

South Harz Potash

Initial permitting consultation process complete

South Harz Potash (“SHP”) has announced that the company has successfully completed the initial consultation process for the Ohmgebirge potash project in Germany that involved local groups and NGOs as well as regulators. No significant concerns or objections were raised during the process and the full Spatial Planning Application (“SPA”) remains on track for submission in early Q4 2023, which is in line with previous guidance. We view this as an incremental positive for the shares and maintain a target of A\$0.44/share. Ohmgebirge is a world class project in a low risk jurisdiction with good access to infrastructure and end markets. We expect the shares to re-rate as the planning, permitting and feasibility process advances.

Initial consultation completed, planning application on track for Q4

SHP held the consultation hearing on the Spatial Planning Scoping Paper for the Ohmgebirge project in Thuringia on 16th September. This represented the end of the initial public consultation with the local authority (Thüringer Landesverwaltungsamt TLVWA). Fifteen groups submitted comments in advance of the hearing that will be addressed in the full SPA that should be submitted before the end of the year with a decision due within six months. Assuming the SPA is approved and an Environmental Impact Assessment submitted then a General Operating Permit will be applied for that would ultimately allow for build approval.

Brownfield development would cut capex and enhance NPV

SHP is focussing on optimising the development route for Ohmgebirge with the preferred option being a brownfield project utilising the existing shaft system at Bernterode that is 1,500m from the deposit. A non-binding consent order has been signed with that shaft’s owner, NDH-E/Deucalion. The previous scoping study returned a NPV8% of US\$1,279m with a 26.6% IRR and US\$620m initial capex; a brownfield development would both result in lower initial capex and reduce the time for construction. Assuming permitting is completed and funding secured, project construction could commence in 2025 with first production in 2028. The mine could produce 1Mtpa of Muriate of Potash (“MOP”) and 2Mtpa of salt over an initial mine-life of 21 years. All-in costs were estimated at US\$92.6/t of MOP, net of US\$79/t salt by-product credits. In our view, the project offers good access to Western European markets through the German road, rail, barge, and port network.

MOP prices have pulled back but demographics should drive higher demand

MOP prices initially surged in the wake of the Russian invasion of Ukraine with FOB Vancouver prices peaking at US\$1,202/t in April 2022 driven by concerns about supply, with Russia accounting for 19% of supply and its close ally Belarus accounting for 17%. These have since faded with prices pulling back and currently trading at US\$353/t. Over the longer term we expect prices to be driven by global demographics and the need to optimise the world’s capacity to sustain a population that the UN forecasts to increase from 8 billion at present to 10.4 billion by 2100.

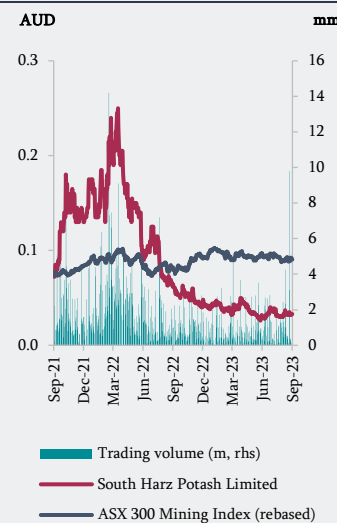
Valuation: A\$0.44/sh target price; significant debt funding likely available

Given the early stage of development, future funding requirements and uncertain nature of our modelling assumptions, we apply a 0.2x target P/NPV to our June 2024E A\$1.6bn valuation to derive a target price per share of A\$0.44, ~1,000% above the current share price. The shares are not currently trading in line with the underlying value of the project, in our view. We believe that the completion of the PFS (Q4 23), Spatial Planning Application (Q4 23) and submission of the Environmental Impact Assessment (Q1 24) should be material catalysts that should result in SHP’s share price reconnecting with the NAV of Ohmgebirge. The major catalysts beyond this are the DFS that should be completed by YE 2024 with final permitting and project development potentially commencing by the end of 2025.

GICS Sector	Materials
Ticker	SHP.AU
Market cap 21 Sep 23 (A\$m)	24.3
Share price 21 Sep 23 (A\$)	0.03
Target price 31-Dec-23 (A\$)	0.44

5,281Mt

Ohmgebirge Resource at 10.5% K2O



The cost of producing this material has been covered by South Harz Potash as part of a contractual engagement with H&P Advisory Ltd..

Jonathan Guy

Director, Mining Research

T +44-207-907-8500

E jonathan.guy@hannam.partners

Roger Bell

MD, Mining Research

T +44-207-907-8534

E rb@hannam.partners

Oscar Norris

Analyst, Mining Research

T +44-207-907-8500

E on@hannam.partners

Jay Ashfield

Director, Mining Sales

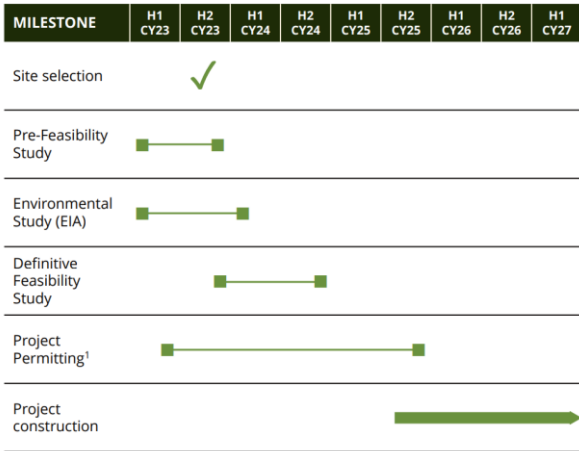
T +44-207-907-2022

E ja@hannam.partners

H&P Advisory Ltd
3rd Floor, 7-10 Chandos Street
London W1G 9DQ

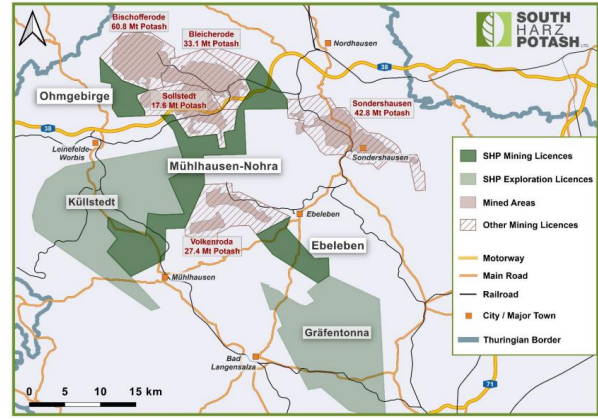
Key Charts

PFS and EIA submission due over the short term



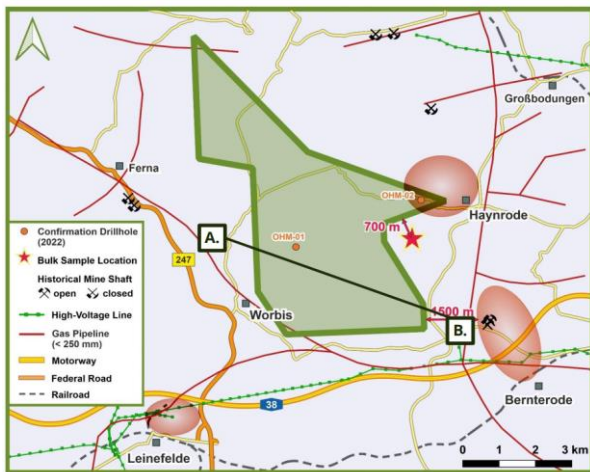
Source: Company Reports

Ohmgebirge is located near to good infrastructure



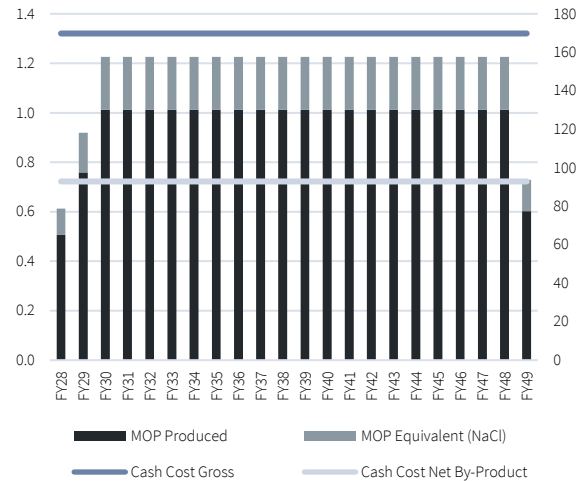
Source: Company Reports

Bernterode shaft in close proximity to Ohmgebirge orebody



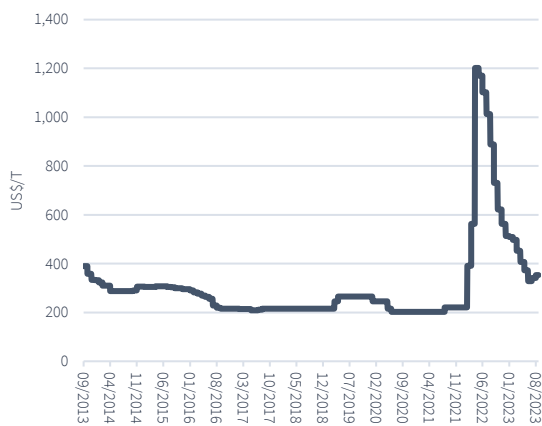
Source: Company Reports

Production of 1.2Mtpa MOP equivalent



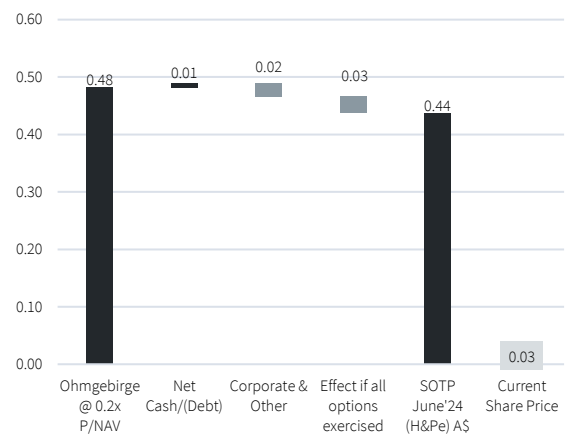
Source: Company Reports

MOP prices are trading at US\$353/t



Source: Bloomberg

SOTP suggests A\$0.44/share valuation



Source: H&P estimates

Disclaimer

This Document has been prepared by H&P Advisory Limited ("H&P"). It is protected by international copyright laws and is for the recipient's use in connection with considering a potential business relationship with H&P only. This Document and any related materials are confidential and may not be distributed or reproduced (in whole or in part) in any form without H&P's prior written permission.

By accepting or accessing this Document or any related materials you agree to be bound by the limitations and conditions set out herein and, in particular, will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this disclaimer including, without limitation, the obligation to keep information contained in this Document and any related materials confidential.

This Document does not represent investment research for the purposes of the rules of the Financial Conduct Authority ("FCA Rules"). To the extent it constitutes a research recommendation, it takes the form of NON-INDEPENDENT research for the purposes of the FCA Rules. As such it constitutes a MARKETING COMMUNICATION, has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of dissemination of investment research.

The information contained herein does not constitute an offer or solicitation to sell or acquire any security or fund the acquisition of any security by anyone in any jurisdiction, nor should it be regarded as a contractual document. Under no circumstances should the information provided in this Document or any other written or oral information made available in connection with it be considered as investment advice, or as a sufficient basis on which to make investment decisions. This Document is being provided to you for information purposes only.

The distribution of this Document or any information contained in it and any related materials may be restricted by law in certain jurisdictions, and any person into whose possession this Document or any part of it comes should inform themselves about, and observe, any such restrictions.

The information in this Document does not purport to be comprehensive and has been provided by H&P (and, in certain cases, third party sources) and has not been independently verified. No reliance may be placed for any purposes whatsoever on the information contained in this Document or related materials or in the completeness of such information.

The information set out herein and in any related materials reflects prevailing conditions and our views as at this date and is subject to updating, completion, revision, verification and amendment, and such information may change materially. H&P is under no obligation to provide the recipient with access to any additional information or to update this Document or any related materials or to correct any inaccuracies in it which may become apparent.

Whilst this Document has been prepared in good faith, neither H&P nor any of its group undertakings, nor any of its or their respective directors, members, advisers, representatives, officers, agents, consultants or employees makes, or is authorised to make any representation, warranty or undertaking, express or implied, with respect to the information or opinions contained in it and no responsibility or liability is accepted by any of them as to the accuracy, completeness or reasonableness of such information or opinions or any other written or oral information made available to any party or its advisers. Without prejudice to the foregoing, neither H&P nor any of its group undertakings, nor any of its or their respective directors, members, advisers, representatives, officers, agents, consultants or employees accepts any liability whatsoever for any loss howsoever arising, directly or indirectly, from use of this Document and/or related materials or their contents or otherwise arising in connection therewith. This Document shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

All statements of opinion and/or belief contained in this Document and all views expressed and all projections, forecasts or statements regarding future events or possible future performance represent H&P's own assessment and interpretation of information available to it as at the date of this Document. This Document and any related materials may include certain forward-looking statements, beliefs or opinions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that any of the results and events contemplated by the forward-looking statements contained in the information can be achieved or will, in fact, occur. No representation is made or any assurance, undertaking or indemnity given to you that such forward looking statements are correct or that they can be achieved. Past performance cannot be relied on as a guide to future performance.

This document is directed only at persons who: (i) are Qualified Investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129, as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, (as amended); and (ii) have professional experience in matters relating to investments who fall within the definition of "Investment Professionals" contained in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order") or are persons falling within Article 49(2)(a) to (d) (High Net Worth Companies, Unincorporated Associations, etc.) of the Order, or fall within another exemption to the Order (all such persons referred to in (i) and (ii) above together being referred to as "Relevant Persons"). Any person in the United Kingdom who is not a Relevant Person must not act or rely on this document or any of its contents. In the United Kingdom, any investment or investment activity to which this document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. By accepting receipt of this document, each recipient is deemed to confirm, represent and warrant that they are a Relevant Person. This Document is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. In particular, the information contained in this Document is not for publication, release or distribution, and may not be taken or transmitted into: (i) the United States or its territories or possessions, or distributed, directly or indirectly, in the United States, its territories or possessions or to any U.S. person as such term is defined in Regulation S of the Securities Act; or (ii) Australia, Canada, Japan, New Zealand or the Republic of South Africa. Any failure to comply with this restriction may constitute a violation of United States, Canadian, Japanese, New Zealand or South African securities law. Further, the distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this Document comes are required to inform themselves about, and observe, any such restrictions.

H&P may from time to time have a broking, corporate finance advisory or other relationship with a company which is the subject of or referred to in the Document.

This Document may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omission (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including lost income or profits and opportunity costs or losses caused by negligence) in connection with any use of their content including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

H&P Advisory Ltd is registered in England No.11120795. Registered Office: 3rd Floor, 7-10 Chandos Street, London W1G 9DQ. H&P Advisory Ltd is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 805667).