



**DANAKALI**  
create. nurture. grow

ASX Release:

29 October 2021

## Quarterly Report

### For the period ending 30 September 2021

Danakali Limited (ASX: DNK, **Danakali**, or the **Company**) is pleased to provide this quarterly update on the activities and financial position of the Company and CMSC's Colluli Potash Project located in Eritrea, East Africa. CMSC is progressing to become a leading producer and exporter of Sulphate of Potash (**SOP**), the premium potash type.

## Highlights

### Project

- Reverse Osmosis Plant (RO) manufacturing has progressed.
- Sewage Treatment Plant (STP) order was placed with its manufacturing also commenced.
- CRU International completed an independent SOP price forecast that indicated the long term weighted average SOP price to CMSC key target markets is US\$668/t.

### Project Financing

- An additional A\$464,400 in subscription funds received from Danakali Directors following receipt of Shareholder approval for the issue of shares at the Company's AGM held 30 July 2021.
- Discussions with Potential Third-Party Investors, ENAMCO and senior lenders on Project funding requirements progressed from Q2.

## Corporate & Financial

- London Stock Exchange (LSE) delisting 23 September 2021.
- Mr Robert Connochie elected to retire from the Board of Danakali as Independent Non-Executive Director.
- Cash balance of A\$25.3M as of 30 September 2021.

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

### Highlights:

The world's largest JORC compliant solid salt, Sulphate of Potash (**SOP**) reserve, 1.1Bt

Aiming to be the world's first Zero Carbon SOP Producer

Development underway towards production

### Financial facts:

Issued capital: 367.3m  
Share price: A\$0.50  
Market cap: A\$183.6m



## Project & Corporate Update

### Project

Manufacturing of the Reverse Osmosis Plant (RO) progressed on schedule during the quarter and the Sewerage Treatment (ST) Plant manufacturing has commenced.

### Corporate & Project Financing

Danakali delisted from the London Stock Exchange (LSE) on 23 September 2021. The delisting process formed part of the Company's strategy to increase operational efficiencies in support of its funding requirement and was fully supported by key stakeholders and shareholders alike.

Discussions have progressed with DNK's senior debt lenders, African Finance Corporation and Afrieximbank in relation to increasing senior debt limits at the CMSC level.

The Company confirmed the issue of 1,080,000 ordinary shares raising \$464,400 being Director Placement Shares referred to in the Company's previous announcement dated 29 April 2021. The issue followed receipt of Shareholder approval at the Company's Annual General Meeting held 30 July 2021.

Mr. Robert Connochie retired from the Board of Directors of Danakali as Independent Non-Executive Director on 31 August 2021 as part of a Board restructuring aimed at aligning the composition of the Board to the future requirements of the project development works.

## Capital

### Cash

Consolidated cash on hand was A\$25.3M as at 30 September 2021. Please refer to the Appendix 5B for the quarter which estimates that available funding is sufficient for more than 14 quarters.

### Securities

As at 30 September 2021, there were a total of 368,334,346 fully paid ordinary shares on issue. A total of 1,080,000 shares were issued during the September 2021 Quarter (being the Director Placement Shares).

As at 30 September 2021, there were a total of 15,264,112 unlisted options on issue at various exercise prices and expiry dates. There were no unlisted options exercised or lapsed during the September 2021 Quarter. The following unlisted options were issued during the September 2021 Quarter:

- 10,000,000 unlisted options exercisable at \$0.64 expiring 30 July 2025



As at 30 September 2021, there were a total of 360,000 performance rights on issue. No performance rights were issued, converted or lapsed during the September 2021 Quarter.

## Investment in Joint Venture

During the quarter the company invested an additional A\$905k to further develop the project.

## 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 totaled A\$0.127m. 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

The 7 Mining Licenses awarded to CMSC span over 60km<sup>2</sup> of the 100km<sup>2</sup> Mining Agreement area. There were no mining exploration activities undertaken during the quarter.

Tenement holdings:

<b>Tenement</b>	Colluli, Eritrea
<b>Nature of interest</b>	Owned
<b>License type</b>	Mining Licenses
<b>Current equity</b>	50%

There was no change in tenement holding during the September 2021 Quarter.

For more information, please contact:

### Danakali

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Visit the Company's website: [www.danakali.com](http://www.danakali.com)

Follow Danakali on LinkedIn: [www.linkedin.com/company/danakali-limited](http://www.linkedin.com/company/danakali-limited)

Subscribe to Danakali on YouTube: [www.youtube.com/channel/UChGKN4-M4lOvPKxs9b-IJvw](http://www.youtube.com/channel/UChGKN4-M4lOvPKxs9b-IJvw)

Announcement authorised for release by the board of Danakali.



## About Danakali

Danakali Limited (ASX: DNK) (**Danakali**, or the **Company**) is an ASX-listed potash company focused on the development of the Colluli Sulphate of Potash Project (**Colluli** or the **Project**). The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (**ENAMCO**).

The Project is located in the Danakil Depression region of Eritrea, East Africa, and is ~75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Mineralisation within the Colluli resource commences at just 16m, making it the world's shallowest known potash deposit. The resource is amenable to open cut mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining, and is highly advantageous for modular growth.

The Company has completed a Front-End Engineering Design (**FEED**) for the production of potassium sulphate, otherwise known as Sulphate of Potash or **SOP**. SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride (or **MOP**). Economic resources for production of SOP are geologically scarce. The unique composition of the Colluli resource favours low energy input, high potassium yield conversion to SOP using commercially proven technology. One of the key advantages of the resource is that the salts are present in solid form (in contrast with production of SOP from brines) which reduces infrastructure costs and substantially reduces the time required to achieve full production capacity.

The resource is favourably positioned to supply the world's fastest growing markets. A binding take-or-pay offtake agreement has been confirmed with EuroChem Trading GmbH (**EuroChem**) for up to 100% (minimum 87%) of Colluli Module I SOP production.

Development Finance Institutions, Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance. The credit documentation was executed in December 2019, allowing drawdown of CMSC senior debt on satisfaction of customary conditions precedent. This represents the majority of funding required for the development and construction of the Colluli.

Project execution has commenced and the Company's vision is to bring Colluli into production using the principles of risk management, resource utilisation and modularity, using the starting module (**Module I**) as a growth platform to develop the resource to its full potential.

## 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, other than statements of historical facts, that address future production, project development, reserve or resource potential, exploration drilling, exploitation activities, 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 results or developments may differ materially from those in forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include market prices of potash and, exploitation and exploration successes, capital and operating costs, changes in project parameters as plans continue to be evaluated, continued availability of capital and financing and general economic, market or business conditions, as well as those factors disclosed in the Company's filed documents.

There can be no assurance that the development of Colluli will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. 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.

Mineral Resource, Ore Reserve, production target, forecast financial information and financial assumptions made in this announcement are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 23 September 2015, 15 August 2016, 1 February 2017, 29 January 2018, and 19 February 2018 which continue to apply and have not materially changed. The Company is not aware of any new information or data that materially affects assumptions made.

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")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(512)	(1,377)
(e) administration and corporate costs	(384)	(1,483)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	19
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(886)</b>	<b>(2,841)</b>

<b>2. Cash flows from investing activities</b>		
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	-	-

## 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 (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (funding of joint venture)	(905)*	(2,593)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(905)</b>	<b>(2,593)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	464	20,919
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	(25)	(1,507)
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>439</b>	<b>19,412</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	25,730	9,739
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(886)	(2,841)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(905)	(2,593)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	439	19,412

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	875	1,536
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>25,253</b>	<b>25,253</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	25,253	25,730
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>25,253</b>	<b>25,730</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	127
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 (\$127k)

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(886)
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	-
8.2a Other (funding of joint venture) (item 2.5)	(905)*
8.3 Total relevant outgoings (item 8.1 + item 8.2 + item 8.2a)	(1,791)
8.4 Cash and cash equivalents at quarter end (item 4.6)	25,253
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	25,253
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	14.1
<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>	
* The Company considers it appropriate to include cash outflows related to the funding of joint venture (investing activities) in this table given its ongoing obligation to fund these activities.	
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: 29 October 2021.....

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.