

ASX ANNOUNCEMENT

31 July 2023

JUNE 2023 QUARTERLY ACTIVITIES REPORT

South Harz Potash Limited (ASX:SHP) (**South Harz** or the **Company**) reports on its activities for the quarter ended 30 June 2023.

Highlights

- Ohmgebirge Pre-Feasibility Study (**PFS**) now over 50% complete for targeted finalisation in December 2023.
- Commencement of Ohmgebirge permitting process following submission of Scoping Paper to Thuringian state regulatory authority.
- The Scoping Paper outlines two development pathways for Ohmgebirge:
 - Brownfield at Bernterode (preferred) – utilises proximate operating shaft infrastructure historically used for potash mining, offers substantial potential savings to overall capital expenditure.
 - Greenfield at Haynrode – new shaft construction in-line with the assumed Ohmgebirge Scoping Study development pathway.
- Currently advancing constructive discussions with Bernterode shafts owner, NDH-E/Deusa, with respect to adoption of the brownfield pathway for Ohmgebirge.
- Full Spatial Planning Application to be based on a single selected site and development pathway; on track for submission by Q4 2023.
- Strategic partnership and finance process running in parallel with PFS activities.
- New Environmental, Social and Governance (ESG) Policy adopted.
- Cash balance of A\$2.3 million at quarter end and zero bank debt.

South Harz Managing Director, Luis da Silva, commented:

“The combined Ohmgebirge PFS team, led by industry leader Hatch, alongside our experienced COO, Lawrence Berthelet, have continued to rapidly advance all key PFS workstreams on schedule. Our focus remains resolute on delivering a refined and highly cost-competitive engineering outcome for the world-class Ohmgebirge potash development. The permitting process for Ohmgebirge has also commenced with the submission of a Scoping Paper to the TLVwA. This Scoping Paper incorporates a potential compelling brownfield development pathway which fully captures the benefits of existing regional infrastructure with the associated substantial capital savings available.”

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 permitting process, including brownfield optionality

On 21 June 2023 South Harz announced that the Company's wholly-owned subsidiary Südharz Kali GmbH, had submitted a Scoping Paper to the state regulatory body, Thüringer Landesverwaltungsamt (**TLVwA**). This Scoping Paper outlines two development pathways, notably including brownfield optionality utilising an existing shaft infrastructure at Bernterode.

The Scoping Paper for the Project incorporates two potential development options (inclusive of two sub-options) with respect to underground and surface infrastructure:

Option 1: Bernterode (brownfield; existing shaft)

A) Bernterode shaft and Bernterode railway station

B) Bernterode shaft and Leinefelde

Option 2: Haynrode (greenfield; new shaft)

A) Haynrode and Leinefelde

B) Haynrode and Bernterode railway station

The spatial planning approval process has two main steps as outlined below.

Step 1 – Scoping Paper (submitted)

The submission of the Scoping Paper is a preliminary step in commencing the spatial planning procedure. The Scoping Paper provides the TLVwA with an overview of the scope of work and supporting documentation planned for inclusion in the full Spatial Planning Application.

The Spatial Planning approval process is designed to ensure that the land use planned by a particular development is compatible with the objectives and principles of regional planning and spatial development.

Following the submission of the full Spatial Planning Application, as the Project moves towards development, the Company will then apply for a General Operations Permit.

Step 2 – Spatial Planning Application (to be submitted in Q4 2023)

Based on feedback and consultations with various stakeholders, the final Spatial Planning Application will be based on a single proposed development pathway. The regulatory timeframe from submission of the Spatial Planning Application to a decision from the TLVwA is a maximum of six months.

South Harz has received the non-binding consent of the existing owner of the Bernterode shafts, NDH-E/Deusa, to submit the Scoping Paper inclusive of Option 1. The Company is advancing discussions with NDH-E/Deusa with respect to the potential of such a highly efficient development. South Harz notes that the Ohmgebirge Scoping Study (August 2022) was based on a higher capital cost greenfield shaft development pathway (Option 2).

South Harz has previously obtained a 5-tonne bulk sample via underground access provided by the same NDH-E/Deusa shaft infrastructure (see SHP ASX announcement dated 8 March 2023). The Bernterode shafts are located 1,500m from the Ohmgebirge tenement boundary and proximal to the thickest sections of the Ohmgebirge deposit.

The bulk sample was extracted at approximately 790 - 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.

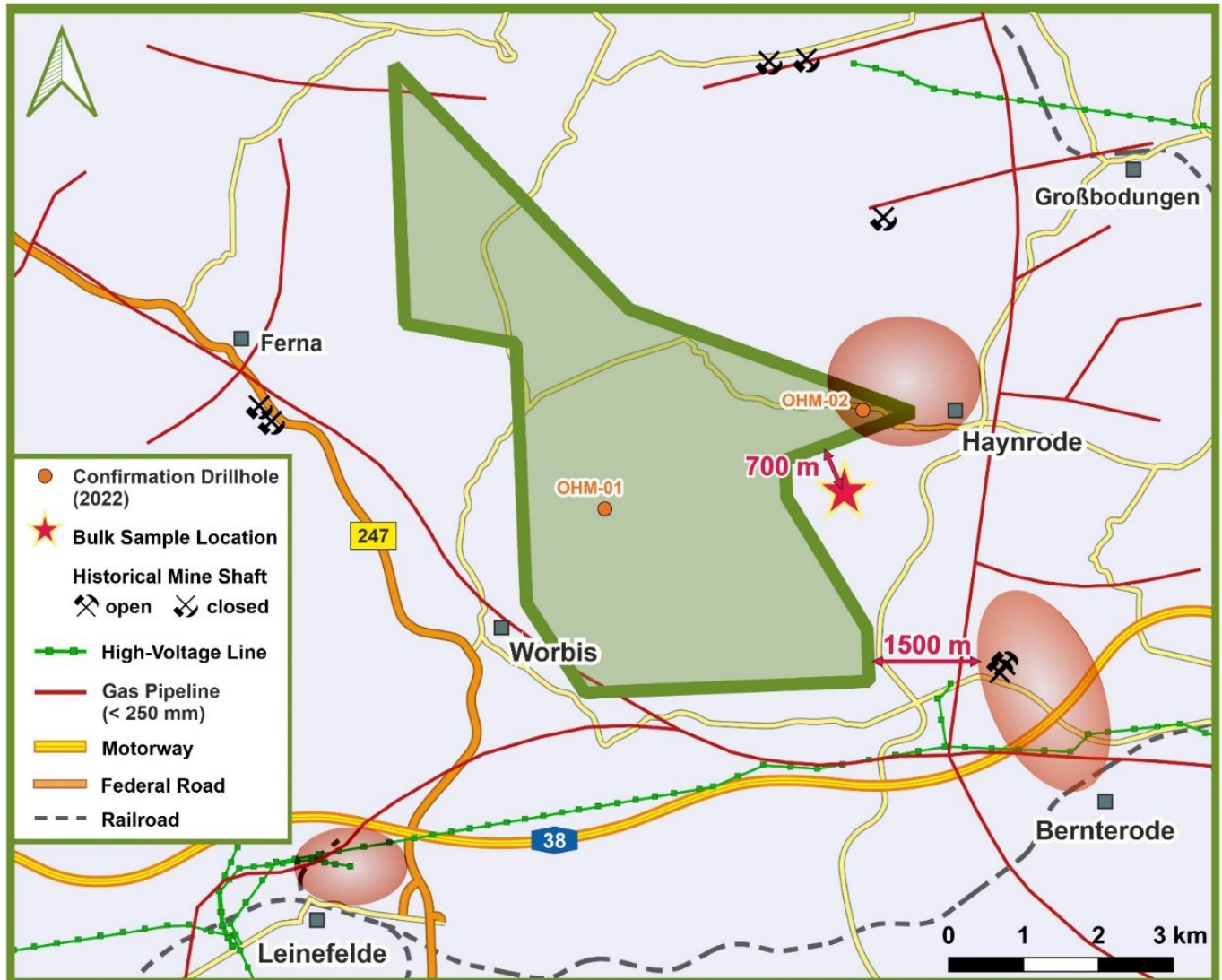


Figure 1: Overview map of the Ohmgebirge area including potential development sites and regional infrastructure (including existing Bernterode shafts)

Following submission of the Scoping Paper, the TLVwA has informed all affected municipalities, lower authorities, public interest groups and other stakeholders by distributing the Scoping Paper and scheduling a public hearing. The feedback from this hearing, and from the TLVwA directly, may lead to some pre-submission changes in the Ohmgebirge Spatial Planning Application currently under preparation by South Harz.

The full Spatial Planning Application will be based on a single selected site and is on track to be submitted to the TLVwA by Q4 2023. The federal legal framework on Spatial Planning (Raumordnungsgesetz ROG) obliges the responsible authority to arrive at a decision statement within six months of submission of the Spatial Planning Application.

Ohmgebirge PFS advances

Key Ohmgebirge PFS workstreams are approximately 50% complete and on track for finalisation during December 2023. The combined engineering team, which includes Hatch, K-UTEC, ERCOSPLAN and Micon, have achieved all key milestones to date, including:

- 3D geological model complete, including both a resource model and a mineralogical model to accurately develop the mine plan.
- Shortlisted site and shaft selection including neighbouring brownfield development option utilising existing operational shafts and industrial zoned land around Bernterode.
- Planning approval procedure commenced.
- Baseline environmental studies and ground water monitoring in progress (by ERM).
- Preliminary process design completed including equipment list.
- Preliminary plant design and layout in progress from process information.
- Five-tonne bulk sample collected from contiguous mineralisation to Ohmgebirge within the Bernterode underground workings. This has allowed commencement of large-scale process design testwork (in progress), including grind size optimisation and backfill material design/engineering.
- Finalisation of potash and salt market studies and initial marketing strategy.

Further key trade-off studies in progress include:

- **Power** – multiple effect evaporator (steam) versus mechanical vapour recompression (electrical).
- **Mining** – drill and blast versus continuous mining.
- **Energy** – natural gas versus grid electrical power versus biogas versus hydrogen (or hybrid selection).

The PFS scope includes the analysis of options to limit peak capital requirements of the project, while retaining attractive overall economics. This includes not only brownfield options at Bernterode but also alternative approaches to capacity design, including a potential phased approach to capacity build-up.

Figures 2 and 3 depict the thickness of the Ohmgebirge deposit and the strength of exploration data supporting the resource modelling (14 drillholes inside the perimeter of the Ohmgebirge licence area). Ohmgebirge lies immediately to the south and west of the historical potash mines of Bischofferoder, Bleicheroder and Sollstedt.

CORPORATE

ESG policy adopted

During the quarter South Harz announced that it had adopted a new Environmental, Social and Governance (ESG) Policy, tracking the company's ESG roadmap which is aligned with the Global Reporting Initiative (GRI) framework and key UN Sustainable Development Goals (SDGs).

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.*

In accordance with good practice, the ESG Policy is aligned with the following key SDGs: SDG 2 "Zero Hunger"; SDG 6 "Clean water and sanitation"; SDG 12 "Responsible consumption and production"; SDG 13 "Climate action" and SDG 15 "Life on land".

South Harz commits to building a business with a minimized ecological footprint, without permanent stockpiles and without pollution of water bodies by brine. As a future miner of potash, an essential ingredient for fertilizer, the Company will contribute to the world's challenge to fight hunger.

As a key next step, SHP will develop its ESG standards, measurement and reporting systems in line with national and international recognized frameworks and standards, including GRI and SDGs.

Cash

South Harz's cash balance at 30 June 2023 was A\$2.3 million (A\$4.6 million at 31 March 2023) with zero bank debt

In order to conserve cash, Directors have elected to have their fees paid as shares each month, subject to approval by shareholders at the AGM. The share commitments will be calculated based on the 15 day VWAP on the day each month when fees would normally be paid.

ASX additional information

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

1. ASX Listing Rule 5.3.1: PFS and permitting expenditure spend during the quarter was A\$1,719k.
2. ASX Listing Rule 5.3.2: No mining production or development.
3. ASX Listing Rule 5.3.5: Payments to related parties during the quarter totalled A\$146k and represent fees to Directors.

Summary of tenement holdings as at 30 June 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 5 April 2023, "Environmental, Social and Governance (ESG) Policy Adopted"*
- *The report released 21 June 2023, "Ohmgebirge Permitting Process Commenced"*
- *The report released 27 June 2023, "Ohmgebirge PFS on Time and on Budget"*

About South Harz

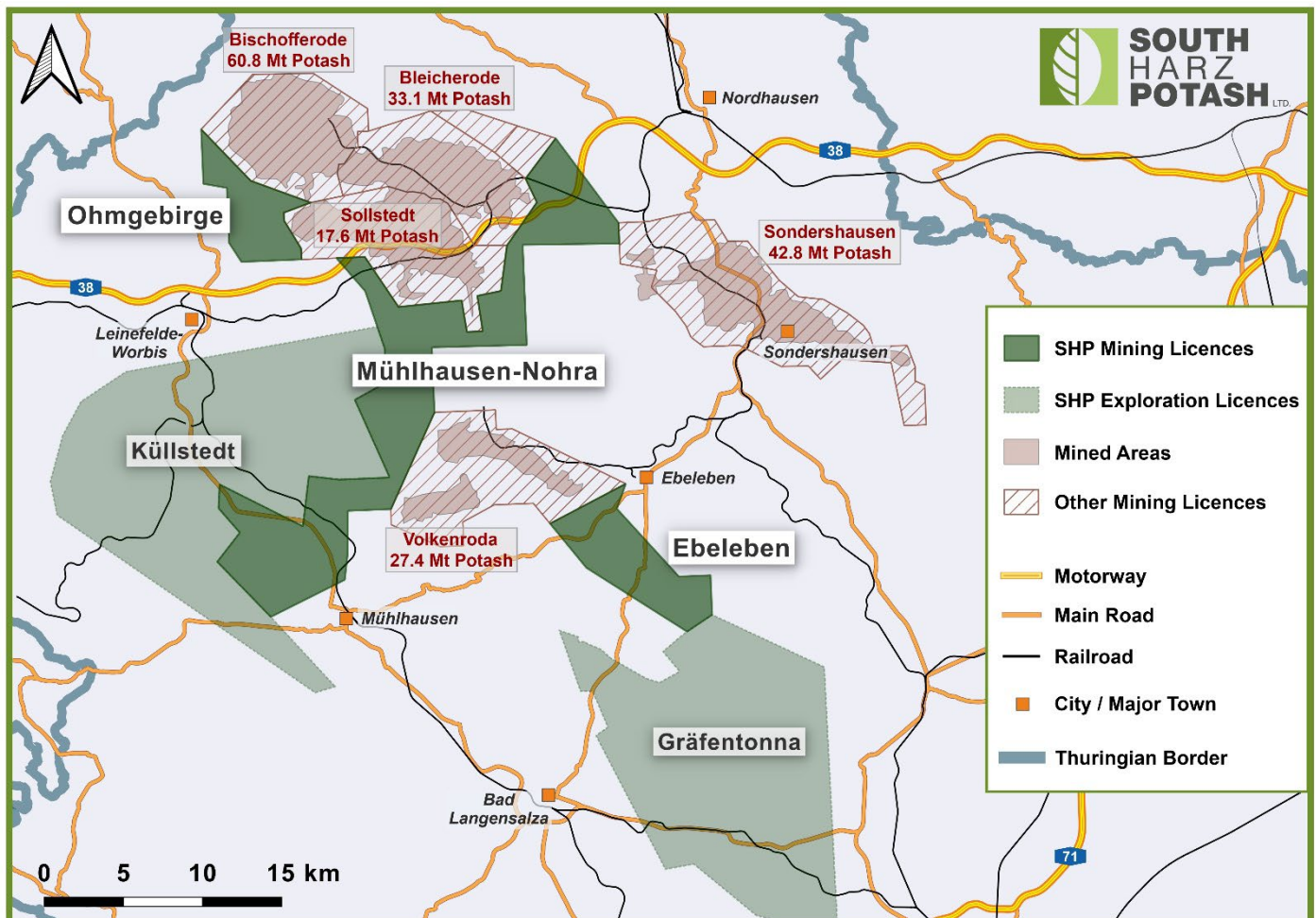
South Harz Potash (ASX: SHP) (**South Harz**) is a potash exploration and development company with its flagship project located in the South Harz Potash District region of Germany, midway between Frankfurt and Berlin.

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 Gräfentonna, 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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.12....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(58)	(1,270)
(b) PFS & permitting	(1,719)	(3,478)
(c) production		
(d) site admin & site staff costs	(109)	(509)
(e) corporate costs	(515)	(2,454)
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	196	638
1.9 Net cash from / (used in) operating activities	(2,205)	(7,073)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		(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 (..12....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		(119)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		2,986
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		0
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(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
3.10	Net cash from / (used in) financing activities		2,821
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,632	6,673
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,205)	(7,073)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		(119)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		2,821

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..12....months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(160)	(35)
4.6	Cash and cash equivalents at end of period	2,267	2,267

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	2,267	4,632
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)	2,267	4,632

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	146
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	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)	(2,205)
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)	(2,205)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,267
8.5 Unused finance facilities available at quarter end (item 7.5)	
8.6 Total available funding (item 8.4 + item 8.5)	2,267
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.0
<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: <i>Yes because we are in the middle of our peak cash requirements for the PFS & expect to continue at least at the current level until the end of the year, which is in line with original plans.</i>	
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: <i>Company is currently in a trading halt whilst it is considering, planning and executing a capital raising which will provide adequate funding for its operations</i>	
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>Yes –due to capital raising noted in answer to 8.8.2</i>	
<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:31st July 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.