



DANAKALI
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ASX Release:

1 February 2023

Notice of General Meeting

Danakali Limited (ASX: **DNK**, **Danakali** or the **Company**) is pleased to confirm release of its Notice of General Meeting (**Notice**) to shareholders.

The General Meeting will be held at 10:00am (AWST) on Thursday 2 March 2023 at The Celtic Club, Presidents Room, 48 Ord Street, West Perth, Western Australia.

A copy of the Notice is attached to this announcement.

This announcement has been authorised for release by the Board of Danakali Limited.

For more information, please contact:

Danakali

Seamus Cornelius
Executive Chairman

Greg MacPherson
Chief Financial Officer

Enquiries: Admin@danakali.com

Visit the Company's website: www.danakali.com

Follow Danakali on LinkedIn: www.linkedin.com/company/danakali-limited

Subscribe to Danakali on YouTube: www.youtube.com/channel/UChGKN4-M4lOvPKxs9b-IJvw

The Colluli Potash Project (**Project, Colluli**) is 100% owned by Colluli Mining Share company (**CMSC**), a 50:50 Joint Venture between Danakali Limited (**DNK**) and Eritrean National Mining Corporation (**ENAMCO**)



Codes:

ASX: **DNK**, **SO3-FRA**,
SO3-BER.

US Level 1 ADR's OTC-
DNKLY,
CUSIP.23585T101

Financial facts:

Issued capital: 368.3m

Share price: A\$0.41

Market cap: A\$151.0m



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Forward looking statements and disclaimer

The information in this document is published to inform you about DNK and its activities. DNK has endeavoured to ensure that the information enclosed is accurate at the time of release, and that it accurately reflects the Company's intentions. All statements in this document, other than statements of historical facts, that corporate transactions and events or developments that the Company expects to occur, are forward looking statements. Although the Company believes the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual events may differ materially from those in forward-looking statements.

To the extent permitted by law, the Company accepts no responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in this document. Recipients should make their own enquiries in relation to any investment decisions. The Company and each of its affiliates accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement.

For personal use only



DANAKALI

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Level 1, 2A / 300 Fitzgerald Street
North Perth, WA, 6006
Tel: +61 8 6266 8368
www.danakali.com.au

31 January 2023

Dear Shareholder,

Danakali Ltd – General Meeting

Danakali Ltd (ASX: DNK, **Danakali** or the **Company**) advises that a General Meeting of Shareholders (**Meeting**) will be held on Thursday, 2 March 2023 at 10:00am (AWST) at The Celtic Club, Presidents Room, 48 Ord Street, West Perth, Western Australia, 6005.

The Company will not be sending hard copies of the notice of Meeting to members. Instead, a copy of the Meeting materials can be viewed and downloaded online as follows:

- You can access the Meeting materials online at the Company's website: www.danakali.com.au
- A complete copy of the Meeting materials has been posted to the Company's ASX Market announcements page at www.asx.com.au under the Company's ASX code "DNK".
- If you have provided an email address and have elected to receive electronic communications from the Company, you will receive an email to your nominated email address with a link to an electronic copy of the Meeting materials and the voting instruction form.

A copy of your Proxy Form is enclosed for convenience.

The Company intends to hold a physical meeting. We will notify any changes by way of announcement on ASX and the details will also be made available on our website. Shareholders are encouraged to vote by proxy instead of attending the meeting.

The Meeting materials are important and should be read in their entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant or other professional adviser.

Shareholder elections – Updating your email address and Bank Instructions

Danakali strongly encourages all shareholders to update their Email address and banking details online through Computershare's Investor Centre website at www.computershare.com.au/easyupdate/DNK. Alternatively, you may contact Computershare on 1300 850 505 (within Australia) or + 61 3 9415 4000 (outside Australia).

Yours faithfully


Catherine Grant-Edwards
Company Secretary
Danakali Ltd

DANAKALI LIMITED

ACN 097 904 302

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00am (AWST)

DATE: 2 March 2023

PLACE: The Celtic Club, Presidents Room, 48 Ord Street, West Perth, Western Australia

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4:00pm (AWST) on 28 February 2023.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, under and for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the sale by the Company of 100% of the shares held by its wholly owned subsidiary, STB Eritrea Pty Ltd, in Colluli Mining Share Company to Sichuan Road and Bridge Group Co., Ltd, on the terms and conditions set out in the Explanatory Statement."

A voting exclusion statement applies to this Resolution. Please see below.

Dated: 31 January 2023

By order of the Board



Catherine Grant-Edwards
Company Secretary

Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the resolution set out below by or on behalf of the following persons:

Resolution 1 – Disposal of Main Undertaking

The Company will disregard any votes cast in favour of this Resolution by or on behalf of Sichuan Road and Bridge Group Co., Ltd. (or any of its associates) or any other person who will obtain a material benefit as a result of the Disposal (except a benefit solely by reason of being a Shareholder) (each, an **Excluded Party**). However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the chair of the meeting as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the chair to vote on the Resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of an Excluded Party excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two (2) or more votes may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two (2) proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X (3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6266 8368.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions which are the subject of the business of the Meeting.

ASX takes no responsibility for the contents of this Notice.

1. BACKGROUND TO DISPOSAL OF THE MAIN UNDERTAKING

1.1 General Background – Colluli Potash Project

The Company is an Australian public company, which was incorporated on 21 August 2001 and listed on the ASX on 17 October 2003. The Company is currently a resource company with a 50% interest in the Colluli Sulphate of Potash Project (**Colluli Project**) which is located in the Danakil Depression region of Eritrea, East Africa. The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali Limited and the Eritrean National Mining Corporation (**ENAMCO**).

For further information with respect to the Colluli Project, please refer to the Company's ASX announcements. The Company confirms that it is not aware of any new information or data that materially affects the information included in its previous announcement with respect to the Colluli Project.

1.2 Proposed Disposal

On 12 January 2023, the Company announced that it had executed a binding share sale agreement (**SSA**) with Sichuan Road and Bridge Group Co., Ltd (**SRBG**) pursuant to which SRBG has agreed to purchase, and the Company's wholly owned subsidiary, STB Eritrea Pty Ltd (ACN 137 639 359) (**STB**) and the Company have agreed to sell, for a total sum of US\$166 million before government taxes;

- (a) 100% of the shares held by STB Eritrea Pty Ltd in CMSC (**CMSC Equity**) for US\$135 million; and
- (b) the outstanding amount owed by CMSC to STB pursuant to the terms of the shareholders agreement between the ENAMCO and STB (**Shareholder Loan**) for US\$31 million (subject to an adjustment for deferred payment),

together, the **Disposal**.

The Disposal, net of all governments taxes, will result in the Company receiving approximately US\$121 million.

The Disposal is conditional, amongst other things, on the Company obtaining all necessary regulatory and Shareholder approvals to affect the Disposal, namely:

- (a) obtaining shareholder approval under ASX Listing Rule 11.2;
- (b) obtaining approval from ENAMCO for the Disposal; and
- (c) obtaining the approval of the Disposal from the Ministry of Energy and Mines of Eritrea (**MoEM**).

Should the Company receive Shareholder approval for this resolution, as well as the other approvals required, and the Disposal completes, it is the Company's current intention to distribute approximately 90% of the net proceeds of the Disposal, subject to receipt of Shareholder approval following completion of the Disposal.

The key terms of the SSA, including all conditions precedent to completion of the Disposal, are set out in Schedule 1.

1.3 Financial effect, advantages and disadvantages of the Disposal

1.3.1 Financial effect and use of proceeds

The impact of the Disposal on the Company is set out in the pro forma balance sheet contained in Schedule 2.

The proceeds received under the Disposal are intended to be applied towards identification of new projects, growth opportunities and working capital requirements and the balance, subject to Shareholder approval, distributed amongst Shareholders. Upon completion of the Disposal, the Company will be in an optimal position to proceed to refinance itself and pursue its key objectives and strategies (as set out in Section 1.4.1).

The Company's assets proposed to be sold (as set out in the pro forma balance sheet in Schedule 12 under the SSA are as follows:

Assets held for sale	Value (\$)
Investment in Joint Venture	36,315,967
Loan receivables ¹	12,084,183
Total	\$48,400,150

¹ The loan receivable is carried at fair value applying a market discount rate of 25%. The undiscounted underlying loan balance as at 30 June 2022 amounts to \$40,174,970.

1.3.2 Advantages

The Directors consider that the following non-exhaustive list of advantages, which are concurrently also disadvantages, may be relevant to a Shareholder's decision on how to vote on the Disposal:

Disposal resultant in a reduction in expenditure

The Directors believe that the Disposal is in the best interests of Shareholders and the Company collectively and the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Disposal:

- (a) significant capital expenditure will be required to undertake commercial scale production of the Colluli Project;
- (b) were the Company to pursue development of the Colluli Project, a significant portion of the capital would have to be raised through the issue of additional equity in Danakali resulting in significant dilution for current shareholders. The Disposal removes the risk of dilution and other risks normally associated with such a significant capital raise;

- For personal use only
- (c) the Company will not have the operational costs or contingent liabilities associated with being a shareholder of CMSC and the Colluli Project following the settlement of the Disposal;
 - (d) the Company will be able to focus on finding alternative opportunities and reduce ongoing overhead costs while it seeks to provide opportunities for shareholders to enjoy growth (as set out in Section 1.4.1);
 - (e) the capital structure of the Company will not be affected by the Disposal; and

Cash sale of main undertaking

- (a) the Disposal provides the Company with the opportunity to realise value from the exploration and development works undertaken at the Colluli Project;
- (b) the Company announced the Disposal on 12 January 2023 and explained that the Board has formed the view that the sale of STB's shareholding in CMSC to the Purchaser on the terms and conditions of the SSA provides DNK shareholders with an attractive post-tax value outcome in the absence of a fully funded solution for the Colluli Project; and
- (c) the Company will use the funds to explore other opportunities and search for other projects for development.

1.3.3 Disadvantages

The Directors believe that the following non-exhaustive list of disadvantages, which are concurrently also advantages, may be relevant to a Shareholder's decision on how to vote on the Disposal:

Sale to reduce expenditure

- (a) the Company will be disposing of its main undertaking in the Colluli Project, which may not be consistent with the investment objectives of all Shareholders;
- (b) the size of the Company's tangible asset base and operating activities will be reduced significantly as a result of the Disposal; and
- (c) potential future operating revenue attributable to the Colluli Project will not be able to be realised by the Company if the Disposal occurs (notwithstanding that significant capital expenditure would be required to undertake commercial scale production); and

Cash sale of main undertaking

- (a) the consequence of the Disposal is that the Company will sell its main undertaking and be required by ASX, within a period of 6 months from the date of announcement of the Disposal to identify a new project or opportunity or risk being suspended from trading by ASX and possibly be required to re-comply with Chapters 1 and 2 of the ASX Listing Rules before its Shares can be reinstated to trading;
- (b) there is a risk that the Company may not be able to locate and acquire other suitable investment opportunities; and

- (c) the Company will no longer be exposed to the risks of potash exploration and mining in Eritrea. As a result, Shareholders' investment profile on their investment in the Shares will change. The Company will be changing the scale of its activities by a significant extent, which may not be aligned with the investment objectives of Shareholders.

1.3.4 Foreign Exchange Risk

The purchase price is denominated in US (United States) dollars; therefore, the Company is exposed to fluctuations in exchange rate risk.

1.4 The Company's intentions post-settlement

The Company currently intends to distribute approximately 90% of the after-tax Disposal proceeds to shareholders subject to receiving Shareholder approval. The Company currently intends to continue as an ASX listed company and seek other opportunities to deliver growth to Shareholders following the Disposal and distribution of proceeds to shareholders. Assuming the Disposal completes, and approximately 90% of the proceeds are returned to Shareholders, the Company intends to reduce the size of the Board and overheads to a level consistent with its market capitalisation at the time while it seeks other opportunities.

1.4.1 Direction and business model

The Company confirms that it intends to:

- (a) continue to pursue its business of mineral exploration;
- (b) identify suitable mineral resource projects; and
- (c) utilise the internal expertise of management.

1.4.2 Group structure

The Company will simplify its corporate structure with no longer holding any shares in CMSC and, as a result, its interest in the Colluli Project.

Upon completion of the Disposal, the corporate structure of the Company will remain Danakali (as parent entity) holding 100% of its subsidiary STB.

1.4.3 Proposed changes to the Company's Board and management

There are no proposed changes to the Company's Board nor to senior management personnel of the Company as a result of the Disposal. The Company will seek to restructure its Board following the completion of the Disposal.

1.5 Listing Rules 12.1 and 12.2

A disposal by a listed entity of its main undertaking can raise issues under ASX Listing Rule 12.1 and 12.2, which oblige a listed entity to satisfy ASX on an ongoing basis that the level of its operations is sufficient, and its financial condition adequate, to warrant its continued quotation of its securities.

ASX have advised that Danakali will be afforded a period of 6 months from the date of the announcement of the Disposal to demonstrate to the ASX that it is compliant with Listing Rule 12.1. The ASX has also advised that if Danakali does not demonstrate compliance with this rule to ASX's satisfaction by the 6-month anniversary, ASX will suspend trading in Danakali's securities.

The consequences of a disposal of the main undertaking are that any transaction Danakali proposes to enter into may, if required by ASX, attract the application of Listing Rule 11.1.3 and as a result the Company may, if required by ASX, be required to re-comply with Chapters 1 and 2 of the Listing Rules.

Please refer to ASX Guidance Note 12: Significant Change to Activities which provides further information on significant changes to activities and how the Listing Rules apply to those changes.

1.6 Effect on capital structure

The Disposal will have no effect on the capital structure of the Company.

1.7 Indicative timetable

Subject to the ASX Listing Rules and Corporations Act requirements, the Company anticipates completion of the Disposal will be in accordance with the following timetable:

Event	Date*
Execution of SSA	11 January 2023
Notice of Meeting for the Disposal sent to Shareholders	30 January 2023
Shareholder Meeting to approve the Disposal	28 February 2023
Satisfaction/waiver of all conditions in the SSA	22 May 2023
Settlement of Disposal and Completion	31 May 2023

*Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

2. RESOLUTION 1 – DISPOSAL OF MAIN UNDERTAKING

2.1 General

This Notice of Meeting has been prepared to seek Shareholder approval for the matters required to complete the Disposal for the purposes of ASX Listing Rule 11.2.

The ASX takes no responsibility for the contents of the Notice.

2.2 ASX Listing Rule 11.2

Subject to Resolution 1 passing, the Company is proposing to proceed with the Disposal.

ASX Listing Rule 11.2 requires a listed company to obtain the approval of its shareholders to a disposal of its main undertaking. The Disposal is a disposal of the Company's main undertaking for these purposes.

Resolution 1 seeks the required Shareholder approval to the Disposal on the terms of the SSA under, and for the purposes of, ASX Listing Rule 11.2.

If Resolution 1 is passed, the Company will be able to proceed with the Disposal, following which, the Company will look to review and identify new investment and acquisition opportunities to which the Directors believe will have the potential to create value for Shareholders.

If Resolution 1 is not passed, the Company will not be able to proceed with the Disposal, and the SSA would likely be terminated, or otherwise would require renegotiation of the terms and conditions of the SSA, which may or may not eventuate.

The Company is of the belief it has sufficient funding for the next ten (10) quarters, based on the Quarterly Report for the period ending 31 December 2022.

All items required to be disclosed to Shareholders to obtain approval under ASX Listing Rule 11.2 is set out in this Notice. The Directors are not aware of any other commercial information that is material to the question of whether Shareholders should approve the Resolution.

For the reasons set out above, the Directors recommend that Shareholders vote in favour of the Resolution.

SRBG is not a related party of the Company, and Shareholder approval for the Disposal is not required for the purposes of ASX Listing Rule 10.1.

2.3 Directors' interests and recommendations

None of the Directors have a material interest in the outcome of Resolution 1 other than as a result of their interest, if any, arising solely in the capacity as Shareholders.

The Directors have a relevant interest in the securities of the Company as set out in the following table:

Director	Shares	Options	Percentage (%) (Undiluted)	Percentage (%) (Fully Diluted)
Seamus Cornelius	14,741,126	6,000,000 ¹	4.00%	5.40%
Paul Donaldson	1,145,693	Nil	0.31%	0.30%
Taiwo Adeniji	Nil	Nil	Nil	Nil
Zhang Jing	Nil	Nil	Nil	Nil
Samalia Zubairu	Nil	Nil	Nil	Nil
Neil Gregson	80,000	Nil	0.02%	0.02%

Notes:

1. Options consist of:
 - a. 2,000,000 unlisted options at \$0.64, expiring on or before 30/07/2025; and
 - b. 4,000,000 unlisted options at \$0.45, expiring on or before 31/12/2024.
2. This table excludes the proposed issue of 309,166 unlisted options at \$0.00, expiring 31 December 2023 to Seamus Cornelius (or his nominee), the issue of which remains subject to receipt of shareholder approval (refer ASX Announcement (Appendix 3B) released 10 January 2023).

Each of the Directors intends to vote all of their Shares in favour of Resolution 1.

Based on the information available, the Directors consider that the proposed Disposal is in the best interests of the Company and recommend that Shareholders vote in favour of Resolution 1 in the absence of a superior proposal.

GLOSSARY

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company or **Danakali** means Danakali Limited (ACN 097 904 302).

Colluli Project means the Colluli Sulphate of Potash Project.

Corporations Act means the *Corporations Act 2001* (Cth).

CSMC means Colluli Mining Share Company, an entity registered in the State of Eritrea.

CMSC Equity has the meaning given in Section 1.2.

Directors means the current directors of the Company.

Disposal has the meaning given in Section 1.2.

ENAMCO means the Eritrean National Mining Corporation, an entity registered in the State of Eritrea.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Listing Rules means the Listing Rules of ASX.

Loan Transfer Agreement has the meaning given in item (b) of Schedule 1.

MoEM (or **Ministry of Energy and Mines**) means the government ministry in the State of Eritrea responsible for Energy and Mines.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Shareholder Loan has the meaning given in Section 1.2.

SRBG or **the Purchaser** means Sichuan Road and Bridge Group Co. Ltd, an entity registered in the People's Republic of China.

SSA has the meaning given in Section 1.2.

STB means STB Eritrea Pty Ltd (ACN 137 639 359).

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – MATERIAL TERMS OF THE SSA

The material terms of the SSA are as follows:

- (a) **Parties:** The parties to the SSA are Danakali, STB and SRBG (**Parties**).

Prior to completion of the sale and purchase of the CMSC Equity in accordance with the terms of the SSA (**Completion**), SRBG may nominate its subsidiary, Sichuan Shudao Advanced Material Science Group Co., Ltd (or another nominee) to acquire the CMSC Equity provided that SRBG will remain responsible to STB for the performance of SRBG's obligations under the SSA.

- (b) **Consideration:** The Purchaser shall pay US\$135 million cash (inclusive of income tax owed by STB to the Eritrean Inland Revenue Department) as consideration for the CMSC Equity at completion of the SSA (without set-off or deductions).

Pursuant to a loan transfer agreement which has been entered into by STB, SRBG and CMSC concurrently with the SSA (**Loan Transfer Agreement**), simultaneously with the acquisition of the CMSC Equity, SRBG shall pay approximately US\$31 million cash to acquire the Shareholder Loan as follows:

- (i) 50% of the Shareholder Loan to be paid at Completion of the SSA; and
- (ii) the remaining balance of the Shareholder Loan to be paid on the 6-month anniversary of Completion.

- (c) **Conditions Precedent:** Completion of the SSA is subject to satisfaction of the following conditions precedent:

- (i) Danakali convening and holding a general meeting of its shareholders, and Shareholders approving the sale and purchase of the CMSC Equity and the Shareholder Loan on the terms and conditions set out in the SSA Agreement and the Loan Transfer Agreement or any part of those transactions (**Transaction**) by resolution of the requisite majorities.
- (ii) STB procuring CMSC to:
 - (A) obtain the approval of shareholders for the Transaction with the requisite majorities in accordance with the applicable law and the CMSC shareholders agreement;
 - (B) obtain approval from ENAMCO for the Transaction;
 - (C) obtain the approval of the Transaction by the Ministry of Energy and Mines;
 - (D) renew CMSC's business license at the Business Licensing Office for 2023;
 - (E) obtain a tax clearance for financial year 2022 for CMSC from the Eritrean Inland Revenue Department;
 - (F) provide evidence satisfactory to SRBG (acting reasonably) showing that there are no encumbrances over the CMSC Equity or the Mining Licences;
 - (G) obtain an extension from the Ministry of Energy and Mines for the timeline of the development expenditure and the

commencement of commercial production in the Mining Agreement in a form that is satisfactory SRBG;

- (iii) STB confirming to SRBG in writing with evidence satisfactory to the Purchaser (acting reasonably) that the Marketing Agreement has been terminated;
- (iv) the receipt of evidence satisfactory to SRBG (acting reasonably) that Eurochem Trading GmbH has no outstanding claims against CMSC;
- (v) the receipt of evidence satisfactory to SRBG (acting reasonably) evidencing the termination of the Common Terms Agreement, Security Arrangements and Direct Agreement and providing to the Purchaser copies the deed of release (or similar) for the termination of documents above;
- (vi) the receipt of evidence satisfactory to SRBG (acting reasonably) that Norton Rose Fulbright has no outstanding claims against CMSC;
- (vii) the receipt of evidence satisfactory to SRBG (acting reasonably) that the African Export Import Bank and African Finance Corporation have no outstanding claims against CMSC;
- (viii) SRBG providing written confirmation that is satisfactory to SRBG (acting reasonably) that there is no ongoing contractual relationship or outstanding claims between CMSC and DRA Projects (Pty) Ltd and DRA Eritrea pertaining to the On-Shore EPCM Contract and Off-Shore EPCM Contract;
- (ix) the board of directors of Danakali providing approval of the Transaction;
- (x) the board of directors of STB providing a board resolution to SRBG giving final, formal approval of the Transaction that is duly notarised, diplomatically authenticated, and recognised by the high court of Eritrea (as applicable) pursuant to the applicable law;
- (xi) Danakali and STB obtaining (and procuring that CMSC obtain) all necessary governmental, regulatory and court consents, waivers and approvals (including antitrust clearance and the compliance with the securities exchange rules, to the extent applicable) in all and any jurisdictions that it requires to close the Transaction;
- (xii) SRBG and ENAMCO entering into a deed of accession (or similar) in SRBG agreeing to be bound by the Shareholders Agreement and CMSC's constitutional documents;
- (xiii) STB providing to SRBG written confirmation from the Inland Revenue Department of Eritrea specifying the amount of income tax to be paid by STB for the Transaction;
- (xiv) STB providing receipts to SRBG showing that STB or Danakali has provided interim funding of US\$320,000 to CMSC;
- (xv) SRBG receiving:
 - (A) from the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of

China or their competent local counterpart (as applicable), approval of the Transaction;

- (B) from the National Development and Reform Commission and of Ministry of Commerce of the People's Republic of China or their competent local counterpart (as applicable), certificates showing the successful completion of outbound direct investment filings or approvals with respect to the completion of the Transaction;
 - (C) from the State Administration of Foreign Exchange of the People's Republic of China or their competent local counterpart (as applicable), authorisation of the Transaction,
- (xvi) the board of directors of SRBG (or its designated nominee) providing to STB a board resolution giving final, formal approval of the Transaction that is duly notarised, diplomatically authenticated, and recognised by the high court of Eritrea (as applicable) pursuant to the applicable law;
 - (xvii) the warranties given by STB and Danakali under the SSA remaining true, accurate and not misleading at Completion in all material aspects;
 - (xviii) STB and Danakali having not materially breached any of their material obligations under the SSA;
 - (xix) the absence of any material adverse effect under the SSA;
 - (xx) no person has commenced, or threatened to commence (in the view of the Parties acting reasonably), any proceedings or investigation by any court, Government Authority or arbitrator for the purpose of prohibiting or otherwise challenging or interfering with the Transaction;
 - (xxi) no person (including any Government Authority) has enacted or proposed any applicable law which would or could prohibit, materially restrict or materially delay the implementation of the Transaction or the operations of CMSC; and
 - (xxii) the Parties and ENAMCO (or any third party appointed to act as escrow agent) entering into a document escrow agreement in relation to the documents to be delivered by STB at Completion,

(together, the **Conditions Precedent**).

The Parties have agreed to use their best efforts to satisfy the Conditions Precedent and complete the Transaction by 31 May 2023.

The long stop date for satisfaction of the Conditions Precedent is 31 August 2023 (unless otherwise extended by mutual written agreement between the SRBG and STB).

- (d) **Completion:** Completion of the sale and purchase of the CMSC Equity in accordance with the terms of the SSA (**Completion**) shall take place on that date which is seven (7) business days after the satisfaction or waiver of the last of the Conditions Precedent (or such other date agreed between SRBG and STB) in Asmara or at such other location as the Parties may otherwise agree.
- (e) **Termination:** STB may terminate the SSA at any time before Completion by serving a written notice to SRBG if:

- For personal use only
- (i) SRBG is in material breach of any of its warranties under the SSA or the Loan Transfer Agreement;
 - (ii) SRBG is in material default of any material term of the SSA or the Loan Transfer Agreement; or
 - (iii) SRBG fails to deliver any documents or undertake any actions it is required to do at Completion.

SRBG may terminate the SSA at any time before Completion by serving a notice to STB if:

- (i) STB is in material breach of any of its warranties under the SSA or the Loan Transfer Agreement;
 - (ii) Danakali is in material breach of any of its warranties under the SSA;
 - (iii) STB or Danakali is in material default of any material term of the SSA or the Loan Transfer Agreement; or
 - (iv) STB fails to deliver any documents or undertake any actions it is required to do at or for Completion.
- (f) **Warranties:** The SSA includes customary warranties and indemnities given by the STB (as vendor), Danakali (as guarantor of STB's obligations under the SSA) and SRBG (as purchaser) for a transaction of this type.

SCHEDULE 2 – PRO FORMA BALANCE SHEET

	DNK Consolidated 30 June 2022 (\$)	Transaction Adjustments	UNAUDITED PROFORMA Post Transaction (\$)
Current assets			
Cash and cash equivalents	17,964,184	152,390,582 ¹	170,354,766
Receivables and prepayments	398,416	22,389,138 ^{1,2}	22,787,553
Total current assets	18,362,599	174,779,720	193,142,3219
Non-current assets			
Property, plant and equipment	20,834	-	20,834
Investment in Joint Venture	36,315,967	(36,315,967)	-
Loan Receivable	12,084,183	(12,084,183)	-
Total non- current assets	48,420,984	(48,400,150)	20,834
Total assets	66,783,583	126,379,570	193,163,153
Current liabilities			
Trade and other payables	795,799	-	795,799
Provisions	165,627	-	165,627
Total current liabilities	961,426	-	961,426
Non-current liabilities			
Provisions	56,287	-	56,287
Total non-current liabilities	56,287	-	56,287
Total liabilities	1,017,713	-	1,017,713
Net assets	65,765,870	126,379,570	192,145,440
Equity			
Issued capital	127,866,319	-	127,866,319
Reserve	16,115,570	-	16,115,570
Accumulated (losses)/profits	(78,216,019)	126,379,570	48,163,551
Total equity	65,765,870	126,379,570	192,145,440

¹ AUD: USD exchange rate applied for calculating the transaction value is \$0.6923.

² This amount includes the tranche 2 payment amounting to US\$15.5m to be received 6 months after the transaction closes.

Instructions for completing Proxy Form

1. **Appointing a proxy**

A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.

2. **Direction to vote**

A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.

3. **Compliance with Listing Rule 14.11**

In accordance to Listing Rule 14.11, if you hold Shares on behalf of another person(s) or entity/entities or you are a trustee, nominee, custodian or other fiduciary holder of the Shares, you are required to ensure that the person(s) or entity/entities for which you hold the Shares are not excluded from voting on resolutions where there is a voting exclusion. Listing Rule 14.11 requires you to receive written confirmation from the person or entity providing the voting instruction to you and you must vote in accordance with the instruction provided.

By lodging your proxy votes, you confirm to the Company that you are in compliance with Listing Rule 14.11.

4. **Signing instructions:**

- **Individual:** Where the holding is in one name, the Shareholder must sign.
- **Joint holding:** Where the holding is in more than one name, all of the Shareholders should sign.
- **Power of attorney:** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
- **Companies:** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.

5. **Attending the Meeting**

Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

6. **Lodgement of Proxy Form**

Proxy forms can be lodged using any of the following methods:

- (a) Online: At www.investorvote.com.au
- (b) Mail: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia
- (c) Fax: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)
- (d) Mobile: Scan the QR Code on your proxy form and follow the prompts
- (e) Custodian voting: For Intermediary Online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.



DANAKALI
Danakali Limited
ABN 56 097 904 302

DNKRM

MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SURBURB
SAMPLETOWN VIC 3030

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **10:00am (AWST) on Tuesday, 28 February 2023.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SURBURB
SAMPLETOWN VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



IND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Danakali Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Danakali Limited to be held at the Celtic Club, Presidents Room, 48 Ord Street, West Perth, Western Australia, 6005 on Thursday, 2 March 2023 at 10:00am (AWST) and at any adjournment or postponement of that meeting.

Step 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Disposal Of Main Undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

<input type="text"/>	<input type="text"/>	<input type="text"/>	/ /
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

Mobile Number Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

