



South Harz Potash Limited

ABN 64 153 414 852

Half-year Financial Report- 31 December 2021

Corporate directory

Directors	Dr Chris Gilchrist - United Kingdom Managing Director Dr Reinout Koopmans - United Kingdom Non-Executive Director Hansjoerg Plaggemars - Germany Non-Executive Director Ian Farmer - United Kingdom Non-Executive Chairman Len Jubber - Australia Non-Executive Director Rory Luff - Australia Non-Executive Director
Company secretary	Graeme Smith
Registered office	Level 13, 6-10 Douro Place Perth WA 6000 Australia. (08) 9481 0389
Principal place of business	Level 13, 6-10 Douro Place Perth WA 6000 Australia. (08) 9481 0389
Auditor	BDO Audit Pty Ltd. Collins Square Tower 4, Level 18, 727 Collins Street Melbourne VIC 3008, Australia.
Solicitors	Steinpreis Paganin, 16 Milligan Street, Perth WA 6000, Australia
Bankers	Barclays Bank
Stock exchange listing	South Harz Potash Limited shares are listed on the Australian Securities Exchange (ASX code: SHP)
Share registry	Automic Registry Services Pty Ltd Level 2 267 St Georges Terrace Perth WA 6000 +61 8 9324 2099
Website address	www.southharzpotash.com
Corporate Governance Statement	The Company's Corporate Governance Statement is available on the Company's website.

Table of Contents

Directors' report	4
Auditor's independence declaration	11
Financial report	12
Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2021	13
Condensed consolidated statement of financial position as at 31 December 2021	14
Condensed consolidated statement of changes in equity for the half-year ended 31 December 2021	15
Condensed consolidated statement of cash flows for the half-year ended 31 December 2021	17
Notes to the condensed consolidated financial statements 31 December 2021	18
Directors' declaration	28
Independent auditor's review report	29

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "consolidated entity") consisting of South Harz Potash Limited (referred to hereafter as the "company" or "parent entity") and the entities it controlled for the half year ended 31 December 2021.

Directors

The names of Directors who held office during the whole of the financial period and up to the date of this report

Name	Title
Ian Farmer	Independent Non-Executive Chairman
Chris Gilchrist	Managing Director
Reinout Koopmans	Independent Non-Executive Director
Rory Luff	Non-Independent Non-Executive Director
Hansjoerg Plaggemars	Non-Independent Non-Executive Director
Len Jubber	Independent Non- Executive Director

Company Secretary

Graeme Smith (appointed 1 January 2022)

Amanda Wilton-Heald (appointed 1 January 2019, resigned 31 December 2021)

Principal Activities

During the financial period the principal continuing activities of the consolidated entity consisted of investment in and development of mineral exploration assets.

Results of Operations

Total comprehensive loss for the six months ended 31 December 2021 was \$3,484,268 (half-year ended 31 December 2020 (restated): \$1,119,113). The increase in comprehensive loss was mainly driven by exploration expense with respect to the drilling of two confirmatory holes with the intention to upgrade the resource to a JORC compliant indicated resource at the Ohmgebirge site.

On 20 December 2021, the Company issued 40,666,668 fully paid ordinary shares at an issue price of \$0.12 each raising \$4,880,000. On 21 December 2021, the Company issued a further 1,000,000 shares at an issue price of \$0.12 each raising a further \$120,000. On 20 December 2021, the Company also issued 438,417 fully paid ordinary shares to its brokers Morgans in lieu of fees for services.

South Harz Potash Limited is developing a portfolio of potash projects in the South Harz region of Germany, encompassing 659km, with an inferred resource of 5.3 billion tonnes (grading 10.8% K₂O) within the JORC Inferred category. It is contained within a well-defined potash basin which has been mined for fertiliser salts for over 100 years and South Harz Potash has identified at least four standalone projects within its portfolio. Its initial development focus is the Ohmgebirge project, as described later.

The six-month period to 31 December 2021 saw the Company prepare to commence drilling at its inaugural Ohmgebirge site following receipt of the required permits from the Regional Authority, TLUBN. The Company's intention is to drill two, confirmatory holes within the Ohmgebirge licence, in doing so, to elevate the resource status from the "Inferred" to "Indicated" category which will subsequently allow the release under ASX regulations of a technical and economic assessment of the project.

South Harz Potash Limited holds three perpetual mining licences, Ohmgebirge, Mühlhausen-Nohra and Ebeleben as well as two exploration licences Küllstedt and Gräfen-tonna (Figure 1).

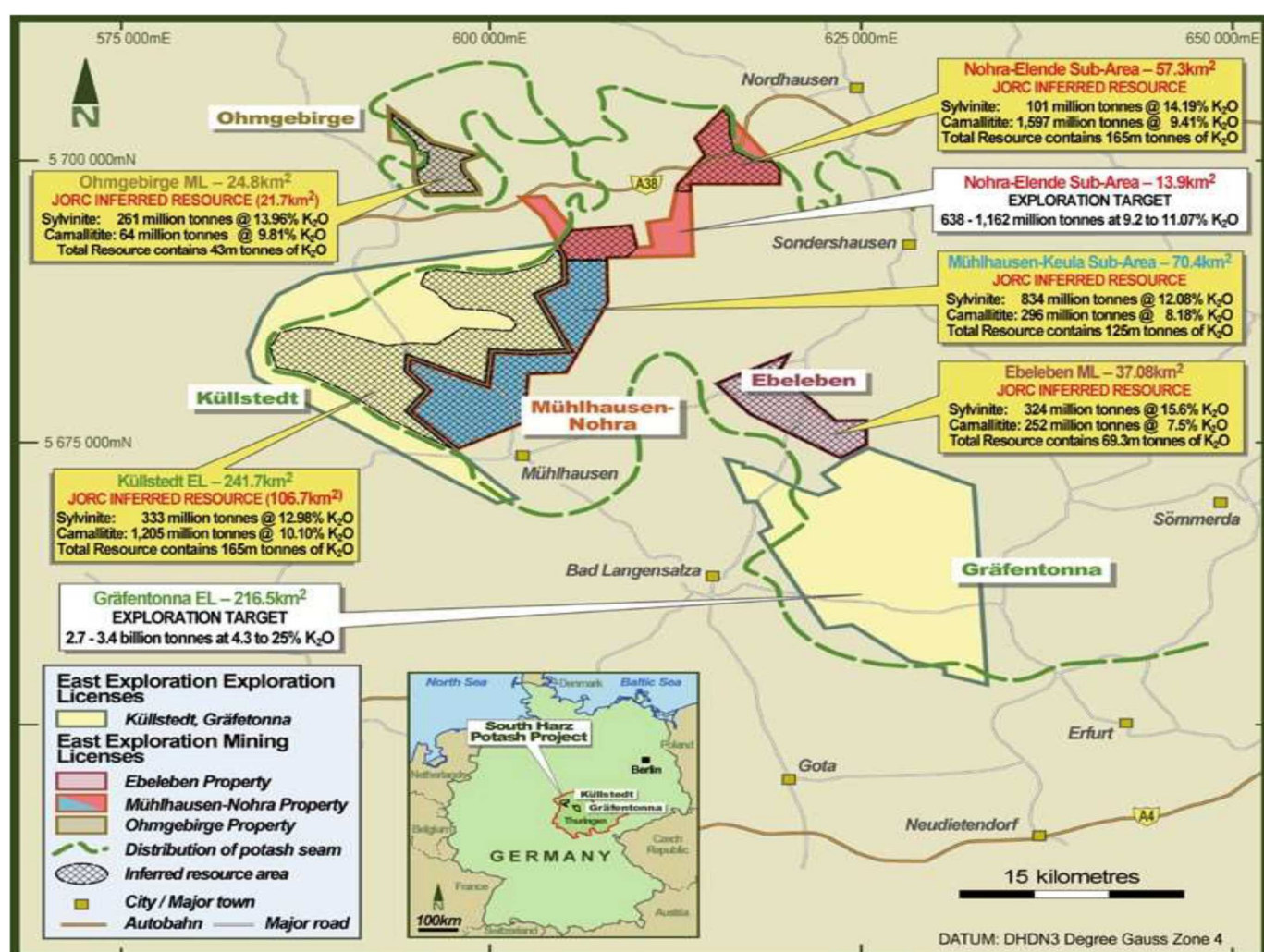


Figure 1: Map depicting location of South Harz Potash's mining and exploration licence areas.

The Company conducted an extensive evaluation of the three areas held under perpetual mining licences and identified four potential projects, viz. Ohmgebirge, Ebeleben, Mulhausen-Nohra and Nohra-Elende.

Ohmgebirge

Following a detailed review of these four potential projects, the Company selected Ohmgebirge as the spearhead project owing to its relative shallowness (from 450m below surface), tonnage, grade (325 Mt grading 13.1% K_2O)¹, the licence area's proximity to infrastructure including abandoned mines for future tailings disposal and to derelict industrial land from adjacent former potash mines. With the combination of these attributes, the Company has identified Ohmgebirge as the preferred location from which to initiate the development of its extensive South Harz potash field.

In accordance with the Competent Person recommendations^{1,2}, the Company is planning to conduct the drilling of twin confirmatory holes within the Ohmgebirge area in order to verify the results from the historic drillholes used to calculate the Inferred resource already declared. It is intended that this will lead to a revised mineral resource estimate ("MRE") where the majority of the inferred resource is upgraded to the Indicated category. This, in turn, will permit the completion of a technical and economic study by June 2022 and open the way for a definitive feasibility study in 2022/3.

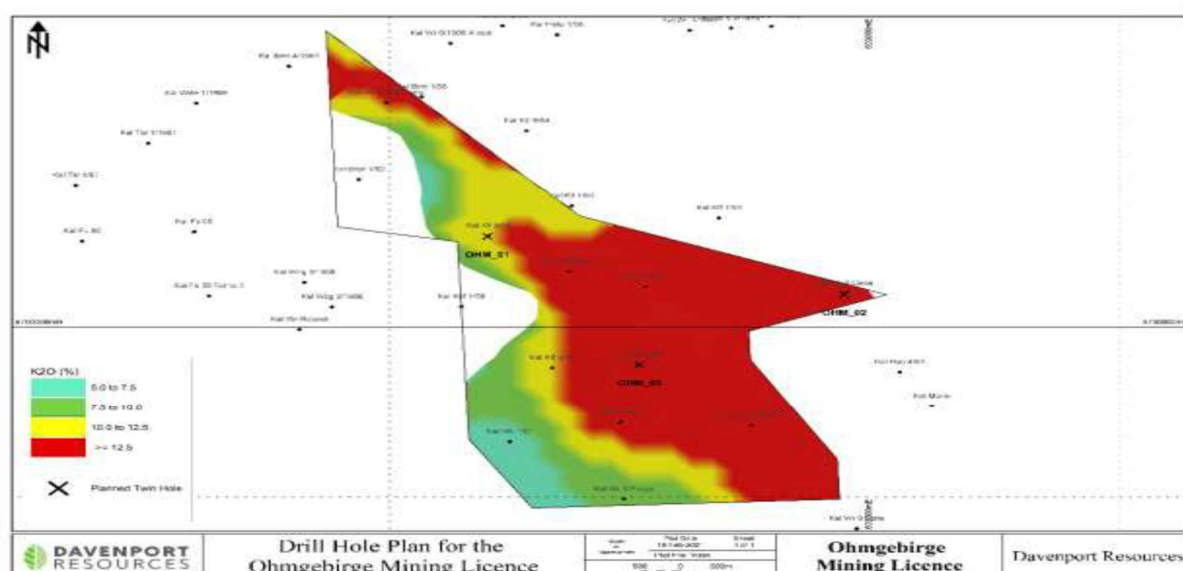


Figure 2: Ohmgebirge mining licence area showing K_2O grade distribution and location of drill holes.

¹ 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 the previous market announcement (ASX announcements 23 December 2019) and that all material assumptions and technical parameters underpinning the estimate in the previous market announcement continue to apply and have not materially changed.

² ASX announcement 23rd December 2019, Appendix 1, JORC Table 1 "Further Work".

At time of writing, the Company has completed the drilling of its first confirmatory hole, OHM-02, and has constructed the drill pad for the second confirmatory hole at OHM-01 ready to commence drilling

General Activities

The Company has continued its Investor Relations programme in both Europe and Australia with the assistance of Alma PR, based in London and Fivemark Partners of Perth, Australia who were appointed in May CY2021. NWR Communications of Melbourne have been retained on a reduced basis to continue managing the website, mailing lists and social media platforms. Numerous investor presentations, webinars and video interviews were conducted during the reporting period and executives attended the “London 121” and “Mines and Money” events to further promote the Company.

The Directors agreed to bolster the operations team based in Germany and an executive search consultant was engaged to identify a Regional Manager who will control the administrative, ESG, permitting, media and political activities in the Thuringia capital, Erfurt. At time of writing an incumbent has been appointed. [Expand to introduce Babette Winter as per press release]

Market update

The potash market, which was depressed during the previous two years, has demonstrated a significant turnaround as agricultural nations respond to post-COVID food security fears and previously low fertilizer applications. The significant rise in potash volume demand, predicted to reach a record level of 72 Mt during 2022, has ensured an extremely tight marketplace resulting in massive price increases as buyers seek to guarantee the restocking of depleted inventories. This is especially the case in China where 2022 contract price levels of US\$ 590 per tonne MOP CFR were recently agreed with the Canadian selling organisation, Canpotex. This represents an unprecedented US\$ 315 per tonne increase which other producers such as Uralkali and BPC have subsequently followed.

Other factors affecting the potash market are the recently imposed US and EU sanctions on Belarus whose logistic chain has been disrupted by the termination of an agreement with Lithuanian railways, forcing BPC to seek an alternative to the export of 11 Mt per annum typically handled by Klaipeda. Supply growth to Belarus losses will come mostly from Canada where Nutrien, Mosaic and K&S Bethune will benefit through new market opportunities in Brazil and China.

The impact of Russian sanctions is yet to be felt with Brazilian and Indian sales likely to be affected, but not those to China. While spot prices for granular MOP in Brazil are now reported at \$1000 per tonne, this is unlikely to continue beyond 2024 at which time, both spot and contract prices are forecast to return to the sub-\$400 level.

The gap between demand and production in Western Europe stands at approximately 2 Mt and is set to increase as K&S close older, less profitable operations in Germany and Norwegian NPK producers such as Yara look to find an alternative to Belarus imports on political grounds. Given the short logistic distances offered by the location of SHP's projects relative to market and the emergence of resource nationalism, the outlook for South Potash as an emerging supplier in Europe remains good.

Finance Report

Since the Company has now commenced drilling activities at Ohmgebirge our expenses have increased from A\$1m in the previous year's interim report to A\$ 3.4m in this report primarily driven by \$1.7m of exploration expenditure in connection with the drilling.

Following the capital raise mentioned above in December the closing cash position at 31st December 2021 was A\$10.5m. Options exercised in the 6 month period produced cash receipts of A\$558,000.

The Group's policy has been to capitalize all the exploration and evaluation costs in line with the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources. The Company has now decided to charge all exploration and evaluation expenses to its profit or loss statement. Costs incurred in the original acquisition of its tenement rights of A\$2m remain capitalized however. The Company is planning to prepare a detailed feasibility study on the future prospects and commercial development of its first project at Ohmgebirge. This study will enable the company to perform a review of the commercial value of those costs going forward. Once this study has been completed appropriate exploration costs will be capitalized into its carrying value. The Company is of the opinion that the above treatment results in more reliable and relevant information to users of the financial information.

Since this is a change in accounting policy, retrospective adjustment to the opening retained earnings as at 1 July 2020 and December 2020 comparative statement of profit or loss has been done. A summary of the impact on the financial statements is given below:

Impact of change in accounting policy

	Jun 21 Previously disclosed	Adjustment	Restated balance Jun 21
Non-current assets			
Exploration and evaluation	3,276,579	1,310,635	1,965,944

Matters Subsequent to The End of The Financial Period

The Company obtained a permit from the TLUBN to drill a second hole OHM1 at Ohmgebirge on 11 January 2022. It has completed drilling at the first hole at OHM2 at Ohmgebirge on March 1st 2022, and the drilling pad at the second hole OHM-01 has now also been completed ready for the commencement of drilling.

The Company has appointed Dr Babette Winter as Regional Manager for Thuringia based in Erfurt, as mentioned above. Dr Winter is a German national with a background in both technical and socio-political affairs. She holds a PhD in Chemistry from Westfaelische Wilhelms-University Münster and has held key positions in public relations followed by a career in administration and politics, notably as Head of Environmental Policy Department within the Ministry for Agriculture, Forestry, the Environment and Nature Conservation in Thüringia. More recently, she served as Member of the European Parliament (MEP), was appointed to the Economic and Monetary Affairs Committee and was the Deputy Member in the Environment and Climate Change Committee. For more than five years, she served as State Secretary for European Affairs in the government of Thüringia.

Since December 2021 until the writing of this report the Company has received a further A\$1.4m in option conversion monies

Going Concern

The financial report has been prepared on the going-concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the ordinary course of business.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets and managing cash flow in line with available funds.

Based on the cash-flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate, given the following:

- The Consolidated entity has the ability to defer discretionary costs as and when required.
- In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.
- There are significant "in the money" options which will need to be converted to avoid their lapsing early next year and the Company has already received some significant conversions post the end of December.

Impact of Covid-19

The impact of the Coronavirus (COVID-19) pandemic has not affected site operations adversely, however it has limited the travel of executives to Germany in order to conduct face-to-face meetings with relevant stakeholders.

With the current easing of travel restrictions and the success of EU vaccination programmes, it is unlikely that the risk of further disruption due to COVID will occur.

ESG and risk

South Harz Potash Limited aims to establish world-class ESG credentials and has published an ESG policy to this effect. Progress has been made in identifying an experienced consultancy to assist the Company in its construction of an ESG management system.

South Harz Potash Limited is at an early stage in the development of its significant potash resources in Thuringia state. Therefore, at this stage our focus in terms of environmental and social impact of our operations has been to engage with the local communities to give assurances on the potential impact of our operations. A full independent assessment will be carried out as part of our Defined Feasibility study due to commence in the next calendar year. This will also address health and safety issues, labour standards and environmental legislation compliance considerations, as well as confirm our carbon footprint and climate change review. Management and Directors will be attending an ESG workshop in order to further strengthen our ESG policies and our ESG performance which the Board keeps in strong focus to drive improvements where necessary. The Board's focus is on our local communities, the safety of our staff, the protection of our environment, and good governance to protect our shareholders and our business going forward.

In terms of governance, we have recently reviewed and updated our Corporate Governance procedures and policies in line with the latest ASX Corporate Governance Principles and Recommendations – 4th Edition. All members of the Board believe strongly in the importance of good corporate governance to assist in achieving objectives and in accountability to stakeholders. The Board meets every two months and has the following sub committees: Remuneration, Nominations, Audit and Technical. The Chair has developed a board skills matrix, which is reviewed by the Nominations Committee, in order to help assess its key competencies and any skills gaps that may exist so as to determine ways of dealing with those. The Chair also undertakes annual assessments of individual Board members in order to evaluate overall Board performance. We have also developed a Risk Register which is reviewed regularly by the Board and Audit Committee and will be an interactive tool to recognise, mitigate and manage key risks.

Rounding Of Amounts

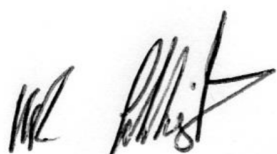
The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Lead Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the review for the half-year ended 31 December 2021 is provided with this report.

This report is made in accordance with a resolution of the directors, pursuant to section 307(c) of the Corporations Act 2001.

On behalf of the directors:



Chris Gilchrist
16 March 2022
Director Perth

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF SOUTH HARZ POTASH LIMITED

As lead auditor for the review of South Harz Potash Limited for the half-year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of South Harz Potash Limited and the entities it controlled during the period.



James Mooney
Director

BDO Audit Pty Ltd

Melbourne, 16 March 2022

Financial report

General information

The financial report covers South Harz Potash Limited as a consolidated entity consisting of South Harz Potash Limited and the entities it controlled. The financial report is presented in Australian dollars, which is South Harz Potash Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

South Harz Potash Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Unit 13
6-10 Douro Place
Perth WA 6005

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2021

		Consolidated	
	Note	Dec 2021	Dec 2020
		\$	\$
			(Restated)
Revenue from continuing operations			
Other income	4	126	104
Expenses			
Exploration and evaluation costs		(1,744,122)	(20,768)
Administration and corporate expenses		(651,025)	(171,338)
Insurance expense		(120,123)	(15,150)
Director fees		(313,385)	(350,010)
Depreciation and amortisation expense		(1,059)	-
Foreign exchange gain/(loss)		18,457	(20,326)
Consulting expenses		(206,906)	(116,288)
Occupancy costs		(1,000)	(4,200)
Remuneration (excluding share-based payment)		(216,855)	(144,855)
Share-based payment		(194,512)	(204,368)
Loss before income tax expense		(3,430,404)	(1,047,199)
Income tax expense		-	-
Loss after income tax expense		(3,430,404)	(1,047,199)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation reserve		(53,864)	(71,914)
Other comprehensive loss for the year net of tax		(53,864)	(71,914)
Total comprehensive loss for the year		(3,484,268)	(1,119,113)
		Consolidated	
		2021	2020
		\$	\$
			(Restated)
Earnings per share for loss attributable to the owners of South Harz Potash Limited			
Basic loss per share		(1.59)	(0.53)
Diluted loss per share		(1.59)	(0.53)

The financial statements should be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position as at 31 December 2021

		Consolidated	
	Note	Dec 2021	Jun 2021 (Restated)
Assets			
Current assets			
Cash and cash equivalents	5	10,537,216	8,236,749
Trade and other receivables	6	7,747	40,511
Other assets		357,192	32,831
Total current assets		10,902,155	8,310,091
Non-current assets			
Property, plant and equipment		5,356	6,433
Exploration and evaluation	8	1,956,458	1,965,944
Total non-current assets		1,961,814	1,972,377
Total assets		12,863,969	10,282,468
Liabilities			
Current liabilities			
Trade and other payables	7	872,817	345,575
Total current liabilities		872,817	345,575
Total liabilities		872,817	345,575
Net assets		11,991,152	9,936,893
Equity			
Issued capital	9	25,638,387	20,554,094
Reserves	10	1,536,818	1,136,445
Accumulated losses		(15,184,053)	(11,753,646)
Total equity		11,991,152	9,936,893

The financial statements should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2021

	Contributed Equity	Performance Rights Reserve	Option Based Payment Reserve	Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$	\$
Balance as 1 July 2021	20,554,094	53,851	910,460	172,134	(10,443,011)	11,247,528
Impact of change in accounting policy	-	-	-	-	(1,310,635)	(1,310,635)
Balance as 1 July 2021 (Restated)	20,554,094	53,851	910,460	172,134	(11,753,646)	9,936,893
Loss after income tax expenses for the year	-	-	-	-	(3,430,404)	(3,430,404)
Other comprehensive income for the year, net of tax	-	-	-	(53,864)	-	(53,864)
Total comprehensive income/(loss) for the year	-	-	-	(53,864)	(3,430,404)	(3,484,268)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	5,084,293	-	259,723	-	-	5,344,016
Share-based payments	-	(11,480)	205,991	-	-	194,511
Balance at 31 December 2021	25,638,387	42,371	1,376,174	118,270	(15,184,050)	11,991,152

	Contributed Equity \$	Performance Rights Reserve \$	Option Based Payment Reserve	Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance as 1 July 2020	11,129,234	27,030	-	254,400	(8,251,738)	3,158,926
Impact of change in accounting policy	-	-	-	-	(1,155,086)	(1,155,087)
Balance as 1 July 2020 (Restated)	11,129,234	27,030	-	254,400	(9,406,824)	2,003,839
Loss after income tax expenses for the year (Restated)	-	-	-	-	(1,047,199)	(1,047,199)
Other comprehensive income for the year, net of tax (Restated)	-	-	-	(71,914)	-	(71,914)
Total comprehensive income/(loss) for the year	-	-	-	(71,914)	(1,047,199)	(1,119,113)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	1,450,260	-	-	-	-	1,450,260
Share-based payments	106,390	17,338	80,640	-	-	204,368
Balance at 31 December 2020 (Restated)	12,685,884	44,368	80,640	182,486	(10,454,023)	2,539,354

The financial statements should be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2021

	Note	Dec 2021 AUD	Dec 2020 AUD
Cash flows from operating activities			
Interest received		128	104
Other payments		(291,597)	16,298
Payments to suppliers and employees		(2,726,176)	(634,445)
Net cash used from operating activities		(3,017,645)	(618,043)
Cash flows from investing activities			
Payments for exploration and evaluation		-	(117,033)
Net cash used in investing activities		-	(117,033)
Cash flows from financing activities			
Proceeds from issue of shares		5,659,694	1,564,501
Payments for capital raising costs		(315,660)	(48,504)
Net cash from financing activities		5,344,034	1,515,997
Net increase in cash and cash equivalents		2,326,389	780,921
Cash and cash equivalents at beginning of year		8,236,749	142,069
Effects of foreign exchange cash movements		(25,922)	(81,356)
Cash and cash equivalents at end of the year	5	10,537,216	841,634

The financial statements should be read in conjunction with the accompanying notes.

Notes to the condensed consolidated financial statements 31 December 2021

Note 1. Significant accounting policies

Basis of preparation and accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the change in accounting policy relating to the exploration and evaluation assets as explained below.

Change in accounting policy

The Group's policy has been to capitalise all the exploration and evaluation costs in line with the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources. A decision has been taken to change this accounting policy and charge the exploration and evaluation expenses to the statement of profit or loss. Costs incurred in the acquisition of tenements rights will be continue to be capitalised.

The Company is planning to prepare the detailed feasibility study (DFS) on the future prospects and commercial development of its first exploration project at Ohmgebirge. It is the Company's intention to capitalise exploration costs into its development projects as appropriate once a DFS has been completed which will enable it to perform an informed review of the commercial value of those costs going forward.

Since this is a change in accounting policy, retrospective adjustment to the opening retained earnings as at 1 July 2020 and December 2020 comparative statement of profit or loss has been done. A summary of the impact on the financial statements is given below:

Impact of change in accounting policy

	Jun 21 Previously disclosed	Adjustment	Restated balance Jun 21
Non-current assets			
Exploration and evaluation	3,276,579	1,310,635	1,965,944
Equity			
Accumulated losses	(10,443,011)	(1,310,635)	(11,753,646)

Exploration and evaluation assets-revised

It is the Group's policy to capitalise the cost of acquiring rights to explore areas of interest. All other exploration and evaluation expenditure is charged against earnings as incurred and included as part of cash flows from operating activities.

The costs of acquisition are carried forward as an asset provided one of the following conditions is met:

- a) Such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively, by its sale; or
- b) Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Exploration for and evaluation of mineral resources is the search for mineral resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource.

Accounting for exploration and evaluation expenditures is assessed separately for each 'area of interest' to determine whether expenditure is expensed as incurred or capitalised as an asset. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Pre-production costs are deferred as development costs until such time as the asset is capable of being operated in a manner intended by management. Capitalised expenses then become an active asset and are depreciated. Post-production costs are recognised as a cost of production.

Capitalisation of development expenditure ceases once the mining property is capable of commercial production, at which point it is transferred into a separate mining asset.

Any development expenditure incurred once a mine property is in production is immediately expensed to the Statement of Profit or Loss and Other Comprehensive Income except where it is probable that future economic benefits will flow to the entity, in which case it is capitalized as property, plant and equipment.

Information used in the review process is rigorously tested to externally available information as appropriate.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Any impairment losses are recognised in the statement of profit or loss and other comprehensive income.

New or amended accounting standards and interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

For the half-year ended 31 December 2021, the consolidated entity incurred a total comprehensive loss of \$3,484,268 (half-year ended 31 December 2020 (restated): \$1,119,113) and incurred cash outflows from operations of \$3,017,645 (half-year ended 31 December 2020: \$618,043). As at 31 December 2021, the consolidated entity had accumulated losses of \$15,184,053 (half-year ended 31 December 2020: \$10,433,698).

On 20 December 2021, the Company issued 40,666,668 fully paid ordinary shares at an issue price of \$0.12 each raising \$4,880,000. On 21 December 2021, the Company issued a further 1,000,000 shares at an issue price of \$0.12 each raising a further \$120,000. On 20 December 2021, the Company also issued 438,417 fully paid ordinary shares to its brokers Morgans in lieu of fees for services.

Directors are aware that additional capital would be required to meet operational costs and to advance the exploration projects. Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the consolidated entity's ability to effectively manage its operations and working capital requirements, the directors believe that the consolidated entity will continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business.

The ability of the Consolidated Entity to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital from equity markets and managing cash flow in line with available funds. These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern.

Based on the cash-flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate, given the following.

- The Consolidated entity has the ability to defer discretionary costs as and when required.
- In particular, given the Company's history of raising capital to date, the directors are confident of the Company's ability to raise additional funds as and when they are required.

Should the Consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

The half-year financial report does not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 2. Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding	
		Dec-2021 %	Jun-2021 %
South Harz Potash (Australia) Pty Ltd	Australia	100.00	100.00
Südharz Kali GmbH	Germany	100.00	100.00

Note 3. Segment reporting

Identification of reportable operating segments.

The consolidated entity is organised into one operating segment, being mining and exploration operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Geographical information

	Sales to external customers		Non-current assets	
	Dec 2021	Dec 2020	Dec 2021	Jun 2021
	\$	\$	\$	\$
				(Restated)
Australia	-	-	2,865	3,435
Germany	-	-	1,958,949	1,968,942
	-	-	1,961,814	1,972,377

Note 4. Revenue

	Consolidated	
	Dec 2021	Dec 2020
	\$	\$
Other income		
Interest	126	104
Revenue from continuing operations	126	104

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	Dec 2021	Jun 2021
	\$	\$
Cash at bank	10,537,216	8,236,749
	10,537,216	8,236,749

Note 6. Trade and other receivables

	Consolidated	
	Dec 2021	Jun 2021
	\$	\$
Other receivables	7,747	40,511
	7,747	40,511

Note 7. Trade and other payables

	Consolidated	
	Dec 2021	Jun 2021
	\$	\$
Trade and other payables	872,817	345,575
	872,817	345,575

Note 8. Non-current assets - exploration and evaluation

	Consolidated	
	Dec 2021	Jun 2021
	\$	\$
Exploration and evaluation - at cost	1,956,458	1,965,944
	1,956,458	1,965,944

Reconciliations at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration
	\$
Balance at 1 July 2021	1,965,944
Additions	-
Translation difference	(9,486)
Balance at 31 Dec 2021	1,956,458
	Exploration
	\$
Balance at 1 July 2020 (Restated)	2,026,973
Additions	-
Translation difference	(61,029)
Balance at 30 June 2021 (Restated)	1,965,944

Note 9. Equity - issued capital

	Consolidated		Consolidated	
	Dec 2021	Jun 2021	Dec 2021	Jun 2021
			\$	\$
Ordinary shares - fully paid	473,809,195	424,098,241	25,638,387	20,554,094
Ordinary share capital				
Details	Date	No of shares	Issue Price	\$
Balance	01-Jul-21	424,098,241	-	20,554,094
Exercise of options	02-Nov-21	4,768,152	0.080	381,452
Exercise of options	10-Nov-21	1,057,556	0.080	84,604
Exercise of options	18-Nov-21	699,786	0.080	55,983
Exercise of options	13-Dec-21	738,889	0.080	59,111
Issue of share placement	20-Dec-21	40,666,668	0.120	4,880,000
In lieu of Services	20-Dec-21	438,417	0.120	52,610
Issue of share placement	21-Dec-21	1,000,000	0.120	120,000
Director's salary sacrifice plan	29-Dec-21	152,372	0.079	12,007
Director's salary sacrifice plan	29-Dec-21	39,114	0.049	1,909
Exercise of options	29-Dec-21	150,000	0.080	12,000
Cost of capital raising				(575,383)
	31-Dec-21	473,809,195		25,638,387
Balance		172,509,917	-	11,129,234
Issue of share placement	03-Jul-20	13,675,000	0.040	547,000
Director's salary sacrifice plan	30-Jul-20	4,892,363	0.041	200,661
Issue of share placement	30-Jul-20	1,650,000	0.050	82,500
Issue of share placement	30-Jul-20	3,250,000	0.040	130,000
Issue of share placement	30-Jul-20	1,075,269	0.470	505,000
Issue of share placement	02-Dec-20	875,000	0.040	35,000
Issue of share placement	02-Dec-20	16,666,668	0.045	750,000
Director's salary sacrifice plan	25-Jan-21	1,718,985	0.050	85,949
Issue of share placement	25-Jan-21	1,500,000	0.040	60,000
Issue of share placement	27-Jan-21	184,888,884	0.045	8,320,000
Issue of share placement	19-Feb-21	20,444,450	0.045	920,000
Exercise of Options	25-Mar-21	62,500	0.080	5,000
Exercise of Options	13-Apr-21	289,744	0.080	23,180
Exercise of Options	27-May-21	599,461	0.080	47,957
Cost of capital raising				(2,287,387)
Balance	30-Jun-21	424,098,241		20,554,094

Note 10. Equity - reserves

	Consolidated	
	Dec 2021	Jun 2021
	\$	\$
Foreign currency translation reserve	118,270	172,134
Performance rights reserve	42,371	53,851
Option right reserves	1,376,177	910,460
	1,536,818	1,136,445

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Performance rights reserve

The reserve is used to recognise fair value of shares issued to the directors and employees.

Option right reserve

The reserve is used to recognise the fair value of options issued to directors, employees and brokers.

Note 11. Equity-Options

Grant date	Expiry date	Exercise price	Jun 2021	Issued on IPO costs	Exercised	Expired	Dec 2021	
09-Nov-18	31-Jul-23	\$ 0.2000	33,221,680	-	-	-	33,221,680	[1]
09-Nov-18	09-Nov-23	\$ 0.2000	7,500,000	-	-	-	7,500,000	[2]
10-Jan-18	05-Sep-21	\$ 0.0810	3,000,000	-	-	(3,000,000)	-	[3]
20-Dec-18	31-Jul-23	\$ 0.2000	1,142,857	-	-	-	1,142,857	[1]
10-Sep-19	31-Jul-23	\$ 0.2000	10,926,133	-	-	-	10,926,133	[1]
12-Dec-19	31-Jul-23	\$ 0.2000	885,119	-	-	-	885,119	[1]
24-Apr-20	31-Jul-23	\$ 0.0750	2,875,000	-	-	-	2,875,000	[1]
31-Jul-20	31-Jul-23	\$ 0.0750	825,000	-	-	-	825,000	[1]
02-Dec-20	02-Dec-24	\$ 0.0800	3,500,000	-	-	-	3,500,000	[4][C]
02-Dec-20	02-Dec-24	\$ 0.1200	3,500,000	-	-	-	3,500,000	[4][C]
02-Dec-20	02-Dec-22	\$ 0.0800	8,333,334	-	-	-	8,333,334	[1]
25-Jan-21	25-Jan-23	\$ 0.0800	101,159,407	-	(7,414,383)	-	93,745,024	[1]
25-Jan-21	25-Jan-24	\$ 0.0675	8,333,334	-	-	-	8,333,334	[3]
25-Jan-21	25-Jan-24	\$ 0.0890	8,333,333	-	-	-	8,333,333	[3]
25-Jan-21	25-Jan-24	\$ 0.1125	8,333,333	-	-	-	8,333,333	[3]
27-May-21	27-May-26	\$ 0.2030	6,824,711	-	-	-	6,824,711	[4][A]
27-May-21	27-May-25	-	1,000,000	-	-	-	1,000,000	[4][C]
05-Aug-21	05-Aug-26	\$ 0.1511	-	192,069	-	-	192,069	[2][D]
20-Dec-21	17-Dec-24	\$ 0.1800	-	2,192,084	-	-	2,192,084	[4]
20-Dec-21	17-Dec-24	\$ 0.2400	-	2,192,084	-	-	2,192,084	[4]
			209,693,241	4,576,237	(7,414,383)	(3,000,000)	203,855,095	

[1] Free attaching options

[2] Options issued to lead manager and employees (unlisted)

[3] Options issued to broker for broking fees

[4] Director options

[A] Vest when share price equals \$0.203

[B] Vest on issue

[C] Vest 18 months from date employed vest on 7 March 2022

[D] Vest when share price equals \$0.1511

Note 12. Share-based payments

Performance Rights

An Employee Security Ownership Plan was established by the Company and approved by shareholders at a general meeting held in September 2016, whereby the Company may grant rights over ordinary shares in the Company to Directors and Officers of the consolidated entity.

Set out below are summaries of Performance Rights granted, reversed and expired under the plan:

Type	Expiry date	Balance 30 Jun 21	Cancelled / Expired	Balance 31 Dec 21	Fair Value \$	Fair Value \$	Probability of Vesting	Expensed \$
Series C	20-Dec-21	659,589	(659,589)	-	0.0190	14,826.00	-	(8,424)
Series D	20-Dec-21	355,161	(355,161)	-	0.0100	3,992.00	-	(2,404)
Series E	20-Dec-21	507,375	(507,375)	-	0.0100	5,702.00	-	(3,434)
Series F	20-Dec-21	507,375	(507,375)	-	0.0050	2,851.00	-	(1,717)
Series H	20-Dec-21	507,375	(507,375)	-	0.0190	11,405.00	-	2,699
Series I	20-Dec-22	253,689	-	253,689	0.0100	2,851.00	-	552
Series J	20-Dec-22	761,061	-	761,061	0.0050	4,277.00	10%	749
Series K	20-Dec-22	507,375	-	507,375	0.0050	2,851.00	10%	499
		4,059,000		1,522,125		48,755		(11,480)

All Rights were granted over unissued fully paid ordinary shares in the company. Rights vest based on the following performance conditions:

Series B (expired)

- The Company, within 24 months of the date of issue and subject to satisfaction of the First Hurdle, completing drilling of two (2) holes intersecting the potash horizon of the South Harz project (Second Hurdle).

Series C: (expired)

- The Company, within 24 months of date of issue, announces a JORC compliant measured/indicated resource of minimum 100Mt of at least 12% K2O.

Series D: (expired)

- The Company, within 24 months of date of issue, announces a second JORC compliant measured/indicated resource of minimum 100Mt of at least 12% K2O.

Series E: (expired)

- The Company, within 24 months of date of issue, announces a positive scoping study with an IRR of at least 25%.

Series F: (expired)

- The Company, within 24 months of date of issue, announces a second positive scoping study with an IRR of at least 25%.

Series G: (expired)

- The Company's share price reaches a 20-day VWAP of at least \$0.10 within 12 months of date of issue.

Series H: (expired)

- The Company's share price reaches a 20-day VWAP of at least \$0.25 within 24 months of date of issue

.

Series I:

- The Company's share price reaches a 20-day VWAP of at least \$0.50 within 36 months of date of issue.

Series J:

- The Company, within 36 months of date of issue, announces the completion of a preliminary feasibility study with an IRR of at least 25%.

Series K:

- The Company, within 36 months of date of issue, announces the completion of a preliminary feasibility study with an IRR of at least 25%.

The performance rights in each series above convert automatically upon achievement of the Hurdle applicable to that series without payment of any consideration.

The Performance Rights lapse upon the recipient ceasing to be an officer or executive, subject to the discretion of the Board.

In addition, the Performance Rights will convert automatically to shares upon the occurrence of prescribed events. For the Performance Rights granted during the current financial year, the fair value at the grant date per Right was based on the volume weighted average share price (VWAP) for the 5 business days prior to the grant date.

Note 13. Subsequent events

The Company has obtained the permit from the TLUBN to drill a second hole OHM1 at Ohmgebirge, dated 11 January 2022. It has completed drilling at the first hole at OHM2 at Ohmgebirge on March 1st 2022 and the drilling pad at the second hole OHM-01 has now been completed ready for the commencement of drilling of that second hole..

Note 14. Contingent liabilities

As a condition of drill permit issue in November the company opened a new account at Volksbank in the name of SHP to transfer funds of Euro 215k to be held as collateral to support a Bond issued to the permitting authority in Germany. The Bond and the security monies will be released when company has reinstated the ground at OHM -02 to its former state. This is likely to be before May this year. This is included in cash and cash equivalent as a security deposit.

Note 15: Comparatives

When required by Accounting Standards, comparative figures have been adjusted to reflect the changes in accounting policy relating to exploration and evaluation assets.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Chris Gilchrist
Director

16 March 2022
Perth

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of South Harz Potash Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of South Harz Potash Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'James Mooney', is written over a faint, stylized BDO logo.

James Mooney
Director

Melbourne, 16 March 2022