



ASX Release:

28 April 2023

Quarterly Report

For the period ended 31 March 2023

Danakali Limited (ASX: DNK, **Danakali**, or the **Company**) is pleased to provide this quarterly update on the activities and financial position of the Company.

Corporate

Completion of Sale of Colluli Interest

On 31 March 2023, the Company announced completion of the sale of Danakali's 50% interest in the Colluli Mining Share Company (**CMSC**) to Sichuan Road and Bridge Group Co., Ltd. (**SRBG** or the **Purchaser**) for US\$166 million in upfront cash and deferred payments (**Transaction**).

As previously announced, pursuant to the Share Sale Agreement (**SSA**), the Purchaser agreed to purchase:

- (a) 100% of the shares held by Danakali's wholly owned subsidiary, STB Eritrea Pty Ltd (STB), in Colluli Mining Share Company (**CMSC**) (**CMSC Equity**); and
- (b) the outstanding amount owed by CMSC to STB pursuant to the terms of the shareholders agreement between ENAMCO and STB (**Shareholder Loan**),

for US\$135 million and US\$31 million (subject to an adjustment for deferred payment) respectively, for a total sum of US\$166 million. Upon completion of the Transaction, net of all government taxes, Danakali received US\$105 million (AUD\$156 million), with a second tranche payment of US\$16 million to be received 6 months from completion.

DNK's Plans Post Transaction Completion

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. The Company's securities were suspended from official quotation from the close of market on Monday 3 April 2023 (refer ASX Announcement 31 March 2023 for further details).

Having completed the Transaction well ahead of schedule, Danakali efforts focused on identification of new projects for investment will be increased. If the Company does not identify a suitable new project, the shares of DNK will remain suspended.

As a mineral exploration and development company, Danakali is focused on identification of projects in potash and critical metals (e.g. copper, lithium, gold, cobalt, tin and nickel), and may consider a diversified portfolio of exploration and development assets as part of its strategy. The Company will be focused on projects located in Australia and Africa.

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



Distribution of Funds

As previously announced, DNK currently intends to distribute approximately 90% of the net proceeds to DNK shareholders. Shareholders are advised:

- Danakali intends to apply for an ATO ruling regarding the Australian tax treatment of any proposed distribution to shareholders;
- any proposed capital reduction or buy back will require shareholder approval; and
- any proposed distribution approved by shareholders is expected to occur in Q3 2023.

At this stage, the Board has not made any formal decision regarding the proposed distribution and the form that that this may take. The Company will keep the market informed as to its intentions regarding distribution of funds in due course.

Shareholder Elections – Updating 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, shareholders may contact Computershare on 1300 850 505 (within Australia) or + 61 3 9415 4000 (outside Australia).

Capital

Cash

Consolidated cash on hand was A\$170M as at 31 March 2023. Please refer to the Appendix 5B for the quarter which estimates that available funding is sufficient for more than 306 quarters.

Securities

As at 31 March 2023, there were a total of 368,334,346 fully paid ordinary shares on issue. There were no shares issued during the quarter.

As at 31 March 2023, there were a total of 14,450,000 unlisted options on issue at various exercise prices and expiry dates. The following options expired during the quarter:

- 500,000 unlisted options at \$0.527 expired 29 January 2023
- 250,000 unlisted options at \$0.780 expired 24 March 2023

As at 31 March 2023, there were nil performance rights on issue. A total of 360,000 performance rights expired on 31 March 2023. There were no other movements in performance rights during the quarter.

Investment In Joint Venture

During the quarter the company invested an additional A\$0.4M to maintain the project and dispose of its investment in the Joint Venture



Related Party Transactions

In accordance with ASX Listing Rule 5.3.5, payments to related parties of the Company and their associates during the quarter totalled A\$0.1m. The Company advises that this relates to Director fees. Refer to the Remuneration Report in the Financial Report for further details on director remuneration.

Interests in mining tenements

There were no mining exploration activities undertaken during the quarter. On 31 March 2023, the Company's completed the sale of its 50% interest in CMSC. Accordingly, DNK's interest in the CMSC mining license (Colluli, Eritrea) decreased from 50% at the start of the quarter to nil at end the of the quarter.

For more information, please contact:

Danakali

Seamus Cornelius
Executive Chairman
scornelius@danakali.com

Greg MacPherson
Chief Financial Officer
gmacpherson@danakali.com

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Announcement authorised for release by the board of Danakali.

Forward looking statements and disclaimer

The information in this document is published to inform you about Danakali and its activities. Danakali 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, that address future 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 and actual events or developments may differ materially.

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.

No representation or warranty, express or implied, is or will be made by or on behalf of the Company, and no responsibility or liability is or will be accepted by the Company or its affiliates, as to the accuracy, completeness or verification of the information set out in this announcement, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. 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 or any such statement.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Danakali Limited

ABN

57 097 904 302

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(410)	(410)
(e) administration and corporate costs	(183)	(183)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	38	38
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(555)	(555)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:	-	-
	(a) entities		
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	132,902	132,902
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	23,318	23,318
2.4	Dividends received (see note 3)	-	-
2.5	Other:		
	(a) Payments directly related to disposal of investment	(345)	(345)
	(b) Payments for funding of joint venture	(26)	(26)
2.6	Net cash from / (used in) investing activities	155,849	155,849

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	14,873	14,873
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(555)	(555)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	155,849	155,849

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	170,167	170,167

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	10,167	14,873
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	160,000	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	170,167	14,873

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	113
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.

Payments included in item 6.1 relates to payment of director fees (\$113k)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
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)	(555)
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	-
8.2a Other (item 2.5)	-
8.3 Total relevant outgoings (item 8.1 + item 8.2 + item 8.2a)	(555)
8.4 Cash and cash equivalents at quarter end (item 4.6)	170,167
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	170,167
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	306.7
<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:	
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:	

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

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:

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.

Date: 28 April 2023.....

Authorised by: By the Audit and Risk Committee.....
(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.

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