

ASX ANNOUNCEMENT

27 April 2023

MARCH 2023 QUARTERLY ACTIVITIES REPORT

South Harz Potash Limited (ASX:SHP) (**South Harz** or the **Company**) reports on its activities for the quarter ended 31 March 2023.

Highlights

- Preliminary Feasibility Study (**PFS**) for the Ohmgebirge Potash Development commenced following appointment of a specialist team of consultants to deliver key outcomes.
 - Leading industry consultant, Hatch, appointed to lead the study team consisting of engineering consultants, ERCOSPLAN and K-UTEC Salt Technologies with geological support work conducted by mining consultant, Micon International Co Ltd.
 - PFS team being led by Chief Operating Officer (**COO**) Lawrence Berthelet.
- EIA and Permitting procedure commenced with appointment of Environmental Resources Management (**ERM**) as Environmental Impact Assessment (**EIA**) Consultant and Spatial Planning Permitting Consultant and CMS lawyers as main legal consultant.
- Five-tonne bulk sample taken at 790m depth from contiguous historic Bernterode potash mine area, via existing shaft and underground infrastructure access, delivering valuable process design test work and project de-risking.
- Following an extensive evaluation process the Ohmgebirge site selection has been narrowed down to three leading zones, including one brownfield site.
- Adoption of a new Environmental, Social and Governance (**ESG**) Policy in line with the Company's ongoing advancement of the Ohmgebirge Development and broader South Harz Potash Project.
- Cash balance of A\$4.6M at quarter end and zero debt. Strategic partnership discussions with respect to long term investment, joint venture arrangements and/or royalty/offtake funding are ongoing.

South Harz Managing Director, Luis da Silva, commented:

"It has been another positive quarter for South Harz and an excellent start to CY2023. We have assembled a strong team of leading industry specialists, led by Hatch, to support and enhance the technical expertise of the South Harz team in the timely delivery of a robust PFS. We have also undertaken highly valuable bulk sampling and commenced further process design test work via a five-tonne sample taken at a depth from the historic Bernterode potash area, strategically located adjacent to our proposed Ohmgebirge Development.

"The path towards realising the value of our potash assets within this globally significant region is traversed via strong technical work coupled with robust economic credentials. I am confident that this important process will culminate in industry relevant validity results which accurately reflect what we believe to be the significant and full potential of our cost-competitive potash asset."

CONTACT DETAILS

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ABN: 64 153 414 852

ASX Code: SHP

ASX Code (Options): SHPO

Frankfurt Code: A2DWXX

600.0M Ordinary Shares

67.8M Unlisted Options

46.2M Listed Options

OHMGEBIRGE DEVELOPMENT

Commencement of Ohmgebirge Development PFS and Appointment of Leading Industry Specialists

On 13 February 2023, South Harz officially commenced the full-scale PFS for its 100%-owned flagship Ohmgebirge Potash Development in Thuringia, Germany.

In line with key workstreams developed and commenced in the previous year, the Company has finalised and completed the appointment of its specialist team to facilitate the development and delivery of the PFS. The team will be under the leadership of COO, Lawrence Berthelet, with key PFS specialist engineering responsibilities to be undertaken by:

HATCH Ltd, the leading global engineering, project management and professional services firm as:

- Lead consultant and study manager (external), with Owner's Engineer responsibility,
- Infrastructure engineering and design, including all energy trade-off studies,
- Capital and operating cost estimates.

ERCOSPLAN, specialist engineering consultant responsible for:

- Mine planning, geological risk assessment, geotechnical modelling, shaft hoisting and underground backfill technology engineering.

K-UTEC AG Salt Technologies, globally active partner for process engineering with responsibility for:

- Process flowsheet design, backfill technical and constituent engineering.

MICON International Co Ltd, a recognised mining consultancy firm providing independent professional advice to mining companies provides continuity in:

- Geological modelling, Competent Person and Mineral Resource update provision.

Hatch is a recognised leader in the development and implementation of potash projects globally and has worked on projects in Europe, North America and beyond. ERCOSPLAN and K-UTEC have a long tradition in the development of potash projects in many parts of the world. They are both familiar and experienced in the Thuringian "hartsalz" typical of the region. Micon will continue to provide geological support and will be responsible for updated Mineral Resource Estimates.

The PFS is set to further refine the engineering, design and cost estimates (to +/-20%) for the Ohmgebirge Development, following the Scoping Study completed in August 2022. With key workstreams progressing, the completion of the PFS is anticipated for January 2024.

Commencement of EIA baseline studies and Spatial Planning Permitting procedure

During the quarter the Company appointed ERM Consultants as both the Environmental Impact Assessment (EIA) consultant and Spatial Planning Permitting consultant. The EIA is a key part of the permitting process for the Ohmgebirge mine and potash plant and integral to the PFS process. The EIA baseline studies have

commenced. The accompanying stakeholder communication in the region was intensified and grievance mechanisms set in place via the local Eichsfeld office.

As a first step, the spatial planning procedure is essential to securing approval and general permission for the design of surface infrastructure. This then paves the way for the subsequent approval procedure of the main operating plan. The current Thuringian regional plan already declares potash mining in the Ohmgebirge region to be a generally reserved priority.

ERM is a leading global provider of environmental, health, safety, risk, social consulting, and sustainability related services. It possesses deep knowledge of sector specialization in chemical, pharmaceutical, power, manufacturing, mining and finance.

CMS, with their leading experience in German mining law and associated permitting laws, continue to act as legal advisors in this process.

Bulk Sampling and Process Design Test Work

On 8 March 2023, South Harz extracted a five-tonne bulk sample from the historic Bernterode area which adjoins the Ohmgebirge Development.

The bulk sample was extracted at approximately 790m – 800m depth via access through the Bernterode shaft. The extraction area is located approximately 700m from the Ohmgebirge tenement boundary. The Hartsalz potash seam from which the sample was extracted is contiguous with the Ohmgebirge deposit.

Testwork on the sample is now being carried out by K-UTEC at its local Sondershausen laboratory in the South Harz mining district. Results are expected back by the end of July 2023. This testwork is planned to include grind size optimisation for leach recovery and backfill material design and engineering.

The ability to obtain such a valuable, large-scale mineralisation sample is a direct function of the neighbouring Bernterode shaft underground infrastructure being in excellent geotechnical condition. It is solely owned and operated by NDHE/Deusa to backfill waste. With continued support from NDHE/Deusa and ongoing cooperation with its experienced mining staff, South Harz possesses the potential to obtain additional bulk samples from Bernterode for further bench and pilot process testing, which will be evaluated once the test work results are confirmed on an 'as needs' basis. These capabilities deliver multiple routes to significantly de-risk the Ohmgebirge Development which are unavailable for most greenfield mining projects.

Commencement of Environmental Studies / Refinement of Ohmgebirge Site Selection

Following an extensive evaluation process, South Harz announced on 13 March 2023 that it had narrowed down the list of potential sites for the planned Ohmgebirge Development mine infrastructure and process plant to three leading areas, one of which is a brownfield site.

The three areas were selected on the basis of geological attributes, existing infrastructure (including underground) and minimisation of social and environmental impacts. The site selection process also involved in-depth discussions and consultation with regulatory authorities and local communities on potential opportunities and challenges across the different regions.

Baseline environmental mapping of these three potential sites, inclusive of fauna and flora surveying, has commenced in order to advance more detailed evaluation for the final site selection. The three selected areas (see Figure 1) are located:

- near the village of Bernterode-Schacht;
- on the north-western edge of the Haynrode district; and
- within the Regional Planning industrial area "RIG 2" on the outskirts of Leinefelde.

ERM has been designated to carry out the baseline environmental survey work as part of its engagement as the leading EIA consultant for the Ohmgebirge Development.

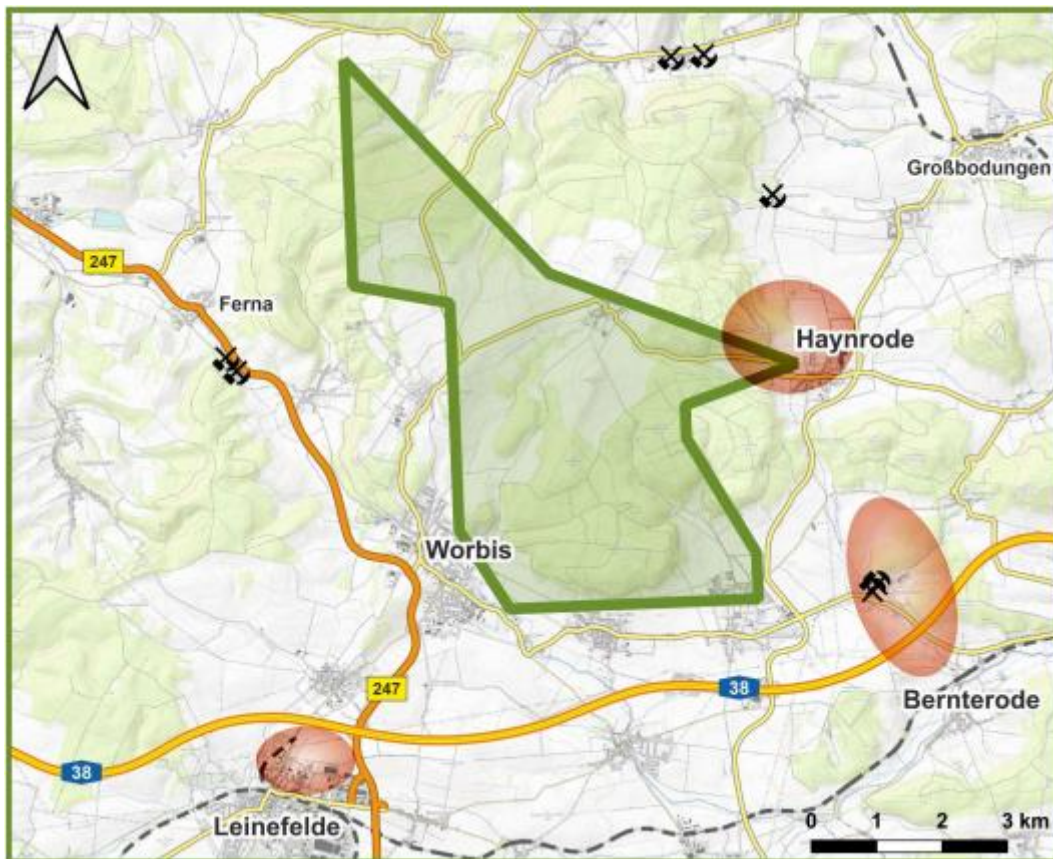


Figure 1: Topographical map of the Ohmgebirge area and potential development sites

CORPORATE

Adoption of New ESG Policy

Post the end of the quarter, South Harz announced the adoption of a new ESG Policy. The new policy exemplifies the executive leadership team's shared commitment and emphasis on implementing ESG best-practice principles and behaviours both throughout the Company and as early as possible in the advancement of the Ohmgebirge Potash Development and the broader South Harz Potash Project.

The Company has progressively worked on its ESG roadmap to develop its Policy, including appointing its Regional Director, Dr. Babette Winter as the person in charge of its delivery.

Responsibility and sustainability are paramount to South Harz. Protecting the environment, engagement in social responsibilities and good governance are widely acknowledged as essential pre-requisites to success.

To achieve this goal, within its ESG Policy the Company has defined clear priorities for its work, including high environmental and social standards:

- Everything we do is aimed at protecting and preserving the environment in which our projects are located.
- We use modern technological and economical processes and integrate existing structures of the region.
- All project participants and supporters should benefit from our commitment: from our employees and the communities where we operate to our shareholders and other external stakeholders.

South Harz will incorporate the commitments laid out in its ESG Policy into all of its project feasibility study evaluations, design parameters and project permitting procedures, including:

- Strict environmental guidelines in mine planning and process facility design from the outset;
- Diversification of energy supply to minimize fossil fuels as a climate protection measure;
- Minimizing land use in the planning of our surface facilities;
- Involvement in local and regional education and culture;
- Compliance with legal requirements;
- Transparent and proactive stakeholder engagement; and
- Respect for the mining legacy in the region.

As a key next step, South Harz will develop its ESG standards, measurement, and reporting systems in line with national and international recognized frameworks and standards, including the Global Reporting Initiative and relevant UN Sustainable Development Goals.

Investor Relations

Towards the end of the quarter extensive investor meetings were held in Australia prior to which a new corporate presentation was posted on our website.

Cash

Following a shareholder EGM, capital of A\$0.6 million was raised via the issue of 13.9m shares to Directors. This was a pre agreed subscription following on from the larger shareholder placement at the end of the previous quarter.

South Harz's cash balance at 31 March 2023 was A\$4.6 million with zero debt (excluding typical trade creditors).

As previously noted, strategic partnership discussions with respect to long term investment, joint venture arrangements and/or royalty/offtake funding are ongoing.

ASX Additional Information

South Harz provides the following information pursuant to ASX Listing Rule requirements:

1. ASX Listing Rule 5.3.2: PFS and Permitting Expenditure during the quarter was A\$1205k.
2. ASX Listing Rule 5.3.5: Payments to related parties during the quarter totalled A\$147k

Summary of tenement holdings as at 31 March 2023

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 the Board of Directors.

Investor and media enquiries

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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 6 February 2023, "Leading EIA and Permit Consultant Appointed"*
- *The report released 13 February 2023, "South Harz Appoints Leading Industry Specialists & Commences Ohmgebirge Potash Project PFS"*
- *The report released 8 March 2023, "Bulk Sampling and Process Design Test Work"*
- *The report released 13 March 2023, "Ohmgebirge Site Selection Refined and Environmental Baseline Studies Commenced"*
- *The report released 5 April 2023, "Environmental, Social and Governance (ESG) Policy Adopted"*

About South Harz

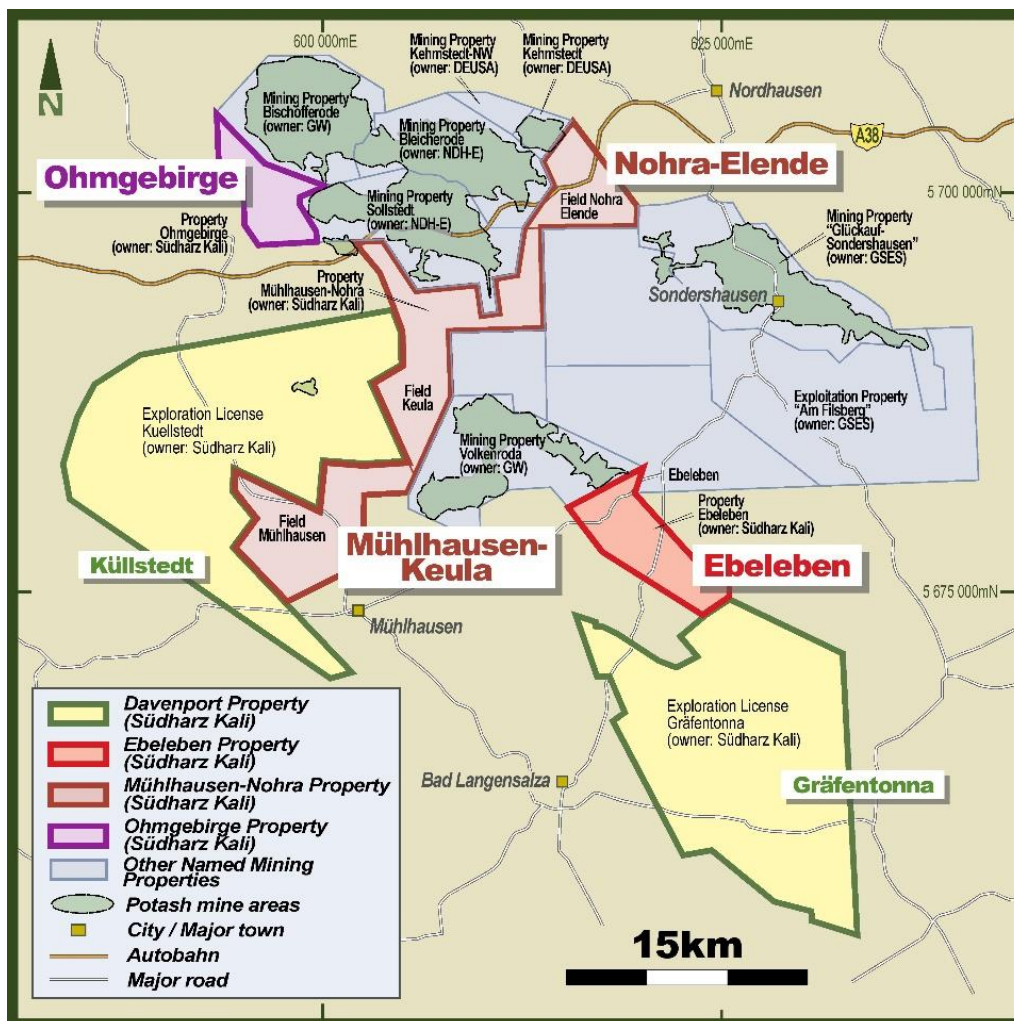
South Harz Potash (ASX: SHP) (**South Harz**) is a potash exploration and development company with its flagship project located in the South Harz Potash District region of Germany, midway between Frankfurt and Berlin.

The South Harz Project hosts a globally large-scale potash JORC (2012) Mineral Resource estimate of 5 billion tonnes at 10.6% K₂O of Inferred resources and 258 million tonnes at 13.5% K₂O of Indicated Resources across four wholly-owned project areas located favourably within central Europe.¹ This comprises three perpetual potash mining licences, Ohmgebirge, Ebeleben and Mühlhausen-Nohra, and two potash exploration licences, Küllstedt and Gräfontonna, covering a total 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



1. Refer to South Harz ASX release dated 12 July 2022 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 release.

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")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..9....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(10)	(1,128)
(b) PFS & permitting	(1,205)	(1,528)
(c) production		
(d) site admin & site staff costs	(295)	(715)
(e) corporate costs	(504)	(1,939)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 VAT and Other	268	442
1.9 Net cash from / (used in) operating activities	(1,746)	(4,868)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(69)	(119)
(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 (..9....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	(69)	(119)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	575	2,986
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(31)	(165)
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)	0	0
3.10	Net cash from / (used in) financing activities	544	2,821
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,830	6,673
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,746)	(4,868)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(69)	(119)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	544	2,821

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 (..9....months) \$A'000
4.5	Effect of movement in exchange rates on cash held	73	125
4.6	Cash and cash equivalents at end of period	4,632	4,632

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	4,632	5,830
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)	4,632	5,830

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	147
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	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.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	0	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	0	0
7.5 Unused financing facilities available at quarter end		0
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)	(1,746)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	0
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,746)
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,632
8.5 Unused finance facilities available at quarter end (item 7.5)	
8.6 Total available funding (item 8.4 + item 8.5)	4,632
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.6
<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 April 2023

Authorised 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.