

ASX ANNOUNCEMENT

27 July 2022

JUNE 2022 QUARTERLY ACTIVITIES REPORT

South Harz Potash Limited (ASX:SHP) (**South Harz** or the **Company**) is pleased to report on its activities for the quarter ended 30 June 2022.

Highlights

- Completion of confirmatory drillhole program at Ohmgebirge.
- Core assays returned from drillhole OHM-01 (3.75m at 16.19% K₂O from 775m) and drillhole OHM-02 (10.98m at 14.4% K₂O from 651m) demonstrate strong consistency with historical drilling results.
- Updated Ohmgebirge Mineral Resource estimate of 338 Mt at 12.9% K₂O (prev. 325 Mt at 13.2% K₂O).
- Indicated Sylvinite Mineral Resource of 258 Mt at 13.5% K₂O (previously zero) sees approx. 89% of key focus seam for development (Sylvinite) now in Indicated category.
- Ohmgebirge Scoping Study completion on track for August 2022.
- Cash balance of A\$6.7 M at 30 June 2022 and zero debt (excluding typical trade creditors).

South Harz Executive Chairman, Ian Farmer, commented:

"We are delighted to have successfully completed the confirmatory drilling program at Ohmgebirge. The assay results from these two holes have confirmed the quality of this world-class potash deposit and the integrity of the historic drilling results. Leading geological consultancy, Micon, has updated the Ohmgebirge Mineral Resource with approximately 89% upgrade of the key sylvinite seam resource now classified as Indicated. We are on track to complete the Ohmgebirge Scoping Study in August 2022 and look forward to releasing the key physical and economic outcomes."

SOUTH HARZ POTASH PROJECT: OHMGEBIRGE

Confirmatory drilling and assay program completed

Drilling and assay of two confirmatory drillholes within the Ohmgebirge Mining Licence (**Ohmgebirge**) area of the South Harz Potash Project was successfully completed in early June.

Drillhole OHM-01

Drillhole OHM-01 was designed to twin and confirm the results of the historic drillhole, *Kal Ktf 5/83*, which was drilled in 1983. This historic drillhole recorded potash within the Staßfurt Potash Horizon from a depth of 785.20m to 788.20m (3.0m thickness) with a historic reported grade of 12.4% K₂O (*ASX announcement dated 23 December 2019*).

CONTACT DETAILS

W: southharzpotash.com

E: info@southharzpotash.com

P: +61 (0) 408 447 493

ABN: 64 153 414 852

ASX Code: SHP

ASX Code (Options): SHPO

Frankfurt Code: A2DWXX

532.0M Ordinary Shares

103.0M Unlisted Options

46.2M Listed Options

0.8M Performance Rights

Drilling of OHM-01, located 100m west of the historic drillhole was completed to a final depth of 778m, in order to fully penetrate the known Staßfurt Potash Horizon. OHM-01 intercepted the top of the Staßfurt Potash Horizon at 775.05m and returned an intercept grade of 16.9% K₂O over a length of 3.75m from 775.05m (see ASX release dated 8 June 2022).

Drillhole OHM-02

Drillhole OHM-02 was completed to a depth of 721.32m and was designed to twin and validate the results of the historic drillhole *Kal Wr 6 Liese*, which was drilled in 1906. The historic drillhole recorded potash within the Staßfurt Potash Horizon from a depth of 651.70m to 657.20m (5.5m thick) with an historic reported grade of 15.72% K₂O. (ASX announcement 23rd December 2019^[1]).

Drilling of OHM-02, located 148m west of the historic drillhole, intercepted the top of the potash horizon from 651.53m down to a depth of 662.51m, a total apparent thickness of 10.98m and an interpreted true (vertical) thickness of 7.51m. The assay results from OHM-02 are outlined in Table 2 (see ASX release dated 29 April 2022).

Table 1: Summary of assay results from OHM-02

Intercepted sections	From (m)	To (m)	Apparent thickness (m)	True thickness (m)	K ₂ O wt. avg %
Mineralised section	651.53	662.51	10.98	7.51 m	14.44
Kieseritic Hartsalz	651.53	654.43	2.90	2.05 m	12.62
Anhydritic Hartsalz	654.43	658.46	4.03	2.85 m	19.69
Carnallitic Sylvinit	658.46	662.51	4.05	2.60 m	10.51

Mineral Resource Estimate update completed

The confirmatory drillhole program was targeted to allow South Harz to upgrade a substantial proportion of the Ohmgebirge Mineral Resource estimate to the Indicated category.

An update to the Ohmgebirge Mineral Resource estimate was completed in July (see ASX release dated 12 July 2022). The updated Mineral Resource is 338 Mt at 12.9% potassium oxide (K₂O) for approximately 44 Mt of contained K₂O (see Table 2). This estimate comprises 290 Mt of Sylvinit (key focus seam for development) grading 13.5% K₂O (split approximately 89% Indicated and 11% Inferred categories) and 48 Mt of Carnallite at 9.8% K₂O (100% Inferred).

Table 2: Updated Ohmgebirge Mineral Resource estimate (July 2022)

Mineralised Seam	Categorisation	Tonnage (Mt)	K ₂ O (%)	K ₂ O (Mt)
Sylvinite	Indicated	258	13.54	35
	Inferred	32	12.85	4
	Sylvinite total	290	13.47	39
Carnallite	Inferred	48	9.81	5
	Carnallite total	48	9.81	5
TOTAL RESOURCE	Indicated and Inferred	338	12.91	44

Minimum cut-off grade $\geq 5\%$ K₂O; 15% geological loss applied to account for potential unknown geological losses.

The updated Mineral Resource was undertaken by leading geological consultancy, Micon International Co Limited (**Micon**), based on available historic exploration data combined with the two confirmatory diamond holes drilled at Ohmgebirge by South Harz earlier this year.

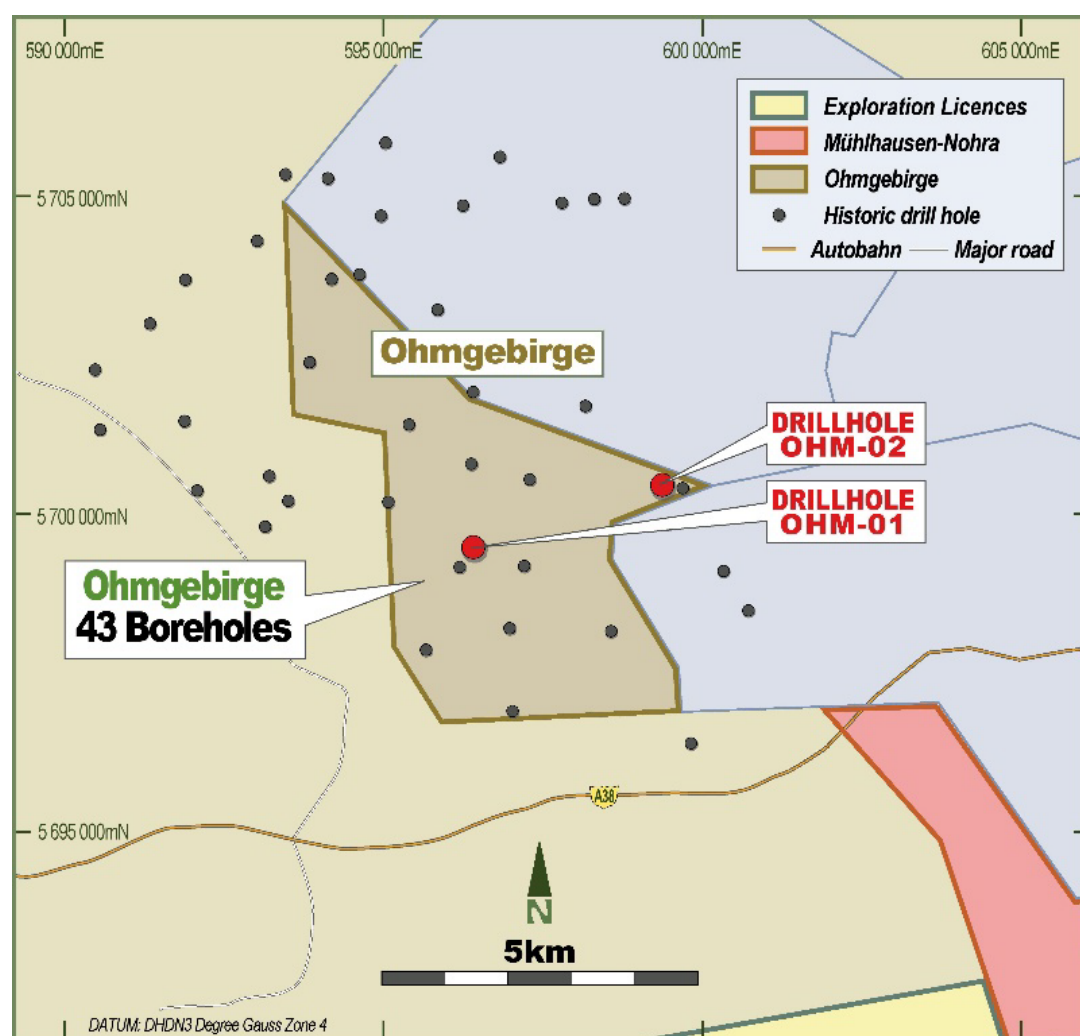


Figure 1: Ohmgebirge Mining Licence area showing the approximate location of historic drillholes and the twin confirmatory holes, OHM-01 and OHM-02.

Scoping Study advancing

The Scoping Study for Ohmgebirge is approaching conclusion. Upon incorporation of the updated Mineral Resource estimate, and finalisation of the concurrent mine scheduling workstream, South Harz expects to complete the Scoping Study and release the key outcomes during August.

CORPORATE

Cash

South Harz's cash balance at 30 June 2022 was A\$6.7 million. The Company has no debt or convertible debt-like instruments (excluding typical trade creditor balances).

2.1 million, A\$0.08 options were exercised during the quarter for total proceeds of A\$167,000.

There are currently 78.2 million, in the money, unlisted options outstanding (see Table 3).

Table 3: SHP, in the money, unlisted options

Outstanding Options	Exercise Price	Expiry Date	Proceeds If Exercised (A\$M)
59,752,818	A\$0.080	25-Jan-23	4.78
3,100,000	A\$0.075	31-Jul-23	0.23
3,500,000	A\$0.080	2-Dec-24	0.28
3,958,667	A\$0.068	25-Jan-24	0.27
3,958,666	A\$0.090	25-Jan-24	0.36
3,958,666	A\$0.1125	25-Jan-24	0.45
78,228,817			A\$6.37 M

ASX additional information

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

1. ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure spend during the quarter was A\$4.8m. Full details of exploration activity during the June 2022 quarter are set out in this report.
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\$315,000.

Summary of tenement holdings as at 30 June 2022

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 quarterly report has been approved for release by Executive Chairman, Ian Farmer.

Investor and media enquiries

Ian Farmer

Executive Chairman
South Harz Potash Ltd
ifarmer@southharzpotash.com

Michael Vaughan

Fivemark Partners
+61 422 602 720
michael.vaughan@fivemark.com.au

Justine James

Alma PR
+44 203 405 0205
shp@almapr.co.uk

About South Harz

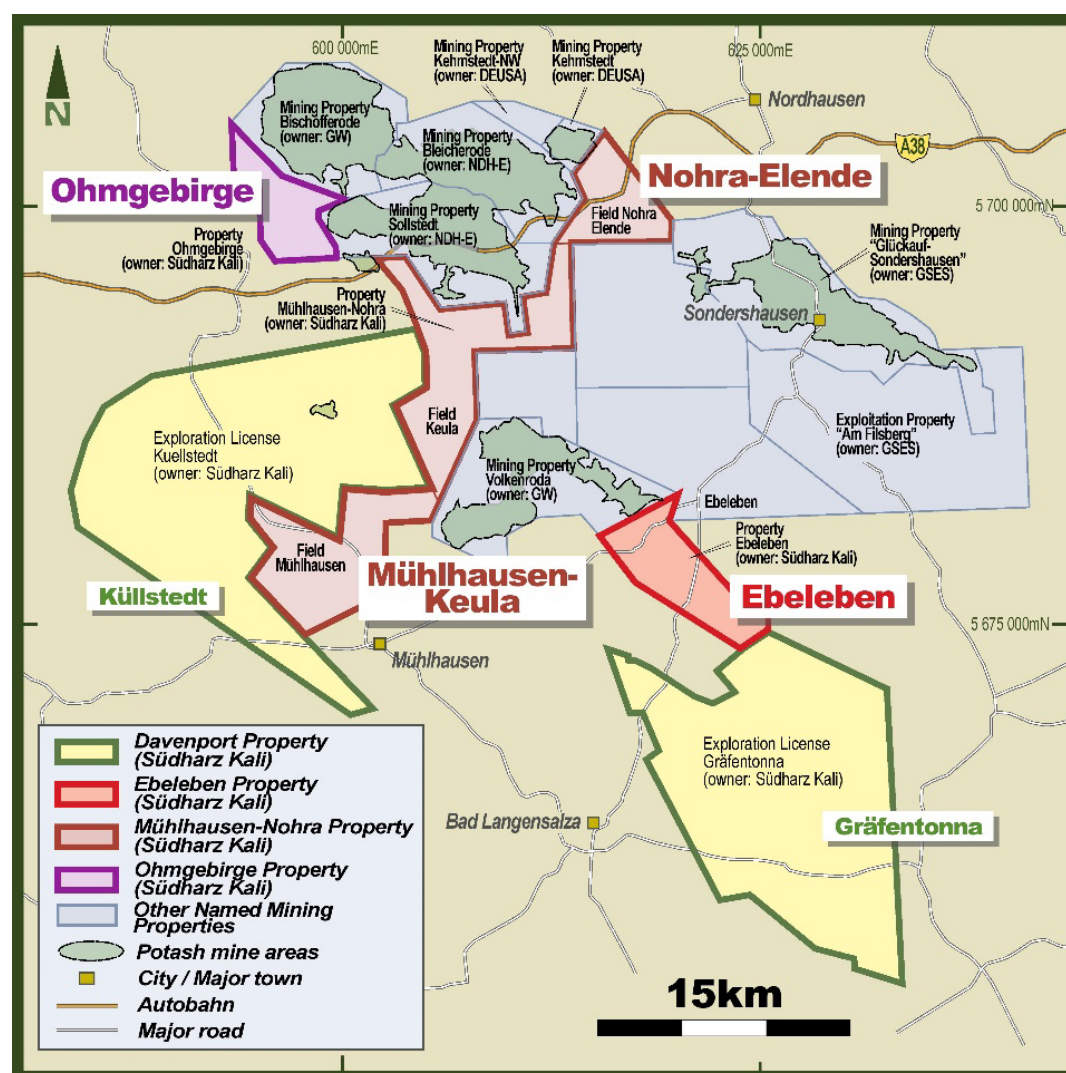
South Harz Potash (ASX: SHP) (**South Harz**) is a potash exploration and development company with its flagship project located in the South Harz Potash District region of Germany, midway between Frankfurt and Berlin.

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.

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 23rd December 2019, "DAV Ohmgebirge JORC Inferred Resource 325 Mt at 13.1% K₂O"*
- *The report released 28th April 2022, "Confirmatory Results from Ohmgebirge"*
- *The report released 17th May 2022. "Completion of Confirmation Drilling at Ohmgebirge"*
- *The report released 8th June 2022," Strong Confirmatory Results from second Ohmgebirge"*

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 2022

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	(4,756)	(9,108)
	(b) development		
	(c) production		
	(d) staff costs	(754)	(1,980)
	(e) administration and corporate costs	(183)	(1,555)
1.3	Dividends received (see note 3)		
1.4	Interest received	0	3
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Working Capital	818	818
1.9	Net cash from / (used in) operating activities	(4,875)	(11,822)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(28)	(28)
	(d) exploration & evaluation		
	(e) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	(f) other non-current assets 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	(28)	(28)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	81	5,221
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options	825	4,652
3.4	Transaction costs related to issues of equity securities or convertible debt securities		(315)
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)		
3.10	Net cash from / (used in) financing activities	906	9,558

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,155	8,264
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,875)	(11,822)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(28)	(28)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	906	9,558

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	515	701
4.6	Cash and cash equivalents at end of period	6,673	6,673

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	6,673	10,155
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)	6,673	10,155

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	315
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.

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
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)	(4,875)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(4,875)
8.4	Cash and cash equivalents at quarter end (item 4.6)	6,673
8.5	Unused finance facilities available at quarter end (item 7.5)	
8.6	Total available funding (item 8.4 + item 8.5)	6,673
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.37
<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: No because we have completed our drilling operation in the quarter

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: Our brokers are confident that with the recent published drilling results and MRE update and a scoping study to be released in August they will continue to be able to raise additional equity funding

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: Yes, subject to permits and raising additional funding when required.

Yes subject to raising additional funding when required

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.

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.

27 July 2022

Date:

The Board of South Harz Potash Limited

Authorised by:

(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.