ANNOUNCEMENT

27 January 2022

DECEMBER 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 31 December 2021.

Highlights

- All required approvals and permits secured for the two planned confirmatory drillholes within the inaugural Ohmgebirge Mining Licence Area
- Drilling programme underway and scheduled for completion during April 2022
- Scoping Study progressing well with expected completion in May 2022
- A\$5.3M new equity raised for acceleration of Ohmgebirge evaluation programme and building organizational capability
- Cash balance of A\$10.4M at 31 December 2021

South Harz Managing Director, Dr Chris Gilchrist, commented:

“The South Harz team is delighted with the consistent progress made during the quarter. Whilst there have been some challenges associated with materials supply shortages, I am very pleased to report that drilling activities are progressing well at our first and foundational project, Ohmgebirge. The emphatic support shown by both new and existing shareholders during our A5.3m raising in December sets us up to rapidly advance the technical and economic assessment phase of our project and an exciting 2022.”

SOUTH HARZ POTASH PROJECT: OHMGEBIRGE

All required approvals and permits secured

As previously announced (see SHP ASX releases dated 29 October 2021 and 11 January 2022), drilling approvals were received from the German regulatory authority, *Thüringer Landesamt für Umwelt, Bergbau und Naturschutz (TLUBN)*, for two planned confirmation drill holes within the flagship Ohmgebirge Mining Licence (**Ohmgebirge**) area of the South Harz Potash Project.

The drilling contractor, *H. Anger's Söhne – Bohr- und Brunnenbaugesellschaft (Angers)*, has commenced operations (see SHP ASX release dated 24 November 2021), with drillhole OHM-02 now underway and OHM-01 scheduled to commence immediately following completion of OHM-02 (see SHP ASX release dated 18 January 2021). Drilling is expected to be completed during April.

CONTACT DETAILS

The confirmatory drillhole programme is targeted to allow South Harz to upgrade a substantial proportion of the current Ohmgebirge JORC (2012) Inferred Mineral Resource estimate (325 Mt at 13.1% K₂O)¹ to the Indicated category. Subject to concurrent and satisfactory advancement of all modifying factors, this is expected to allow the release of a comprehensive Scoping Study (a preliminary technical and economic assessment) for Ohmgebirge in May 2022.

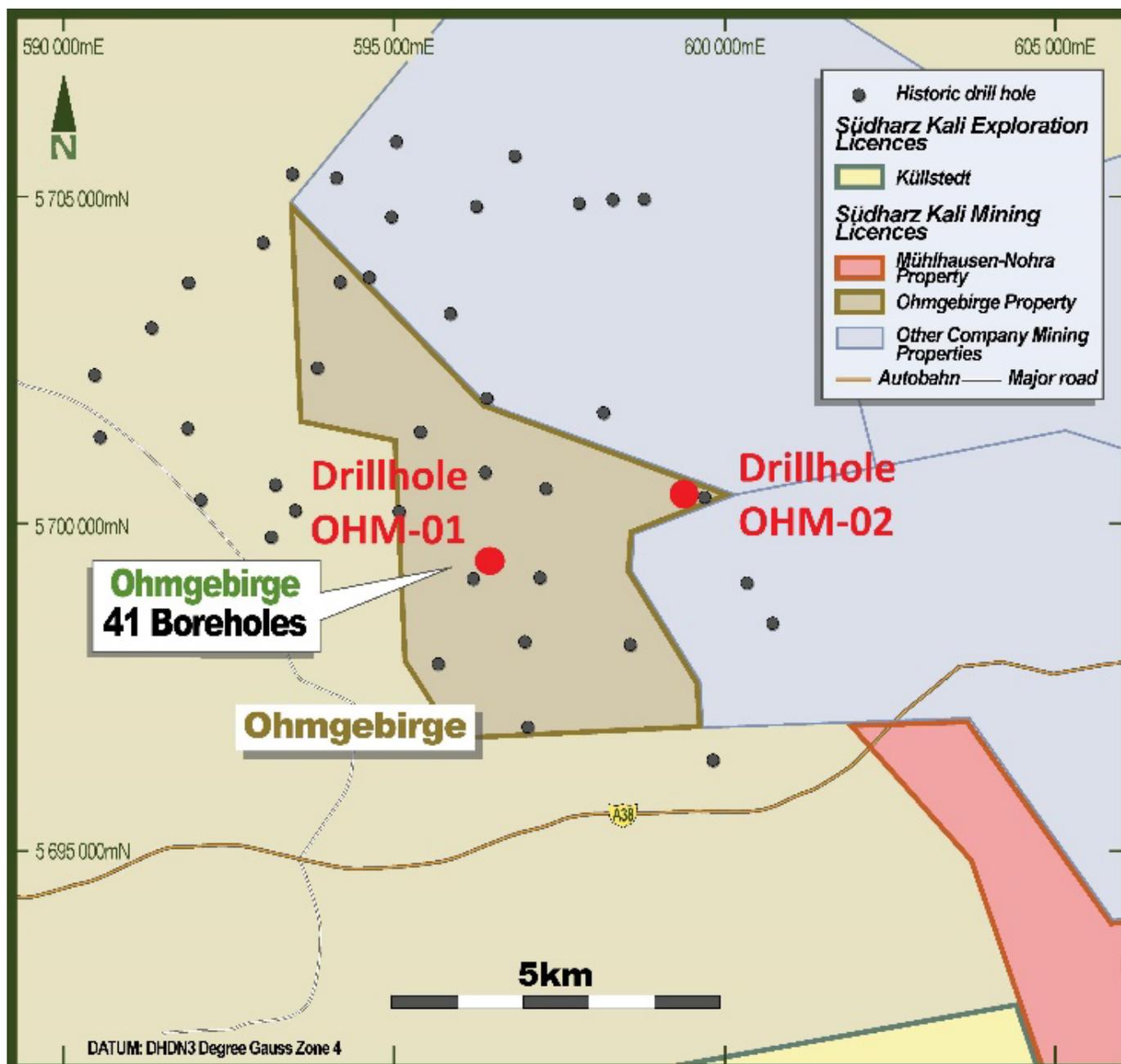


Figure 1: Ohmgebirge Mining Licence area showing the approximate location of historic drillholes and the twin confirmatory holes, OHM-01 and OHM-02.

CONTACT DETAILS

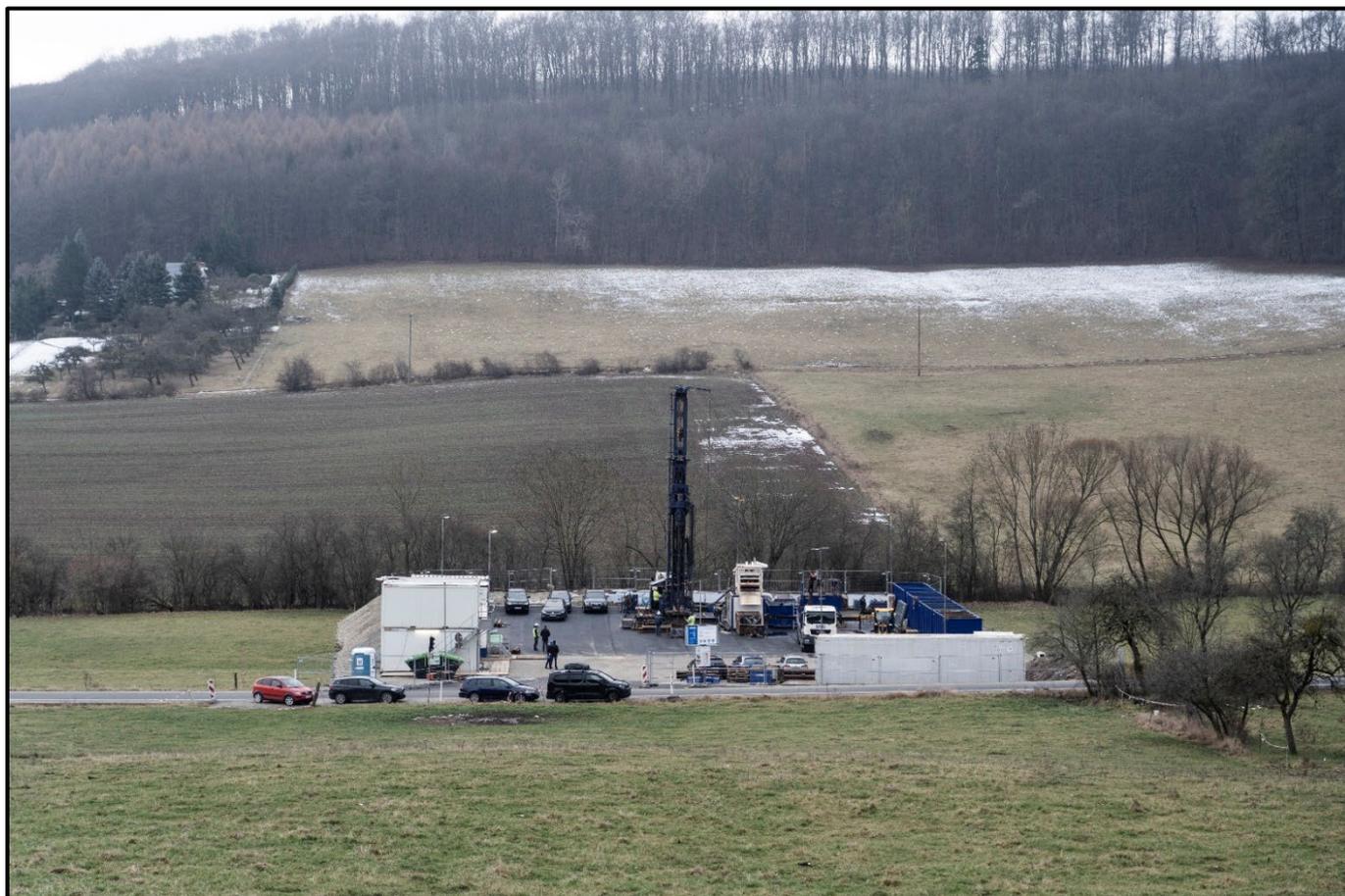


Figure 2: Overview of the OHM-02 drill site within the Ohmgebirge Mining Licence

Scoping Study advancing

In parallel with drill programme works, the Ohmgebirge Scoping Study workstreams continued to progress well during the quarter. Micon International Ltd (“**Micon**”), our appointed Competent Person, has completed the resource model which now only requires insertion of the results from the two confirmatory drill holes to allow a final definition of the Indicated resource. K-Utec Salt Technologies (“**K-Utec**”) have made satisfactory progress on the consideration of mining and processing methods and are presently building the capital and operating cost estimates for three potential production scenarios. Environmental Resource Management Consultants (“**ERM**”) have been appointed to define an ESIA work programme for the follow-on feasibility study, while Fertilizer Sales Development Ltd (“**FSL**”) and Sidus Consulting (Pty) Ltd (“**Sidus**”) have been appointed to advise on the marketing and financial modelling aspects respectively.

CONTACT DETAILS

CORPORATE

Cash

During the quarter, South Harz obtained commitments for A\$5.26 million in new equity funding via a placement of 43,841,669 new fully paid ordinary shares at an issue price of A\$0.12 per share (see SHP ASX release dated 13 December 2021).

Approximately A\$5 million of these new equity funds were received and 41,666,669 new shares issued during the quarter. The issue of the residual 2,175,000 shares for A\$261,000 remains subject to receipt of shareholder approval at a General Meeting of South Harz shareholders scheduled on 11 February 2022 (see SHP ASX release dated 13 January 2022).

The new equity places the Company in its strongest financial position to date and ensures it is well funded to complete the two-hole drilling programme, the targeted Mineral Resource estimate upgrade and Scoping Study finalisation at Ohmgebirge. Furthermore, the additional funds allow the Company to rapidly transition into planned Feasibility Study workstreams, drive organisational capability and bolster general working capital, including recruitment of further specialists in Germany to support the planned development of Ohmgebirge and the broader suite of South Harz Potash Projects.

South Harz's cash balance at 31 December 2021 was A\$10.4 million (A\$7.6 million at 30 September 2021). The Company has no debt or convertible debt-like instruments (excluding typical trade creditor balances).

The expenditure incurred on exploration activities during the quarter as summarised in this report is approximately \$0.9 million. This predominantly relates to the initial prepayment with respect to drill hole OHM -02. No expenditure was incurred on mining production or development activities during the quarter.

Payments totalling approximately \$166,000 were made to related parties of the Company, as shown in the attached Appendix 5B. These payments related to current fees and consultancy fees paid to directors.

Annual Report and AGM

The 2021 Annual Report was released to the ASX on 30 September 2021. The Company's 2021 Annual General Meeting was held on 10 December 2021 where all resolutions put to shareholders were duly carried by poll (see SHP ASX release dated 16 December 2021).

Summary of tenement holdings as at 31 December 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%

CONTACT DETAILS

This ASX release has been approved by Managing Director, 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 inaugural 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 combined 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

CONTACT DETAILS

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ASX Code (Options): SHPO

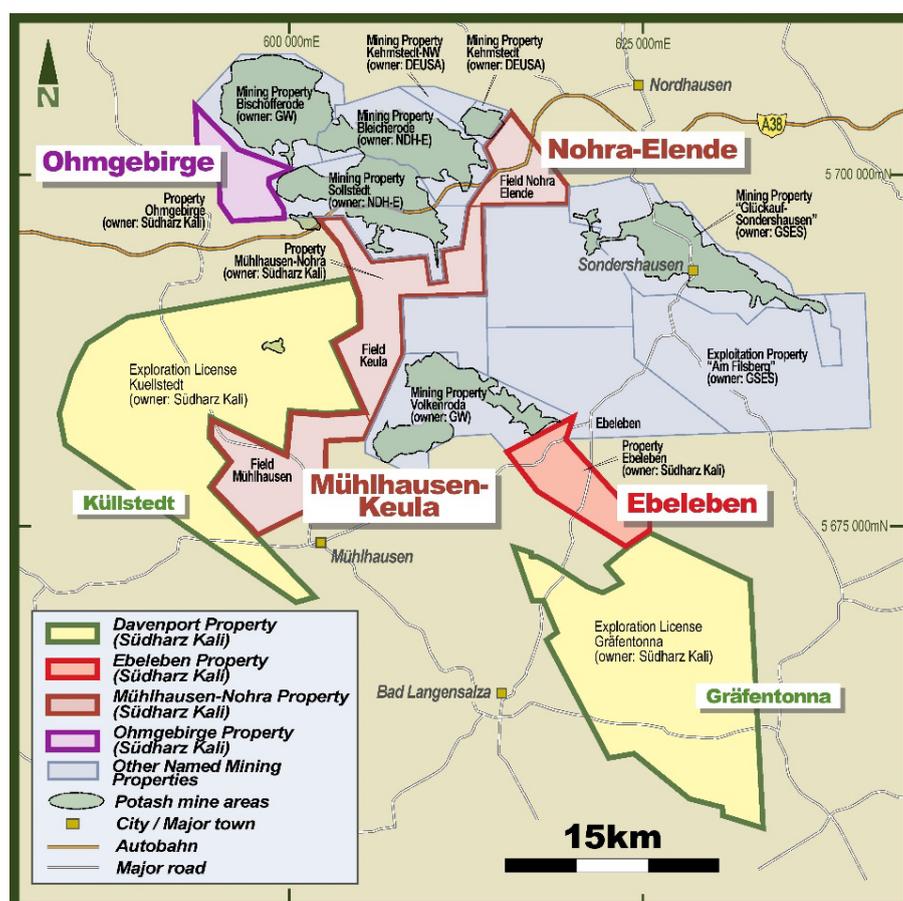
Frankfurt Code: A2DWXX

480.0M Ordinary Shares

151.4M Unlisted Options

46.2M Listed Options

1.5M Performance Rights



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 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 23 December 2019 "Davenport Ohmgebirge JORC Inferred Resource 325Mt at 13.1% K₂O"*
- *The report released 29 October 2021 "SHP drilling permit secured for Ohmgebirge project"*
- *The report released 24 November 2021 "Ohmgebirge drill pad construction commences"*
- *The report released 13 December 2021 "A\$5.3M equity raising to accelerate Ohmgebirge"*
- *The report released 16 December 2021 "Results of Meeting"*
- *The report released 11 January 2022 "Second drill permit secured and drilling commencing"*
- *The report released 18 January 2022, "Drilling commences at Ohmgebirge"*

CONTACT DETAILS

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")

31 December 2021

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	(944)	(1,179)
(b) development		
(c) production		
(d) staff costs	(1,161)	(1,372)
(e) administration and corporate costs	(54)	(432)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
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	(2,157)	(2,981)

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 (..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		
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,000	5,000
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	558	558
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(315)	(315)
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	5,243	5,243
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,627	8,264
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,157)	(2,981)
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)	5,243	5,243

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	(292)	(105)
4.6	Cash and cash equivalents at end of period	10,421	10,421

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	10,421	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)	10,421	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	166
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		
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)	(2,157)
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)	(2,157)
8.4 Cash and cash equivalents at quarter end (item 4.6)	10,421
8.5 Unused finance facilities available at quarter end (item 7.5)	
8.6 Total available funding (item 8.4 + item 8.5)	10,421
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	4.8
<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: 27 January 2022

Authorised by:The Board of South Harz Potash.....
 (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.