



DANAKALI

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3 April 2023

ASX Release

Dear fellow shareholders

Completion of Sale of Colluli Interest

Last week on 31 March 2023, Danakali Limited (ASX:DNK) (**DNK, Danakali, or the Company**) successfully completed the sale of its interest in the Colluli Mining Share Company (**CSMC**) to Sichuan Road and Bridge Group Co., Ltd. (**SRBG**) and received the tranche 1 funds of approximately AUD \$156 million. The sale was completed two months ahead of schedule thanks to the hard work of our team, the support of ENAMCO and the Eritrean Ministry of Energy and Mines and the efforts of SRBG and their advisors. Many other Government departments in Eritrea and China also played an important role in helping us complete the transaction well ahead of schedule. Several members of our team deserve acknowledgment for their efforts on behalf of Danakali and shareholders in particular our CFO, Greg MacPherson, and our external lawyer, Pia Drummond of Steinepreis Paganin.

Next steps and anticipated timeline

Having completed the sale two months ahead of schedule, we will now proceed with advancing the process to return funds to shareholders as quickly and effectively as possible. The preliminary advice we received from our tax advisors has highlighted several points that are relevant to the return of funds to shareholders. Please note any comment on tax made below is intended to be a reasonable high-level summary of the preliminary advice we have received as Danakali and does not constitute tax or other advice to shareholders.

1. Danakali's issued capital as reported in the most recent audited annual accounts is \$127.8 million. This is the theoretical maximum amount of capital we can return to shareholders as capital regardless of whether we return the funds by way of a capital return or via a share buy-back. This means that to return approximately 90% of funds received, there will necessarily be a dividend/income component in the hands of shareholders. This will primarily impact Australian shareholders rather than overseas shareholders because the dividend/income component of the funds returned to foreign shareholders will probably not be subject to tax in Australia given that sale proceeds are likely to be treated as Conduit Foreign Income.
2. The dividend/income component of any funds returned will be unfranked as Danakali does not have franking credits available. This will primarily impact Australian shareholders rather than overseas shareholders who would usually not get the benefit of any franking credits. There is no credit available in Australia for the tax paid overseas.



3. We are seeking final-form advice from our tax advisors with regards to implications of a capital return in addition to an off-market share buy-back. The preliminary advice considered an on-market share buy-back but given the suspension of shares from trading from the close of market on Monday 3 April 2023 this is not considered a viable option in the short term.
4. The Company plans to hold a Board meeting once we have received the finalised tax advice, which is anticipated to be received toward the end of April. At this stage, subject to the final-form advice and Board decision, I expect the Company will aim to return approximately \$140m-\$150m from the first tranche funds to shareholders. While the Board can declare a dividend, shareholders' approval will be required for either a capital return or share buy-back.
5. Subject to receipt of finalised tax advice, formal Board decision, and shareholder approval, I expect the funds return to be made early in Q3, 2023. In light of the above information, shareholders may wish to consider their own tax position with their tax advisors and take any appropriate steps between now and early Q3, 2023.
6. I strongly believe that it's in the best interests of most shareholders, particularly our smaller shareholders, for the Company's shares to be returned to official quotation and we will take all reasonable steps to achieve this objective as soon as possible. Danakali is continuing its investigation of suitable projects for investment of a portion of the funds received from the transaction with a view to meeting the requirements of Listing Rule 12.1 to return to official quotation upon application to ASX. Having completed the CMSC disposal well ahead of schedule, Danakali's efforts focused on identification of new projects for investment will be increased.
7. Our share registry, Computershare, have advised that they are able to process share transfers off-market while the shares are suspended from trading on the ASX. Interested shareholders should contact either Computershare directly or their broker to obtain the relevant form and to process any transfer.
8. 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, shareholders may contact Computershare on 1300 850 505 (within Australia) or + 61 3 9415 4000 (outside Australia).

Thank you for your continued support.

Your sincerely

Seamus Cornelius
Executive Chairman
Danakali Limited

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