



Market Update – Colluli Distribution, New Projects

Highlights

- Danakali remains committed to distributing 90% of the Colluli proceeds
- Distribution expected to be a blend of capital return and unfranked dividends (indicative)
- Further tax advice being sought on distribution in the most tax effective manner for shareholders
- Timing of distribution is dependent on tax advice, but expected in Q1 FY24
- Second tranche for the Colluli sale remains due on 30 September 2023
- Continuing to assess new project opportunities
- Reduction in corporate costs, overheads

Danakali Limited (**Danakali**, or the Company) is pleased to provide an update to shareholders on the intended distribution of proceeds from the sale of the Colluli Potash Project (**Colluli**).

Colluli Distribution

The Board remains committed, as its guiding principle, to making the distribution in a manner that is most tax effective in the hands of shareholders.

Pivotal to the timing of the distribution will be tax advice from the Company's own tax advisers and, later, the outcome of an Australian Taxation Office (**ATO**) class ruling. This is a well-trodden path, but one which is necessary to prevent unforeseen outcomes for shareholders.

The distribution amounts are also shaped by timing of Danakali banking proceeds from the Colluli sale. US\$105 million (AUD\$156 million) has already been received and the balance of US\$16 million is due from Sichuan Road and Bridge Group Co Ltd (**SRBG**) on 30 September 2023.

The Board cannot be definitive about the form, characterisation or precise timing of the distribution, pending tax advice, ATO early engagement, and receipt of an ATO class ruling. An application for the ruling will be submitted as soon as practicable.

Following early engagement with the ATO, Danakali will convene an Extraordinary General Meeting (**EGM**) of shareholders to approve the distribution. It is anticipated the EGM will take place in September 2023 subject to the completion of the ATO early engagement process.

Notwithstanding the time delays inherent with distribution in the most tax effective manner, Danakali remains committed to distributing 90% of the Colluli proceeds.



Danakali's clear view is that the manner in which the distribution is effected – be it in the form of a dividend, a capital return or other means – can have an equally material impact on the net benefit to shareholders.

In particular, distribution in the form of unfranked dividends is likely to be sub-optimal to the vast majority of Danakali's 2,500 shareholders who are Australian based, 90% by number and 80% by equity holdings.

While work on the distribution advances, Danakali continues to cooperate with SRBG on the handover of the Colluli asset. SRBG's second tranche purchase payment is due at the end of September 2023.

The first tranche proceeds are currently on short term bank deposit, taking full advantage of prevailing high deposit rates.

Danakali Executive Chairman Seamus Cornelius said the Board's over-arching aim was to deliver value from Colluli back into shareholders' hands in a manner that maximised benefit to them.

"Every investor will have their own tax arrangements and Danakali will do its utmost to assist the greater body of our shareholders in terms of their net returns," said Mr Cornelius.

"As a Board, our aim is to repatriate the Colluli proceeds to shareholders as quickly as possible, while at the same time forging a new direction for Danakali with one or more of the exciting new project opportunities before us."

"Key for our investors will be resumption of trading on the ASX and be assured we are working with the ASX to achieve the best pathway possible for the Company."

"Board members own more than 100 million shares in Danakali and we are fully aligned with our fellow shareholders in achieving great outcomes for our investors."

New Opportunities

Danakali continues to evaluate several new project opportunities 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. In all cases full and proper disclosure will be made for any material acquisition and shareholder approval will be sought as required.

The Company's geographical focus is on projects located in Australia and Africa.

The Company is engaging with the ASX and will continue to engage with them on new opportunities.



Corporate Structure

With confirmation of the sale of Colluli and the continued drive into new projects, this necessarily involves a restructure of how Danakali operates and, notably, its administrative structure and costs.

As a consequence, the Board will reduce in size as the Colluli transaction completes with the second tranche payment. Also, two of Danakali's senior executives are currently consulting to SRBG on handover of the Colluli project, with that consulting revenue accruing to Danakali.

In addition, the Company recently announced it was terminating its American Depository Receipts program, at a significant cost saving.

Essentially, Danakali is structuring its corporate overheads to suit the size and shape of the Company's operations.

Conclusion

We thank shareholders for their support and look forward to the upcoming AGM as an opportunity for our investors to engage with the Board.

-Ends-

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

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