

South Harz Potash Ltd

Confirmed Potash

South Harz Potash reported the completion of first confirmatory drillhole (OHM-02) at Ohmgebirge Core assays returned from OHM-02 (11m at 14.4% from 651.7 m) demonstrate strong consistency with historical drillhole. Drilling of the second confirmatory hole (OHM-01) is 78% complete, and targeted mid-May 2022. This will be followed by the update to the Ohmgebirge Mineral Resource estimate expected in June 2022. With the confirmation and upgrade to the resource the Ohmgebirge Scoping Study can be completed and is scheduled for early Q3/22. South Harz Potash reported a cash balance of A\$10.2m at 31 March 2022.

We maintain our base-case NPV¹⁰ for the three main assets of US\$1.2bn. Our sum-of-the-parts valuation gives a fair value of cA\$0.23/FD share, based on modelling at long-term US\$300/t MOP and a 0.25x NPV multiple to account for the current stage of development. This implies that South Harz Potash is trading at 0.75x NAV, with an implied return of 1.3x to the closing price on the ASX.

- OHM-02 was designed to twin and confirm the results of the historic drillhole, Kal Wr 6 Liese, which was drilled in 1906. This historic drillhole recorded potash within the Staßfurt Potash Horizon from a depth of 651.70m to 657.20m (5.5m thick) with an historic reported grade of 15.72% K₂O. OHM-02, located 148m west of the historic drillhole, intercepted the top of the potash horizon from 651.53m down to a depth of 662.51m, a total apparent thickness of 10.98m and an interpreted true (vertical) thickness of 7.51m. Three distinct mineralised potash horizons identified comprising a Kieseritic Hartsalz, Anhydritic Hartsalz and Carnallitic Sylvinitic Hartsalz, which is also found in the adjacent historical mines of the South Harz Potash district.
- The second drillhole OHM-01 is planned to a depth of 813m, targeted to fully penetrate the known potash horizon in the area. The drillhole is designed to twin the historical drillhole, Kal Ktf 5/83, which recorded a potash intercept from 785.2m to 788.2m (3.0 m thick) with an historic reported grade of 12.4% K₂O.
- With funds in treasury of A\$10.2m at 31 March 2022, South Harz Potash is funded to complete the resource drilling and the Ohmgebirge scoping study. South Harz Potash should have the funding available to continue into Feasibility Study work streams during Q2/CY22 but will require funding to complete this.

Forecast and Ratios

Y/E June (A\$m)	2019A	2020A	2021A	2022E
Revenue	0.0	0.0	0.0	0.0
EBITDA	-1.9	-1.9	-2.0	-12.0
Adj PBT	-1.9	-1.9	-2.0	-12.0
Adj EPS (c)	0.0	0.0	0.0	0.0
DPS (c)	0.0	0.0	0.0	0.0
Adj PE (x)	nm	nm	n/a	n/a
EV/EBITDA (x)	nm	nm	nm	nm
Yield (%)	0.0	0.0	0.0	0.0

Source: Cenkos Securities estimates, Company data

Brokership Company

BUY

Price at COB 28 Apr 22 A\$0.2
 52-week range A\$0.069-0.25
 Ticker SHP

Share Price Performance



Source: Morningstar

Performance	1m	3m	12m
Absolute	(17.1)	25.9	61.9

Stock Data

Market cap (A\$m)	90.4
Shares outstanding (m)	531.6

Activities

South Harz Potash Ltd is a potash exploration and development company focused on its South Harz potash projects in Germany.

Directors

Ian Farmer	NE Chairman
Dr Chris Gilchrist	Managing Director
Dr Reinout Koopmans	NED
Rory Luff	NED
Hansjorg Plaggemars	NED
Len Jubber	NED

Significant Shareholders

Rory Luff	5.1%
Merchant Funds Mgmt Pty Ltd	5.3%
Trust Company Funds mgmt Ltd	4.0%

Contacts

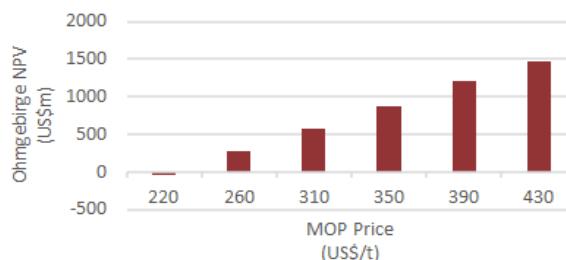
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Company Summary

Table 1: Summary

Ticker Price	SHP-ASX	Recommendation	BUY	Asset	South Harz	Capital St	Shares (m)
Price (A\$)	0.17	Price Target (A\$)	0.23	Country	Germany	Basic	532
Mkt cap (A\$m)	90	Project PNAV Today	0.75	Commodity	Potash	FD	785
	Scoping Study	Feasibility	Fully Funded	Commissioning	Production		
NAV multiple	0.25	0.40	0.60	0.80	0.95		
Ohmgebirge (A\$m)	130	208	312	416	494		
per share (A\$)	0.24	0.39	0.59	0.78	0.93		
Sensitivity A\$/FD Share	-40%	-20%	Base	20%	40%		
MOP Price	- 0.13	0.06	0.23	0.40	0.58		
Discount Rate	0.48	0.33	0.23	0.15	0.10		
Opex	0.32	0.28	0.23	0.18	0.13		
Capex	0.37	0.30	0.23	0.16	0.09		
ACTIVITY (CALENDAR YEAR)	Q421	Q122	Q222	Q322	Q422		
South Harz Potash Resource elevation							
Confirmatory drill permitting		✓					
Confirmatory drilling	x	x					
Core analysis/evaluation			x				
Planned Mineral Resource upgrade			x				
Project O development							
Scoping Study			x				
Strategic project analysis			x				
Feasibility Study							
ESIA							
Income Statement (A\$m)	2018a	2019a	2020a	2021a	2022e		
Revenue	-	-	-	-	-		
Operating Costs	-	-	-	-	-		
D&A	0.00	0.00	0.00	0.00	-		
PBT	- 1.42	- 1.91	- 1.92	- 2.00	-		
Interest Expense	- 1.42	- 1.91	- 1.92	- 2.00	-		
Expln Royalty Other	- 1.44	- 1.93	- 1.92	- 2.00	-		
Tax	-	-	-	-	-		
Net Income	- 1.42	- 1.91	- 1.92	- 2.00	-		
Cashflow (A\$m)	2018a	2019a	2020a	2021a	2022e		
Operating Cashflow	- 1.33	- 1.79	- 1.42	- 1.90	-		
Financing Cashflow	-	2.21	1.21	10.11	-		
Capex	- 2.30	- 0.45	- 0.34	- 0.10	-		
Exploration Budget	-	-	-	-	-		
Interest	- 0.03	- 0.02	- 0.00	- 0.00	-		
Debt repaid	-	-	-	-	-		
Changes in working Cap	0.02	- 0.05	0.12	- 0.12	-		
Free Cash Flow before tax	-	-	-	-	-		
Tax Payable	-	-	-	-	-		
Free Cash Flow after tax	- 3.75	- 2.37	- 2.10	- 2.10	-		
Cash Year End	0.72	0.69	0.24	8.26	-		
Balance Sheet (A\$m)	2018a	2019a	2020a	2021a	2022e		
Cash and Cash Equivalents	0.72	0.69	0.14	8.24	-		
Net Prop. Plant and Equip.	2.71	3.01	3.18	3.28	-		
Total Assets	5.52	3.81	3.53	11.63	-		
Debt	-	-	-	-	-		
Other Liabilities	1.90	-	0.10	-	-		
Total Liabilities	2.20	0.17	0.37	0.16	-		
Shareholder Equity	3.32	3.64	3.16	11.47	-		
Net Cash (Debt)	0.72	0.69	0.14	8.26	-		
SOTP Valuation	A\$m	NAVx	A\$m	A\$/FD sh			
Ohmgebirge	520	0.25	130	0.17			
Nohra Elende	459	0.05	23	0.03			
Mulhausen-Keula	709	0.05	35	0.05			
Ebeleben	461	0.01	5	0.01			
Total	2,149		193	0.25			
Cash on B/S	10	1	10	0.01			
Less G&A to devel.	25	1	25	0.03			
In money Warrants/options			1	0.00			
NPV after adj.			179	0.23			
Catalysts							
	1	Drilling Ohmgebirge					
	2	Resource Upgrade					
	3	Scoping/Pre-Feasibility Study					
	4	Feasibility Study					
Resource and Reserve	Classification	Tonnes	K ₂ O	K ₂ O			
Horizon		MT	%	MT			
Ebeleben							
Sylvinite	Inferred	324	15.6	50			
Carnallite	Inferred	253	7.5	19			
Mühlhausen Keula							
Sylvinite	Inferred	834	12.1	101			
Carnallite	Inferred	296	8.2	24			
Mühlhausen Nohra-Elende							
Sylvinite	Inferred	101	14.2	14			
Carnallite	Inferred	1,597	9.4	150			
Küllstedt							
Sylvinite	Inferred	333	13.0	43			
Carnallite	Inferred	1,205	10.1	122			
Ohmgebirge							
Sylvinite	Inferred	261	14.0	36			
Carnallite	Inferred	64	9.8	6			
Total Jorc Inferred		5,268	11	567			
Sylvinite	Inferred	1,853	13.2	244			
Carnallite	Inferred	3,415	9.4	321			



Source: Cenkos Securities estimates, Company Data S&P Capital IQ Pro

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	Corporate No.	Corporate %	No.	%
Buy	66	92	81	92
Hold	4	5	6	6
Sell	0	0	0	0
Under review	1	1	1	1

Temporary movements by stocks across the boundaries of these categories due to share price volatility will not necessarily trigger a recommendation change. All recommendations are based on 12 month time horizon unless otherwise stated.

Recommendation History

Company	Disclosures	Date	Rec	Price
South Harz Potash Ltd	2,6,7,8,9,10	04 Dec 20	Buy	A\$0

Source: Cenkos Securities

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