



DANAKALI

DANAKALI LIMITED

ABN 56 097 904 302

**FINANCIAL REPORT FOR THE HALF YEAR ENDED
30 JUNE 2023**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2022 and any public announcements made by Danakali Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

For personal use only

Corporate Information

Directors

Seamus Cornelius (Executive Chairman)
Paul Donaldson (Non-Executive Director)
Zhang Jing (Non-Executive Director)
Taiwo Adeniji (Non-Executive Director)

Joint Company Secretaries

Catherine Grant-Edwards
Melissa Chapman

Executive Management

Greg MacPherson (Chief Financial Officer)
Rod MacEachern (Chief Operating Officer)

Registered Office & Principal Place of Business

Level 1, 2A/300 Fitzgerald Street
NORTH PERTH WA 6006
Telephone: +61 (0)8 6266 8368

Bank

Bendigo Bank
225 St Georges Terrace
PERTH WA 6000

Auditors

Hall Chadwick
283 Rokeby Road
SUBIACO WA 6000

Share Register (Australia)

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
PERTH WA 6000
Telephone: 1300 850 505 (Inside Australia)
Telephone: +61 (0)3 9415 4000 (Outside Australia)
Facsimile: +61 (0)3 9473 2500
www.computershare.com

Website

www.danakali.com.au

Stock Exchange Listing

Danakali Limited Shares are listed on the Australian Stock Exchange (ASX:DNK).

American Depositary Receipts

The Bank of New York Mellon sponsors DNK's Level 1 American Depositary Receipts Program (ADR) in the United States of America. DNK's ADRs are traded on the over-the-counter (OTC) securities market in the US under the symbol DNKLY and CUSIP: 23585T101. One ADR represents one ordinary share in DNK.

US OTC Market information is available here: <http://www.otcm Markets.com/stock/DNKLY/quote>
DNK's ADR information can also be viewed here: <http://www.adrbnymellon.com/?cusip=23585T101>

ADR Holders seeking information on their shareholding should contact: shrrelations@bnymellon.com OR
LONDON NEW YORK
Mark Lewis Rick Maehr
mark.lewis@bnymellon.com richard.maehr@bnymellon.com
Telephone +44 207 163 7407 Telephone +1 212 815 2275

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Directors' Report

Your directors submit their report together with the consolidated financial statements of the consolidated entity, being Danakali Limited (**Danakali** or the **Company**) and its controlled entities (the **Group**) for the half year ended 30 June 2023.

DIRECTORS

The names of the directors who held office during the half year are:

- Seamus Cornelius (Executive Chairman)
- Paul Donaldson (Non-Executive Director)
- Zhang Jing (Non-Executive Director)
- Taiwo Adeniji (Non-Executive Director)
- Samaila Zubairu (Non-Executive Director) (Resigned 15 June 2023)
- Neil Gregson (Non-Executive Director) (Resigned 15 June 2023)

The Directors held their positions throughout the entire half year period and up to the date of this report unless stated otherwise.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the half-year ended 30 June 2023 was the disposal of its investment in CMSC in Eritrea, East Africa.

The company is now seeking new opportunities in line with its vision to become a leading exploration and development company in Australia and Africa, driving sustainable growth, technological innovation, and responsible resource management.

REVIEW AND RESULTS OF OPERATIONS

The net profit after tax of the Group for the half-year ended 30 June 2023 amounted to \$131,633,883 (2022: Loss \$1,807,160). Total consolidated cash on hand at the end of the period was \$168,292,560 (31 December 2022: \$14,873,027).

REVIEW OF OPERATIONS

Disposal of Colluli Mining Share Company

On the 29 March 2023, the company disposed its interest in CMSC to Sichuan Road and Bridge Group Co., Ltd. (SRBG) for US\$166 million in upfront cash and deferred payments. The equity consideration amounted to US\$135 million, and the loan receivable amounted to US\$31 million. Net of all government taxes, Danakali received US\$105 million (AUD\$156 million) on the 29 March 2023, with a second tranche payment of US\$16 million to be received 6 months from completion (*DNK Announcement 31 March 2023*) and falls due on 30 September 2023.

The company continues with its handover activities to SRBG on a paid consultancy basis to help optimise CMSC moving forward. Discussions are ongoing regarding a longer-term consultancy arrangement with CMSC for technical advice.

Distribution to Shareholders

The Board has announced that it plans to distribute approximately 90% of the net proceeds from the sale of CMSC to the shareholders (*DNK Announcement 31 March 2023*). The distribution will be partly capital and partly dividends in nature and in this regard, the company has applied for a class ruling from the Australian Taxation Office (ATO).

The timing of the distribution will depend on the ATO's early engagement process, and the time needed for the ATO and our tax advisors to reach an agreed position regarding the capital and dividend allocation.

ASX Suspension

The Company's securities were suspended from quotation on the Australian Stock Exchange (ASX) following the disposal of CMSC. The ASX determined that Danakali's operations were no longer adequate to warrant the continued quotation of its securities and therefore in breach of Listing Rule 12.1. The suspension will continue until Danakali is able to demonstrate compliance with Listing Rule 12.1 of the listing rules (*DNK Announcement 3 April 2023*).

The Company is actively engaging with the ASX with regards to its suspension and continues to engage with it on the company's corporate development activities to acquire and develop new business opportunities to meet the requirements of Listing Rule 12.1.

Corporate Development

Danakali continues with its corporate development activities to investigate suitable projects to grow the company in line with its vision of being a leading exploration and development company in Australia and Africa's critical resources sectors, driving sustainable growth, technological innovation, and responsible resource management.

The corporate development strategy is fully aligned with meeting the requirements of Listing Rule 12.1 to return to official quotation upon application to ASX.

Directors' Report

CORPORATE

Board and Management Changes

On 15 June 2023, Neil Gregson and Samaila Zubairu resigned as directors of the company following the successful sale of CMSC (*DNK Announcement 16 June 2023*).

There were no other changes to the Board or management during the period. Into the future, the composition and size of the Board will be determined by the Company's operations and the skills and experience needed to protect and enhance shareholder value.

Ordinary Shares

No shares were issued during the period.

As at 30 June 2023, there was a total of 368,334,346 fully paid ordinary shares on issue.

Options

There were no unlisted options exercised during the period.

The following unlisted options expired during the period:

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

As at 30 June 2023, there was a total of 14,450,000 unlisted options on issue at various exercise prices and expiry dates.

Performance Rights

There were no performance rights vested and converted into shares during the period.

The following performance rights were terminated during the period:

- 280,000 Class 1 performance rights
- 80,000 Class 5 performance rights

As at 30 June 2023, there was no performance rights outstanding.

Change of Auditors

Hall Chadwick were appointed as auditors' effective 31 May 2023 (*DNK Announcement 13 June 2023*).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Disposal of Colluli Mining Share Company

Refer to review of operations above for details (*DNK Announcement 30 March 2023*).

Suspension from ASX

Refer to review of operations above for details (*DNK Announcement 3 April 2023*).

Other

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group.

RISK MANAGEMENT

The Company has established a Risk Management Policy which outlines the Board's expectations in relation to risk management, responsibilities, risk management objectives, and the principles of its risk management framework.

The Board, through the Audit and Risk Committee, is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of those systems.

The Audit and Risk Committee continues to work closely with management to assess, monitor and review business risks and to carry out assessments of internal controls and processes for improvement opportunities. In support of this, the Committee receives reports from management on new and emerging risks and related controls and mitigation measures that management have implemented.

Directors' Report

A summary of the material business risks of the Company is set out in the below table.

RISK	MITIGATION / CONTROL
Financial Risks	
Final settlement for the disposal of CMSC are not received.	The Company regularly engages with CMSC and SRBG and are working closely with them to ensure an appropriate handover of CMSC activities and is closely managing warrantee obligation to ensure compliance. Settlement of the final payment is to be made directly in Australian Dollars.
Foreign exchange movements could affect the financial performance of the Company.	The Company uses appropriate treasury management processes and procedures to monitor and manage its foreign exchange exposures.
Compliance Risks	
ASX continue to determine that Danakali's operations are no longer adequate to warrant the continued quotation of its securities and therefore in breach of Listing Rule 12.1.	The Company is actively engaging with the ASX with regards to its suspension and continues to engage with it on the company's corporate development activities to acquire and develop new business opportunities to meet the requirements of Listing Rule 12.1.
The allocation of distribution to shareholders between capital and dividends is not in agreement with the ATO class ruling.	A senior tax advisor has been appointed to engage with the ATO to obtain an early confirmation of the appropriate split between capital and dividends before a distribution is made.
Operation Risks	
New business opportunity adversely affects the Groups performance.	The Company has in place appropriate merger and acquisition processes and procedures to engage and assess new business opportunities.
The Group is reliant on several key personnel. The loss of one or more of its key personnel could have an adverse impact on the business of the Group	The Company has developed succession plans to reduce the exposure to the loss of any key personnel. In addition, incentive plans have been implemented.
Health & Safety	
Health event that could impact the employee wellbeing or disrupt business continuity.	The Company has developed a business continuity plan in the event of a business interruption event and developed various controls to limit the impact of a Pandemic.

EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There are no events subsequent to 30 June 2023 and up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out separately in this report.

This report is made in accordance with a resolution of directors.



Seamus Cornelius
EXECUTIVE CHAIRMAN
Perth, 9 August 2023

To the Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit Director for the review of the financial statements of Danakali Limited for the half year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours Faithfully,


HALL CHADWICK WA AUDIT PTY LTD


MARK DELAURENTIS CA
Director

Dated Perth, Western Australia this 9th day of August 2023

Condensed Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF YEAR ENDED 30 JUNE 2023

	Notes	Half Year Ended	
		30 June 2023	30 June 2022
		\$	\$
CONTINUING OPERATIONS			
REVENUE			
Interest Income	4	1,573,764	48,216
Sundry Income		87,372	-
EXPENSES			
Foreign exchange loss		(87,953)	(89,899)
Depreciation expense		(2,577)	(4,319)
Loss on disposal of assets		-	(1,626)
Administration expenses	5	(1,805,996)	(1,378,848)
Share based payment expense	6	-	(387,841)
LOSS BEFORE INCOME TAX		(235,390)	(1,814,316)
Income tax expense		-	-
NET LOSS FOR THE PERIOD		(235,390)	(1,814,316)
DISCONTINUED OPERATIONS			
Profit after tax for the period from discontinued operations	7	131,869,273	7,156
TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD		131,633,883	(1,807,160)
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic profit/(loss) per share (cents per share)		35.74	(0.66)
Diluted profit/(loss) per share (cents per share)		34.39	(0.66)
Earnings per share for continuing operations:			
Basic loss per share (cents per share)		(0.06)	(0.49)
Diluted loss per share (cents per share)		(0.06)	(0.49)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Condensed Statement of Financial Position

AS AT 30 JUNE 2023

	Notes	30 June 2023 \$	31 December 2022 \$
CURRENT ASSETS			
Cash and cash equivalents		168,292,560	14,873,027
Trade and other receivables	8	24,947,650	25,163
Prepayments		-	78,013
TOTAL CURRENT ASSETS		193,240,210	14,976,203
NON-CURRENT ASSETS			
Trade and other receivables	8	-	13,398,870
Investment in joint venture	9	-	36,482,469
Plant and equipment		12,887	15,464
TOTAL NON-CURRENT ASSETS		12,887	49,896,803
TOTAL ASSETS		193,253,097	64,873,006
CURRENT LIABILITIES			
Trade and other payables	10	54,913	761,675
Provisions		175,587	141,024
TOTAL CURRENT LIABILITIES		230,500	902,699
NON-CURRENT LIABILITIES			
Provisions		60,591	52,160
TOTAL NON-CURRENT LIABILITIES		60,591	52,160
TOTAL LIABILITIES		291,091	954,859
NET ASSETS		192,962,006	63,918,147
EQUITY			
Issued capital	11	135,716,735	127,866,319
Reserves	12	1,674,994	16,458,029
Accumulated losses	13	55,570,277	(80,406,201)
TOTAL EQUITY		192,962,006	63,918,147

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Condensed Statement of Changes in Equity

FOR THE HALF YEAR ENDED 30 JUNE 2023

	Notes	Issued Capital \$	Reserves		Accumulated Profit / (Losses) \$	Total Equity \$
			Share Based Payments \$	Foreign Currency Translation \$		
BALANCE AT 1 JANUARY 2023		127,866,319	13,868,006	2,590,023	(80,406,202)	63,918,147
Profit for the period	13	-	-	-	131,633,883	131,633,883
Total comprehensive income/(loss) for the period		-	-	-	131,633,883	131,633,883
Transactions with owners in their capacity as owners:						
Shares issued		-	-	-	-	-
Foreign currency translation reserve written off on sale of investment		-	-	(2,590,023)	-	(2,590,023)
Share based payment reserve re-allocated	12	7,850,416	(12,193,012)	-	4,342,596	-
BALANCE AT 30 JUNE 2023		135,716,735	1,674,994	-	55,570,277	192,962,006
BALANCE AT 1 JANUARY 2022		127,866,319	13,632,696	1,475,207	(75,789,033)	67,185,189
Loss for the period		-	-	-	(2,426,986)	(2,426,986)
Other comprehensive income		-	-	619,825	-	619,825
Total comprehensive income/(loss) for the period		-	-	619,825	(2,426,986)	(1,807,160)
Transactions with owners in their capacity as owners:						
Shares issued		-	-	-	-	-
Share based payments expense		-	387,841	-	-	387,841
BALANCE AT 30 JUNE 2022		127,866,319	14,020,537	2,095,033	(78,216,019)	65,765,870

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Condensed Statement of Cash Flows

FOR THE HALF YEAR ENDED 30 JUNE 2023

	Half Year Ended	
	30 June 2023	30 June 2022
Notes	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	131,633,883	(1,807,160)
Adjusted for:		
Finance income	(1,573,764)	(48,216)
Foreign exchange losses	(509)	89,899
Gains on disposal of discontinued operations	(131,869,273)	-
Depreciation of property, plant and equipment	2,577	4,319
Loss on disposal of assets	-	1,626
Share based payments	-	387,841
Increase/(decrease) in provisions	42,994	64,917
Operating cashflows before movement in working capital	(1,764,092)	(1,306,774)
Decrease/(increase) in trade and other receivables	(20,443)	(239,958)
Increase/(decrease) in trade and other payables	(64,232)	(445,089)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,848,767)	(1,991,821)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint venture	(16,301)	(2,886,779)
Net proceeds from the disposal of Investment	155,214,328	-
Interest received	69,764	48,216
Receipts/(payments) for plant and equipment	-	50
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	155,267,791	(2,838,513)
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CASH INFLOW FROM FINANCING ACTIVITIES	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	153,419,024	(4,830,334)
Cash and cash equivalents at the beginning of the financial period	14,873,027	22,884,417
Realised foreign exchange gain/(loss) on cash	509	(89,899)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	168,292,560	17,964,184

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to the Condensed Financial Statements

1. REPORTING ENTITY

Danakali Limited (**Danakali** or the **Company**) is a company limited by shares, incorporated and domiciled in Australia, and whose shares are publicly traded on the Australian Securities Exchange (**ASX**) (suspended at present, *DNK Announcement 03 April 2023*). The consolidated half year financial report of the consolidated group as at, and for the six months ended 30 June 2023 comprises the Company and its subsidiaries (together referred to as the **Group**).

The financial report of Danakali for the half year ended 30 June 2023 was authorised for issue by the Directors on 9 August 2023.

The nature of the operations and principal activities of the consolidated entity are described in the Directors' Report.

2. BASIS OF PREPARATION

(a) Basis of preparation

This condensed general purpose financial report for the half year ended 30 June 2023 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It is recommended that the half year financial report be read in conjunction with the annual financial report for the financial year ended 31 December 2022 and considered together with any public announcements made by the Company during the half year ended 30 June 2023 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The half year financial report has been prepared on a historical cost basis and is presented in Australian dollars.

(b) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the new standards and interpretations effective as of 1 January 2023. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Group. The Group has not elected to early adopt any new standards or amendments.

The following standards and interpretations apply for the first time for entities with a year beginning on 1 January 2023:

Reference	Title	Summary
AASB 2021-5	Amendments to AASs - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	<p>AASB 112 <i>Income Taxes</i> requires entities to account for income tax consequences when economic transactions take place, and not at the time when income tax payments or recoveries are made. Accounting for such tax consequences, means entities need to consider the differences between tax rules and accounting standards. These differences could either be:</p> <ul style="list-style-type: none">• Permanent – e.g., when tax rules do not allow a certain expense to ever be deducted <p>Or</p> <ul style="list-style-type: none">• Temporary – e.g., when tax rules treat an item of income as taxable in a period later than when included in the accounting profit <p>Deferred taxes representing amounts of income tax payable or recoverable in the future must be recognised on temporary differences unless prohibited by AASB 112 in certain circumstances. One of these circumstances, known as the initial recognition exception, applies when a transaction affects neither accounting profit nor taxable profit, and is not a business combination. Views differ about applying this exception to transactions that, on initial recognition, create both an asset and liability (and could give rise to equal amounts of taxable and deductible temporary differences) such as:</p> <ul style="list-style-type: none">• Recognising a right-of-use asset and a lease liability when commencing a lease• Recognising decommissioning, restoration and similar liabilities with corresponding amounts included in the cost of the related asset

Notes to the Condensed Financial Statements

Reference	Title	Summary
		<p>The amendments to AASB 112 clarify that the exception would not normally apply. That is, the scope of this exception has been narrowed such that it no longer applies to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.</p> <p>The amendments apply from the beginning of the earliest comparative period presented to:</p> <ul style="list-style-type: none"> • All transactions occurring on or after that date • Deferred tax balances, arising from leases and decommissioning, restoration and similar liabilities, existing at that date <p>The cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. Earlier application of the amendments is permitted.</p> <p>The Group assessed that this amended accounting standards does not have a significant impact on the Group.</p>
AASB 2021-2	Amendments to AASB 108 – Definition of Accounting Estimates	<p>An accounting policy may require items in the financial statements to be measured using information that is either directly observable, or estimated. Accounting estimates use inputs and measurement techniques that require judgements and assumptions based on the latest available, reliable information.</p> <p>The amendments to AASB 108 clarify the definition of an accounting estimate, making it easier to differentiate it from an accounting policy. The distinction is necessary as their treatment and disclosure requirements are different. Critically, a change in an accounting estimate is applied prospectively whereas a change in an accounting policy is generally applied retrospectively.</p> <p>The new definition provides that 'Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.' The amendments explain that a change in an input or a measurement technique used to develop an accounting estimate is considered a change in an accounting estimate unless it is correcting a prior period error.</p> <ul style="list-style-type: none"> • For example, a change in a valuation technique used to measure the fair value of an investment property from market approach to income approach would be treated as a change in estimate rather than a change in accounting policy. • In contrast, a change in an underlying measurement objective, such as changing the measurement basis of investment property from cost to fair value, would be treated as a change in accounting policy. <p>The amendments did not change the existing treatment for a situation where it is difficult to distinguish a change in an accounting policy from a change in an accounting estimate. In such a case, the change is accounted for as a change in an accounting estimate.</p>

(c) Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned activities and the Group will be able to meet its obligations as and when they fall due.

At balance date, the Group had cash and cash equivalents of \$168,292,560 (31 December 2022: \$14,873,027) and a net

Notes to the Condensed Financial Statements

working capital surplus of \$193,009,710 (31 December 2022: (\$14,073,504)). The existing cash reserves are sufficient to cover the working capital requirements of the Group for the next 12 months.

3. SEGMENT INFORMATION

The Group was organised into one main operating segment which involves the exploration of minerals in Eritrea upto the date of disposal (29 March 2023). All of the Group's activities were interrelated and discrete financial information was reported to the Board (Chief Operating Decision Maker) as a single segment. The disposal of this segment has been included separately under discontinued operation.

Accordingly, all significant operating decisions were based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole as at 30 June 2023.

4. INTEREST REVENUE

	30 June 2023	30 June 2022
	\$	\$
Interest from bank operating account	69,764	48,216
Accrued interest from Term Deposit	1,504,000 ^a	-
	<u>1,573,764</u>	<u>48,216</u>

^a Funds surplus to the operations of the Group were invested in a term deposit for 3 months.

5. EXPENSES

	30 June 2023	30 June 2022
	\$	\$
Employee benefits	759,969	410,170
Director fees	236,502	239,550
Low value asset leases	30,654	31,308
Compliance, regulatory and other administration expenses	778,871	697,820
	<u>1,805,996</u>	<u>1,378,848</u>

6. SHARE BASED PAYMENTS

(a) Expenses arising from share-based payment transactions

Total expenses from share-based payment transactions recognised during the period were as follows:

	Half Year to 30 June 2023	Half Year to 30 June 2022
	\$	\$
Options issued to directors and employees	-	375,550
Performance rights issued to directors, employees and consultants	-	12,292
Expense	-	<u>387,841</u>

(b) Option movement summary

Movements in the number of unlisted options (being those the subject of share based payments) on issue during the period is as follows:

Unlisted Option	Opening balance 1 Jan 2023	Issued	Exercised	Lapsed / Expired	Closing balance 30 Jun 2023
Exercise price \$0.664 expiry date 08/07/2023	200,000 ^a	-	-	-	200,000 ^a
Exercise price \$0.501 expiry date 03/12/2023	250,000 ^a	-	-	-	250,000 ^a
Exercise price \$0.527 expiry date 29/01/2023	500,000 ^a	-	-	500,000	-
Exercise price \$0.780 expiry date 24/03/2023	250,000 ^a	-	-	250,000	-
Exercise price \$0.640 expiry date 30/07/2025	10,000,000 ^a	-	-	-	10,000,000 ^a
Exercise price \$0.450 expiry date 31/12/2024	4,000,000 ^a	-	-	-	4,000,000 ^a
	<u>15,200,000</u>	-	-	<u>750,000</u>	<u>14,450,000</u>

^a Vested options.

Notes to the Condensed Financial Statements

(c) Performance Rights

Movements in the number of performance rights on issue during the period is as follows:

Performance Rights - Class	Opening balance 1 Jan 2023	Granted	Vested	Forfeited/ Expired	Closing balance 30 Jun 2023
Class 1 ^a	280,000	-	-	280,000	-
Class 5 ^a	80,000	-	-	80,000	-
	360,000	-	-	360,000	-

^a Issued under the Performance Rights Plan which was re-approved at the annual general meeting of the Company held 17 November 2014.

7. DISCONTINUED OPERATIONS

On 12 January 2023, the Group executed a binding share sale agreement with Sichuan Road and Bridge Group Co., Ltd. (SRBG) for the sale of all its interest in CMSC's shares including the outstanding shareholders loan receivable from CMSC. On 2 March 2023, the Group's shareholders approved the transaction. The Group satisfied the conditions precedent under the share sale agreement on 29 March 2023 and the investment in CMSC was then classified as a discontinued operation. The Group's share in the profits from its former interest in CMSC are presented below:

	30 June 2023 \$	30 June 2022 \$
REVENUE		
Net gain/(loss) on financial assets at fair value through profit or loss	28,502,117	750,386
Foreign exchange gain	6,911,240	436,578
Gain on disposal of interest in CMSC ^a	164,543,878	-
EXPENSES		
Share of loss from JV	(417,378)	(1,799,633)
Other Expenses	(733)	-
Profit/(Loss) before tax from discontinued operations	199,539,124	(612,669)
Tax: Foreign taxes on disposal	(67,669,851)	-
Share of Foreign Currency Translation Reserve (OCI)	-	619,825
Profit/(Loss) for the year from discontinued operations	131,869,273	7,156

Earnings per share for discontinued operations:

Basic loss per share (cents per share)	35.80	-
Diluted loss per share (cents per share)	34.45	-

^a Details of Gain on Disposal:

	\$
Total consideration for the sale of investment (USD 135M)	201,132,300
Satisfied by cash, and net cash inflow arising on disposal (net of tax paid)	133,462,449

The net cash flows incurred by the Group for its share in CMSC are as follows:

	30 June 2023 \$	30 June 2022 \$
Operating	-	-
Investing	155,198,028	(2,886,780)
Financing	-	-
Net cash (outflow)/inflow	155,198,028	(2,886,780)

Notes to the Condensed Financial Statements

8. TRADE AND OTHER RECEIVABLES

	30 June 2023	31 December 2022
	\$	\$
Current		
Net GST receivable	36,498	25,163
Accrued interest	1,504,000	-
Other receivables at fair value through profit & loss	23,320,030	-
Other receivables at amortised cost	87,122	-
	24,947,650	25,163

Non-Current

Loan to Colluli Mining Share Company - at fair value	-	13,398,870
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Until the sale of the Group's interest in CMSC on March 29, 2023, Danakali's wholly owned subsidiary, STB Eritrea Pty Ltd, was funding CMSC for the development of the Colluli Potash Project and 50% of the funding was represented in the form of a shareholder loan. This loan was repaid as part of the sale agreement. Until the sale, the value of the loan was discounted by applying a market interest rate of 25%.

As part of the sale CMSC sale agreement SRBG was to settle the transaction in two tranches, with one tranche remaining to be received on 30 September 2023. The current receivable is discounted by applying a market effective interest rate of 2.51%. The undiscounted underlying loan balance at 30 June 2022 is USD 15,557,299.

	Half Year to 30 June 2023	Financial Year to 31 December 2022
	\$	\$
Reconciliation of movement in loan to Colluli Mining Share Company:		
Carrying amount at the beginning of the period	13,398,870	10,597,238
Additional loans during the period	1,790	122,784
Reversal of employee benefits recharged to JV	-	(791,467)
Foreign exchange gain/(loss)	540,186	745,484
Net gain/(loss) on financial assets at fair value through profit or loss	781,873	2,724,831
Repayment via sale	(14,722,718)	-
Carrying amount at the end of the period/at disposal	-	13,398,870

9. INVESTMENT IN JOINT VENTURE

For the half year ended 30 June 2023 the company had no interest in joint ventures. At 31 December 2022, the Group had an interest in the following joint arrangement:

Project	Activities	Equity Interest		Carrying Value	
		30 June 2023	31 December 2022	30 June 2023	31 December 2022
		%	%	\$	\$
Colluli Potash	Mineral Exploration	-	50	-	36,482,469

The Group acquired an interest in CMSC at the date of its incorporation on 5 March 2014. This acquisition was in accordance with a shareholders agreement entered into with the Eritrean National Mining Corporation (**ENAMCO**) and executed in November 2013 (**Shareholders Agreement**). CMSC was incorporated in Eritrea, in accordance with the Shareholders Agreement, to hold the Colluli project with Danakali (through its wholly owned subsidiary STB Eritrea Pty Ltd) and ENAMCO holding 50% of the equity each. On 29 March 2023, the Group disposed its interest in the CMSC to SRBG.

Notes to the Condensed Financial Statements

Up to the date of disposal, the Group's 50% interest in CMSC was accounted for as a joint venture using the equity method. The following tables summarise the financial information of the Group's investment in CMSC at 30 June 2022.

	Half Year to 30 June 2023 \$	Financial Year to 31 December 2022 \$
Reconciliation of movement in investments accounted for using the equity method:		
Carrying amount at the beginning of the period	36,482,469	34,916,132
Additional investment during the period	15,866	3,018,856
Technical recharge reversal		791,467
Share of net profit / (loss) for the period	(417,378)	(3,358,802)
Other comprehensive income / (loss) for the period	-	1,114,816
Disposal via sale	36,080,957	-
Carrying amount at the end of the period	-	36,482,469

Summarised financial information of joint venture:

	31 December 2022 \$
Financial position (Aligned to Danakali accounting policies)	
<i>Current assets:</i>	
Cash and cash equivalents	306,301
Other current assets	669,750
	<u>976,051</u>
<i>Non-current assets:</i>	
Fixed assets	70,555
Development costs capitalised	42,390,996
	<u>42,461,551</u>
<i>Current liabilities:</i>	
Trade & other payables and accruals	(121,691)
	<u>(121,691)</u>
<i>Non-current liabilities:</i>	
Loan from Danakali Limited – at amortised cost	(14,782,060)
	<u>(14,782,060)</u>
NET ASSETS	<u>28,533,851</u>
Group's share of net assets	<u>14,266,926</u>
Reconciliation of Equity Investment:	
Group's share of net assets	14,266,926
Equity contributions	22,215,544
Carrying amount at the end of the period	<u>36,482,469</u>

	Half Year to 30 June 2022 \$
Financial performance	
Interest expense relating to the unwinding of discount on joint venture loan	(1,291,209)
Gain on re-measurement of loan to joint venture carried at amortised cost	-
Expenses recorded through profit and loss	(2,308,057)
LOSS FOR THE PERIOD	<u>(3,599,266)</u>
Group's share of total gain/(loss) for the period	<u>(1,799,633)</u>

Notes to the Condensed Financial Statements

10. TRADE AND OTHER PAYABLES

	30 June 2023	31 December 2022
	\$	\$
Trade payables	32,448	702,130
Other payables	22,465	59,545
	54,913	761,675

11. ISSUED CAPITAL

	Half Year to 30 June 2023		Financial Year to 31 December 2022	
	Number of shares	\$	Number of shares	\$
(a) Share capital				
Ordinary shares fully paid	368,334,346	127,866,319	368,334,346	127,866,319
(b) Movements in ordinary share capital				
Beginning of the period	368,334,346	127,866,319	368,334,346	127,866,319
<i>Movements during the period:</i>				
– Re-allocated from share based payment reserve	-	7,850,416	-	-
End of the period	368,334,346	135,716,735	368,334,346	127,866,319

12. RESERVES

	Half Year to 30 June 2023	Financial Year to 31 December 2022
	\$	\$
(a) Reserves		
Share-based payments reserve		
Balance at beginning of the period	13,868,006	13,632,696
Exercised options in prior & current periods	(7,850,416)	
Forfeited and expired options in prior & current periods	(4,342,596)	
Employee and contractor share options & performance rights	-	235,310
Balance at end of the period	1,674,994	13,868,006
Foreign currency translation reserve		
Balance at beginning of the period	2,590,023	1,475,207
Written off on sale of share in JV	(2,590,023)	
Currency translation differences arising during the period	-	1,114,816
Balance at end of the period	-	2,590,023
Total reserves	1,674,994	16,458,029

(b) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of share options and performance rights issued and outstanding.

Foreign currency translation reserve

The foreign currency translation reserve records the exchange differences arising on translation of a foreign joint venture.

Notes to the Condensed Financial Statements

13. ACCUMULATED PROFIT AND LOSSES

	Half Year to 30 June 2023	Financial Year to 31 December 2022
	\$	\$
Balance at beginning of the period	(80,406,202)	(75,789,034)
Profit/(loss) for the period	131,633,883	(4,617,168)
Options forfeited in prior & current periods	4,342,596	-
Balance at end of the period	55,570,277	(80,406,202)

14. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the group as at 30 June 2023:

	At amortised cost	Fair value through profit and loss	Fair value through other comprehensive income
	\$	\$	\$
Financial Assets:			
Trade and other receivables	1,627,620	23,320,031	-
Total current	1,627,620	23,320,031	-
Receivable	-	-	-
Total non-current	-	-	-
Total Assets	1,627,620	23,320,031	-
Financial liabilities:			
Trade and other payables	54,913	-	-
Total current	54,913	-	-
Total Liabilities	54,913	-	-

Fair values:

Set out below is a comparison of the carrying amount and fair values of financial instruments as at 30 June 2023:

	Carrying amount	Fair value
	\$	\$
Financial Assets:		
Trade and other receivables	1,627,620	23,320,031
Total current	1,627,620	23,320,031
Receivable	-	-
Total non-current	-	-
Total Assets	1,627,620	23,320,031
Financial liabilities:		
Trade and other payables	54,913	-
Total current	54,913	-
Total Liabilities	54,913	-

The current receivables and payables carrying values approximates fair values due to the short-term maturities of these instruments.

The fair value of the short-term receivable was determined by discounting future cashflows using a current market interest rate of 2.51%. The timing of the receipt of the loan is updated as per the sale agreements. The fair value measurement for the short-term receivable is categorised as Level 2 in the fair value hierarchy as the estimated market interest rate is based on the China Shanghai Interbank Offered Rate (SHIBOR) for 6 Months. The fair value of the loan is sensitive to the discount rate applied.

Notes to the Condensed Financial Statements

15. SUBSIDIARY

Interest in subsidiary

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy:

Name	Principal Activities	Country of Incorporation	Class of Shares	Equity Holding	
				30 June 2023 %	31 December 2022 %
STB Eritrea Pty Ltd	Investment in Potash Exploration	Australia	Ordinary	100	100

The proportion of ownership interest is equal to the proportion of voting power held.

16. RELATED PARTY INFORMATION

Transactions with directors, director related entities and other related parties

Africa Finance Corporation (AFC) is deemed to be a related party of the Company on the basis of significant influence. The related party status applies due to AFC interest of 14.4% (2022: 14.4%) in the issued capital of the Company and AFC Senior Director for Investment Operations & Execution, Taiwo Adeniji, is a Non-Executive Director on the Danakali Board. AFC President and CEO, Samaila D. Zubairu, resigned as a Non-Executive Director of the Company on 15 June 2023.

17. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at balance date (2022:Nil).

18. COMMITMENTS

	Half Year to 30 June 2023 \$	Financial Year to 31 December 2022 \$
Lease commitments (Group as lessee):		
<i>Low value Leases</i>		
Minimum lease payments		
- Within one year	-	10,009
- Later than one year but not later than five years	-	-
Total Commitments	-	10,009

Low value Leases:

The minimum future payments above relate to non-cancellable leases for offices.

19. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 8 July 2023, 200,000 unlisted options exercisable at \$0.664 expired.

Apart from the above, there are no events subsequent to 30 June 2023 and up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

Directors' Declaration

In the directors' opinion:

1. the financial statements and notes of Danakali Limited for the half-year ended 30 June 2023 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standards, AASB 134 *Interim Financial Reporting*; and
 - b) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the half year ended on that date; and
2. there are reasonable grounds to believe that Danakali Limited will be able to pay its debts as and when they become due and payable subject to achieving the matters set out in note 2(c).

This declaration is made in accordance with a resolution of the directors.



Seamus Ian Cornelius

EXECUTIVE CHAIRMAN

Perth, 9 August 2023

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DANAKALI LIMITED

Conclusion

We have reviewed the accompanying half-year financial report of Danakali Limited ("the Company") which comprises the condensed statement of financial position as at 30 June 2023, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, 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 half-year financial report of Danakali Limited does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *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* that are relevant to our 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 in the same terms if given to the directors as at the time of this auditor's review report.

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 control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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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 Company's financial position as at 30 June 2023 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.

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD

Mark Delaurentis
MARK DELAURENTIS CA
Director

Dated Perth, Western Australia this 9th day of August 2023

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