



DANAKALI
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ASX Release:

27 October 2022

Quarterly Report

For the period ended 30 September 2022

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.

Corporate

Term Sheet Executed in Asmara for Sale of Colluli Interest

Executive Chairman, Seamus Cornelius and Non-Executive Director, Paul Donaldson visited Asmara in late September 2022 to negotiate terms of a proposed asset sale transaction. On 3 October 2022, the Company announced that it had executed a term sheet (**Term Sheet**) with Sichuan Road and Bridge Group Co., Ltd. (**SRBG**) (the Purchaser) for US\$166 million (before tax) in upfront cash and deferred payments (**Transaction**).

Pursuant to the Term Sheet, the Purchaser has agreed to purchase 100% of the shares held by Danakali's wholly owned subsidiary, STB Eritrea Pty Ltd (**STB**), in CMSC (**CMSC Equity**) plus the STB shareholder loan (**STB Loan**) for US\$135 million and US\$31 million (subject to adjustment for deferred payment) respectively, for a total sum of US\$166 million. The STB Loan purchase price payment schedule will be split into an upfront cash payment of US\$15.5 million, equating to approximately 50% of the STB Loan and a deferred payment for the balance of the STB Loan on the 6-month anniversary of the completion date of a definitive Share Purchase Agreement (**SPA**). The Purchaser must pay an amount equal to the exact outstanding STB Loan amount.

The Term Sheet is subject to definitive agreements being executed. DNK and the Purchaser will negotiate and execute the SPA and related documents for the Transaction upon the Purchaser's satisfactory completion of due diligence investigations on CMSC and its assets.

For further details, refer ASX Announcement dated 3 October 2022.

Capital

Cash

Consolidated cash on hand was A\$16.2M as at 30 September 2022. Please refer to the Appendix 5B for the quarter which estimates that available funding is sufficient for more than 9 quarters.

Securities

As at 30 September 2022, there were a total of 368,334,346 fully paid ordinary shares on issue. There were no shares issued during the quarter.

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\$0.36

Market cap: A\$132.6m



As at 30 September 2022, there were a total of 15,200,000 unlisted options on issue at various exercise prices and expiry dates. There were no movements in options during the quarter.

As at 30 September 2022, there were a total of 2,610,000 performance rights on issue. There were no movements in performance rights during the quarter.

Investment In Joint Venture

During the quarter the company invested an additional A\$1.0M to further advance 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 totalled A\$0.12m. 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. There was no change in tenement holding during the September 2022 Quarter. Tenement holdings:

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

For more information, please contact:

Danakali

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Announcement authorised for release by the board of Danakali.



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About Danakali

Danakali Limited (ASX: DNK) (**Danakali**, or the **Company**) is an ASX-listed company with a 50% interest in the Colluli Sulphate of Potash Project (**Colluli** or the **Project**), which is located in the Danakil Depression region of Eritrea, East Africa, and is ~75km from the Red Sea coast. 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**).

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")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(547)	(1,997)
(e) administration and corporate costs	(178)	(1,199)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	39
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	(725)	(3,157)

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	-	-

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)	(969)*	(3,285)
2.6	Net cash from / (used in) investing activities	(969)	(3,285)
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	17,941	22,779
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(725)	(3,157)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(969)	(3,285)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Appendix 5B

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
4.5	Effect of movement in exchange rates on cash held	3	(87)
4.6	Cash and cash equivalents at end of period	16,250	16,250

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	16,250	7,941
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	-	10,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,250	17,941

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	120
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 (\$120k)

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.</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 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)	(725)
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	-
8.2a Other (funding of joint venture) (item 2.5)	(969)*
8.3 Total relevant outgoings (item 8.1 + item 8.2 + item 8.2a)	(1,694)
8.4 Cash and cash equivalents at quarter end (item 4.6)	16,250
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	16,250
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	9.6
<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: 27 October 2022.....

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.