

South Harz Potash Ltd

Second Hole (OHM-01) Confirmed Potash

South Harz Potash reported the completion of second confirmatory drillhole (OHM-01) at Ohmgebirge. Core assays returned from OHM-01 (3.75m at an average grade of 16.19% K₂O) demonstrate strong consistency with historical drilling. Work has now commenced on updating the Ohmgebirge Mineral Resource estimate. With the confirmation and upgrade to the resource, the Ohmgebirge Scoping Study can be completed, scheduled for early Q3/22. SHP 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 0.6x NAV, with an implied return of 1.7x to the closing price on the ASX.

- Drillhole OHM-01 was completed to a depth of 807.91m to fully penetrate the known Staßfurt Potash Horizon (z2KSt). It was designed to twin and validate the results of the historic drillhole, Kal Ktf 5/83, which recorded a potash intercept from 785.2m to 788.2m (3m thickness) with an historic reported grade of 12.4% K₂O.
- OHM-01 was drilled approximately 100m north of the historic drillhole. It intercepted the top of the highgrade potash horizon from 775.05m down to a depth of 778.80m, a total apparent thickness of 3.75m. A high grade Anhydritic Hartsalz was identified with an average grade of 16.9% K₂O. A second lower grade potash zone with a higher abundance of kieserite (MgSO₄·H₂O) was identified from 787.67m to 795.19m downhole, with assay results still pending.
- OHM-01 and 02 go a long way to validating historic results at Ohmgebirge from both the initial drilling campaign conducted in the early 1900's and the extensive drilling campaign carried out by the GDR from the 1960's through to the 1980's.
- Ian Farmer, is now Acting Executive Chairman following the sudden departure of previous Managing Director and CEO, Mr Chris Gilchrist. 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

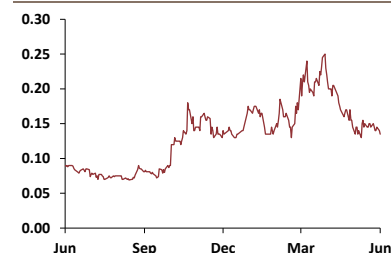
Y/E June (A\$m)	2019A	2020A	2021A	2022E
Revenue	0.0	0.0	0.0	0.0
EBITDA	-1.9	-1.9	-2.0	-12.0
Adj PBT	-1.9	-1.9	-2.0	-12.0
Adj EPS (c)	0.0	0.0	0.0	0.0
DPS (c)	0.0	0.0	0.0	0.0
Adj PE (x)	nm	nm	n/a	n/a
EV/EBITDA (x)	nm	nm	nm	nm
Yield (%)	0.0	0.0	0.0	0.0

Source: Cenkos Securities estimates, Company data

BUY

Price at COB 07 Jun 22	A\$0.1
52-week range	A\$0.069-0.25
Ticker	SHP

Share Price Performance



Source: Morningstar

Performance	1m	3m	12m
Absolute	(6.9)	(37.2)	51.7

Stock Data

Market cap (A\$m)	71.8
Shares outstanding (m)	532.0

Activities

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

Directors

Ian Farmer	Exec. Chairman
Dr Reinout Koopmans	NED
Rory Luff	NED
Hansjorg Plaggemars	NED
Len Jubber	NED

Significant Shareholders

Rory Luff	5.1%
Merchant Funds	5.3%
Trust Company Funds	4.0%

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Non-UK stocks

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- BUY is an expected return greater than 10%;
- HOLD is an expected return -10% - +10%; and
- SELL is an expected return less than -10%.
- UNDER REVIEW: recommendation and/or forecasts are under review pending further clarity as to the company's financial and/or operational position.

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Distribution of Investment Recommendations as per 08/06/2022

	Corporate No.	Corporate %	No.	%
Buy	68	93	83	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	04 Dec 20	Buy	A\$0

Source: Cenkos Securities

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