

## ASX ANNOUNCEMENT

27<sup>th</sup> July 2021

# JUNE 2021 QUARTERLY ACTIVITY REPORT

South Harz Potash (ASX:SHP, “the Company”), a potash exploration and development company with world-class projects in Germany, is pleased to report on its activities for the June 2021 quarter.

## Highlights

### Operational – Ohmgebirge Potash Project

- Agreement with landowners/tenants for the two confirmatory drill holes now in place; drill results to enable delivery of Scoping Study based on Mineral Resource Estimate upgrade to JORC Indicated category.
- Supplementary detailed information for the first hole submitted to regional mining authorities to support the final step in permitting process; in process of completing the submission for second hole.
- H. Angers Söhne Bohr-und Brunnenbau GmbH (Angers) selected to drill the first hole; negotiating terms for second hole.
- Drilling of first hole expected to commence in Q4 2021.
- Scoping study schedules agreed with relevant consultancies; targeted for completion in Q1 2022.

### Corporate

- Change of name to South Harz Potash Limited after shareholder approval, more accurately reflecting the Company’s operations and location
- Mr Andrew Robertson appointed Chief Financial Officer
- BDO appointed as the company’s auditor

### Key Activities for September Quarter:

- Conclude permitting submission for second confirmatory hole and appoint drillers
- Commence Ohmgebirge site works.
- Scoping Study activities to commence

Commenting on the June Quarter, Dr Chris Gilchrist, Managing Director of South Harz Potash said:

***“We are making solid progress towards achieving an upgraded Mineral Resource Estimate at Ohmgebirge with preparations for the drilling of the confirmatory holes progressing well and Scoping Study work schedules agreed.*”**

***“The potash market fundamentals continue to strengthen with contract MOP prices of cUS\$300 per tonne forecast for the next 12 months. The longer term price outlook is also strengthening, presenting a particularly encouraging backdrop for the Ohmgebirge Scoping Study to be produced in Q1 2022.”*”**

#### CONTACT DETAILS

## OHMGEBIRGE PROJECT

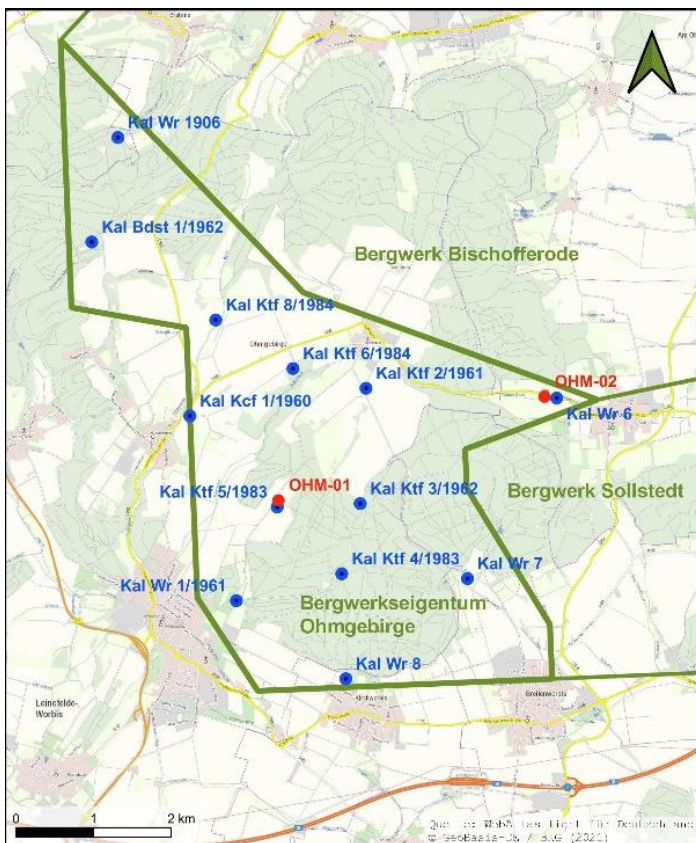
SHP owns a world-class potash field in the South Harz region of Germany. The company is in possession of a large database of drilling information for its licence areas with the results from 300 exploration holes giving an Inferred resource of 5.3 billion tonnes (grading 10.8% K<sub>2</sub>O)\*. The combined licence area covers some 659 km<sup>2</sup> with four projects identified to date. Ohmgebirge has been identified as our starter project.

### Resource Confirmation Drilling

The Ohmgebirge Project currently has an Inferred Resource of 325 million tonnes grading 13.1% K<sub>2</sub>O\* and SHP plans to drill two confirmatory holes to verify results from historic drillholes in order to update the Mineral Resource Estimate (“MRE”), with the majority of Ohmgebirge’s Inferred Resource expected to be upgraded to the Indicated category.

Specialist deep drilling company Angers have been appointed to drill the first of the two confirmatory twin holes. The appointment enabled the submission of the supplementary details required as the final step in the first hole’s regulatory process. Following a successful permitting application, which has been guided by potash specialist consultants ERCOSPLAN Kali-Ingenieurbuero (“Ercosplan”), and having secured drill rig availability, drilling of the first hole is expected to commence in Q4 CY2021.

The first of two confirmatory drill holes is located within the Ohmgebirge Mining Licence area, close to the village of Haynrode. Geotechnical ground surveying is currently ongoing in preparation for drill pad construction. The drillhole is planned to a depth of 665m which will fully penetrate the known potash seam. Downhole geophysical measurements will be made within the hole and the drill core will be assayed by two independent laboratories.



**Figure 1: Ohmgebirge mining licence area showing location of drill holes.** The two confirmatory drill sites OHM-1 and OHM-2 are shown above in Red, the locations of the historic drill holes are shown in Blue. SHP possesses all exploration data from over 300 historic drill holes across the region meaning that further resource upgrades can be achieved with the minimum of additional drilling.

SHP has now concluded negotiations with the landowner and tenant for the second drill site (ASX announcement 19<sup>th</sup> July 2021) and is in the process of completing the submission of supplementary information to the regional mining authorities and negotiating with the drillers.

### **Scoping Study**

The Company has finalised discussions with providers of the various components of the Ohmgebirge scoping study and work will commence shortly once formal drilling permission is received, normally within 90 days of submission of the detailed drilling information. The scoping study will include a detailed resource assessment by Micon International Co Ltd (“Micon”), and the inclusion of the results from the twin drill holes leading to a revised MRE. The bulk of the scoping study will be compiled in advance of the drill core assays thereby minimising the time between drilling completion and study release.

The upgraded MRE to the Indicated resource status will allow South Harz Potash to report technical and economic information on Ohmgebirge for the first time. In addition to the resource upgrade, the study will also include details of the proposed mining and processing methods and an update of both capital and operating costs.

### **POTASH MARKET**

The potash market has picked up significantly over the past few weeks as post-COVID food security fears have fueled substantial crop price increases which, in turn, has driven fertilizer sales and prices upwards. Market specialists\*\* are currently advising that contract sMOP (Standard Muriate of Potash) prices in the region of US\$300 per tonne are forecast for the next 12 months and spot prices upwards of US\$450 per tonne for delivered granular MOP have been reported in Brazil and Midwest USA. Existing contract prices are increasingly becoming outliers and China is not forecast to settle any new 12 month contracts until Q4, at which time it is expected this will be around the US\$330/t CFR mark representing an increase of US\$83/t over existing contracts.

The improving long-term outlook for potash pricing provides a favorable backdrop for the development of the first of our exciting potash projects within the heart of Europe. The scoping study to be produced by the Company in Q1 2022 will include an expert appraisal of the potash and industrial salt markets and will provide guidance price forecasts for a financial model.

### **CORPORATE**

#### **Finance**

Costs have been well controlled during the quarter. Funds in treasury at 30<sup>th</sup> June, 2021 amounted to cA\$8.3m. These funds will be spent on the resource drilling and the Ohmgebirge scoping study

#### **Appointment of Chief Financial Officer**

On 17<sup>th</sup> May 2021, the Company appointed Mr Andrew Robertson as its Chief Financial Officer. Andrew is an experienced CFO who brings a wealth of financial and corporate experience to the Company. He has previously been instrumental in restructuring companies, stock exchange listings, equity and debt raising and numerous systems developments and business efficiency projects. Previous CFO positions held include Ecometals Limited, African Eagle

plc, White Tiger Gold and Maple Minerals (Canada). Andrew is based in Sussex, UK.

### ESG Capacity

As reported previously, the Board of Directors has stated its aim of establishing world-class ESG credentials and has published an ESG policy to this effect. Progress has subsequently been made in identifying an experienced consultancy to assist the Company in its initial construction of an ESG management system.

### Company Name Change and New ASX Code

Following shareholder approval at the 4<sup>th</sup> May 2021 General Meeting, the Company's name officially changed with the Australian Securities and Investments Commission (ASIC) and the company's ticker code on the Australian Stock Exchange (ASX) changed to SHP. The effective date for the change of Company name and ticker code on the ASX was from the commencement of trading on Monday 17<sup>th</sup> May 2021. South Harz Potash simultaneously announced the launch of its new website, [www.southharzpotash.com](http://www.southharzpotash.com) which is now available in both English and German.

### Company Auditor Change

BDO Audit (WA) Pty Ltd Were appointed as the Company's Auditors (ASX Announcement 21 July 2021). This appointment follows the resignation of Walker Wayland Advantage Audit Partnership and ASIC's consent to Walker Wayland Advantage Audit Partnership's resignation. The transition of Auditor has occurred as part of a review of the Company's corporate strategy – BDO was selected after considering proposals received from BDO and a number of other audit firms.

### TENEMENT SUMMARY AS OF 30<sup>th</sup> JUNE 2021

Tenement Name	Location	Interest Held at 31 March 2021	Interest acquired/ disposed of during Quarter	Interest held at 30 June 2021
Küllstedt (Exploration)	Thüringen, Germany	100%	None	100%
Gräfentonna (Exploration)	Thüringen, Germany	100%	None	100%
Mühlhausen-Nohra (Mining Licence)	Thüringen, Germany	100%	None	100%
Ebeleben (Mining Licence)	Thüringen, Germany	100%	None	100%
Ohmgebirge (Mining Licence)	Thüringen, Germany	100%	None	100%

## ASX ADDITIONAL INFORMATION

The Company provides the following information pursuant to ASX Listing Rule requirements:

- ASX Listing Rule 5.3.1:** Exploration and Evaluation Expenditure spend during the quarter was A\$173k. Full details of exploration activity during the June 2021 quarter are set out in this report.
- ASX Listing Rule 5.3.2:** No mining production or development.
- ASX Listing Rule 5.3.5:** Payment to related parties of the Company and their associates during the quarter was A\$242k.

This Quarterly Report has been constructed by the Chief Executive, Dr Chris Gilchrist, and Chief Financial Officer, Mr Andrew Robertson and approved by the Board of Directors of South Harz Potash Limited.

## Investor & Media Enquiries

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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 5 July 2021, 'South Harz Potash selects Ohmgebirge drillers'*
- *The report released 21 July 2021, 'Change of Auditors'*
- *The report released 26 May 2021 'South Harz submits application to drill at Ohmgebirge'*
- *The report released 17 May 2021 'South Harz Potash appoints Andrew Robertson as CFO'*

*\*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 the previous market announcement of 23 December 2019 which refers to the total JORC Inferred Resources held by South Harz Potash Limited and specifically to the JORC Inferred resource at Ohmgebirge.*

*\*\*Fertiliser Sales Development Limited (UK), marketing consultant to SHP.*

#### **Notes to Editors:**

South Harz Potash (ASX: SHP) is a potash exploration and development company with projects in the South Harz Potash District region of Germany, midway between Frankfurt and Berlin. Collectively, it hosts a massive potash resource across four wholly-owned projects located favourably within central Europe; Ohmgebirge, its flagship project, Ebeleben, Mühlhausen-Küllstedt and Nohra-Elende which have a total JORC Inferred resource of 5.3 billion tonnes at 10.8% K<sub>2</sub>O (potassium oxide)\*.

South Harz Potash's project portfolio comprises three perpetual potash mining licences, Ohmgebirge, Ebeleben, Mühlhausen-Nohra and two potash exploration licences, Küllstedt and Gräfentonna, covering a total area of approximately 659km<sup>2</sup>. With established infrastructure, the projects are potentially well-positioned to enable SHP to develop mines rapidly and at relatively low cost.

***South Harz Potash - Growing a responsible potash business in the heart of Germany.***

[www.southharzpotash.com](http://www.southharzpotash.com)



## 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")

30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	1
1.2 Payments for		
(a) exploration & evaluation	(173)	(352)
(b) development	-	-
(c) production	-	-
(d) staff costs	(242)	(776)
(e) administration and corporate costs	(247)	(897)
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)	-	17
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(662)</b>	<b>(2,007)</b>

<b>2. Cash flows from investing activities</b>		
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 (12months) \$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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	10,534
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	71	76
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(692)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>71</b>	<b>9,918</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	8,819	242
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(662)	(2,007)
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)	71	9,918



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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	36	111
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>8,264</b>	<b>8,264</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	8,264	8,819
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,264</b>	<b>8,819</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1*	170
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

\* Directors fee payments  
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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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 <b>Total financing facilities</b>		
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(662)
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)	(662)
8.4 Cash and cash equivalents at quarter end (item 4.6)	8,264
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	8,264
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	12,48
<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:	

## 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:

*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: 23 July 2021.....

Authorised by: By the board.....  
(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.