



Notice of General Meeting

Danakali Limited (ASX: DNK, Danakali, or the Company) is pleased to confirm release of its Notice of General Meeting (**Notice**) to shareholders.

The General Meeting will be held at 2:00pm (AWST) on Friday 24 November 2023 at The Celtic Club, 48 Ord Street, West Perth, Western Australia.

A copy of the Notice is attached to this announcement.

Shareholder Elections – Updating Email Address and Bank Instructions

In preparation for distribution of proceeds from the Colluli sale, Danakali strongly encourages all shareholders to update their email address, tax file number (if applicable) 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).

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

Danakali

Seamus Cornelius
Executive Chairman

Greg MacPherson
Chief Financial Officer

Investor inquiries: gmacpherson@danakali.com; +61 426 967 683



DANAKALI
create. nurture. grow

Forward looking statements and disclaimer

The information in this document is published to inform you about DNK and its activities. DNK 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 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 events may differ materially from those in forward-looking statements.

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. 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.



DANAKALI

Danakali Ltd
Level 1, 2A / 300 Fitzgerald Street
North Perth, WA, 6006
Tel: +61 8 6266 8368
www.danakali.com.au

October 2023

Dear Shareholder,

Danakali Ltd – General Meeting

Danakali Ltd (ASX: DNK, **Danakali** or the **Company**) advises that it will hold a General Meeting of Shareholders (**Meeting**) on Friday, 24 November 2023 at 2:00pm (AWST) at The Celtic Club, 48 Ord Street, West Perth, Western Australia, 6005.

The Company will not be sending hard copies of the notice of Meeting to members, unless a member has elected to receive a physical notice of Meeting. A copy of the Meeting materials can be viewed and downloaded online as follows:

- You can access the Meeting materials online at the Company's website: www.danakali.com.au
- A complete copy of the Meeting materials has been posted to the Company's ASX Market announcements page at www.asx.com.au under the Company's ASX code "DNK".
- If you have provided an email address and have elected to receive electronic communications from the Company, you will receive an email to your nominated email address with a link to an electronic copy of the Meeting materials and the voting instruction form.

A copy of your Proxy Form is enclosed for convenience.

The Company intends to hold a physical meeting. We will notify any changes by way of announcement on ASX and the details will also be made available on our website. Shareholders are encouraged to vote by proxy instead of attending the meeting.

The Meeting materials are important and should be read in their entirety. If you are in doubt as to the course of action you should follow, you should consult your financial adviser, lawyer, accountant or other professional adviser.

Shareholder elections – Updating your email address and Bank Instructions

Danikali 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, you may contact Computershare on 1300 850 505 (within Australia) or + 61 3 9415 4000 (outside Australia).

Yours faithfully

Catherine Grant-Edwards
Company Secretary
Danakali Ltd

DANAKALI LTD

ACN 097 904 302

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of the Company (**Meeting**) will be held at:

TIME: 2.00 pm (AWST)

DATE: 24 November 2023

PLACE: The Celtic Club
48 Ord Street
West Perth, WA

The business of the Meeting affects your shareholding, and your vote is important.

This Notice is to be read in its entirety. If you are in doubt on how to vote, you should seek professional advice.

The Directors have determined that registered Shareholders of the Company as at 4.00pm (AWST) on 22 November 2023 are eligible to vote.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – RETURN OF CAPITAL TO SHAREHOLDERS

To consider to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth), approval is given for the share capital of the Company to be reduced by approximately A\$100,466,735, such reduction of capital to be effected by the Company paying to each Shareholder as at 5.00pm (AWST) on 2 January 2024 the amount of approximately A\$0.273 per ordinary share held at that time.”

2. RESOLUTION 2 – CANCELLATION OF CORNELIUS OPTIONS FOR CONSIDERATION

To consider to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to Resolution 1 being passed, for the purposes of ASX Listing Rule 6.23.2 and for all other purposes, Shareholders approve the cancellation of 4,000,000 Options to Seamus Cornelius, each with an exercise price of A\$0.450 and an expiry date of 31 December 2024 following shareholder approval given at the Company’s AGM held on 26 May 2022 (**2022 Cornelius Options**), for cash consideration of A\$0.075 per Option, for the purpose and on the terms set out in the Explanatory Statement.”*

A voting exclusion statement applies to this Resolution. Please see below.

3. RESOLUTION 3 – CANCELLATION OF EXECUTIVE EMPLOYEE OPTIONS FOR CONSIDERATION

To consider to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to Resolution 1 being passed, for the purposes of ASX Listing Rule 6.23.2 and for all other purposes, Shareholders approve the cancellation of 250,000 Options to an executive Company employee, each with an exercise price of A\$0.501 and an expiry date of 3 December 2023 (**Executive Employee Options**), for cash consideration of A\$0.010 per Option for the purpose and on the terms set out in the Explanatory Statement.”*

A voting exclusion statement applies to this Resolution. Please see below.

Dated: 23 October 2023

By order of the Board



Catherine Grant-Edwards
Joint Company Secretary

Voting Prohibition Statement

Resolutions 2 and 3 – Cancellation of Options for Consideration

In accordance with section 224 of the Corporations Act, a vote on these Resolutions must not be cast (in any capacity) by or on behalf of a related party of the Company to whom the Resolution would permit a financial benefit to be given or an Associate of such a related party (**Restricted Party**).

However, this prohibition does not apply if the vote is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution and it is not cast on behalf of a Restricted Party.

Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the Resolution set out below by or on behalf of the following persons:

Resolutions 2 and 3 – Cancellation of Options for Consideration

The Company will disregard any votes cast in favour of the Resolution by or on behalf of any person who holds an Option the subject of the Resolution, or any of their associates.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Should you wish to discuss the matters in this Notice please contact the Company Secretary on +61 8 6266 8368.

EXPLANATORY STATEMENT

This Explanatory Statement provides information the Directors consider material to Shareholders in deciding whether or not to pass the Resolutions.

1. RESOLUTION 1 – RETURN OF CAPITAL SHAREHOLDERS

1.1 General

Following completion of the Colluli Sale, the Directors have determined that the Company has surplus cash and capital which they consider should be returned to Shareholders.

For that reason, the Company intends to distribute approximately A\$154,700,426 of net sale proceeds from the Colluli Sale to Shareholders.

It is intended that the distribution will take the following form:

1. firstly, an unfranked dividend with an aggregate value of approximately A\$54,233,691 will be paid to Shareholders (approximately A\$0.147 per Share¹) from conduit foreign income (**Special Dividend**); and
2. secondly, subject to the approval of Resolution 1, a capital return of approximately A\$100,466,735 will be made to Shareholders on a pro rata basis (approximately A\$0.273 per Share¹) (**Proposed Capital Return**).

(together, the **Distribution**).

The Proposed Capital Return will take place in accordance with sections 256B and 256C of the Corporations Act. The Corporations Act requires the Company to obtain the approval of Shareholders by ordinary resolution for an equal capital reduction of its share capital.

The payment of the Special Dividend does not require Shareholder approval and it is not the subject of a resolution at the Meeting.

The Company currently intends to pay the Special Dividend (but not the Proposed Capital Return) regardless of the outcome of Resolution 1. Details regarding the Special Dividend have been included in this Explanatory Statement to provide Shareholders with the full context in which the Company intends to undertake the Proposed Capital Return.

Record Date and payment

The current intention of the Board is that, from a legal perspective, the proposed Special Dividend will occur first and the Proposed Capital Return will occur second (subject to Resolution 1 being passed) on the same day. This will enable both components of the Distribution to be paid to all entitled Shareholders as a single payment via cheque or electronic transfer, pro rata to the number of Shares which each Shareholder holds as at 5.00pm (AWST) on Tuesday, 2 January 2024 (**Record Date**). The Record Date is subject to change. It is anticipated that the Distribution will be paid on Monday, 8 January 2024.

¹ Based on the Company's share capital of 368,334,346 fully paid ordinary shares as at the date of this Notice. Though the Company has outstanding options currently on issue (the subject to the Option Cancellation Resolutions), the options are not expected to be exercised before the Proposed Capital Return.

Any fraction of a cent payable to any Shareholder in respect of that Shareholder's aggregate holding of Shares will be rounded up to the nearest whole cent.

Australian Taxation Office (ATO) Class Ruling

The Company has applied to the ATO for a Class Ruling, which is described in Section 1.6 below. In summary, the Class Ruling seeks to confirm the Company's expectation that:

1. the Proposed Capital Return will not constitute a dividend for Australian income tax purposes (though it may constitute a CGT event for some Australian tax resident Shareholders); and
2. the Special Dividend is an unfranked dividend declared from conduit foreign income.

Please refer to Section 1.6 below for more information regarding the tax implications of the Proposed Capital Return and Special Dividend for Shareholders.

1.2 Rationale

On 31 March 2023, Danakali completed the sale of its 50% interest in Colluli Mining Share Company (**CMSC**) to Sichuan Road and Bridge Group Co. Ltd (**SRBG**) for US\$166 million in upfront cash and deferred payments (**Colluli Sale**). Net of all Eritrean government taxes, Danakali received approximately US\$105 million (A\$156 million) on 29 March 2023, and final payment (Tranche 2) of approximately US\$16 million on 29 September 2023.

The Company has previously expressed its intention to distribute approximately 90% of net sale proceeds from the Colluli Sale to Shareholders.

The Board has determined that the Distribution shall comprise two components, being firstly, the Special Dividend (unfranked from conduit foreign income) and secondly, the Proposed Capital Return (the subject of this Resolution 1).

The Proposed Capital Return will result in approximately A\$100,466,735 being returned to Shareholders.

The Special Dividend will result in approximately A\$54,233,691 being returned to Shareholders.

1.3 Directors' recommendation

The Directors unanimously recommend that Shareholders vote in favour of the Proposed Capital Return and vote in favour of Resolution 1 (Return of capital to Shareholders). Each Director intends to vote all Shares held or controlled by that Director in favour of the Proposed Capital Return.

The Directors consider that the Proposed Capital Return is in the best interests of Shareholders for the following reasons:

- the Proposed Capital Return will maximise returns to Shareholders while not inhibiting the strategic direction of the business and the Company's capacity to maintain its assets;
- each Shareholder will retain their current ownership interest in the Company pursuant to the terms of the Proposed Capital Return;

- the Proposed Capital Return will enable the Company to return a sum of money to Shareholders in excess of the amounts otherwise available to Shareholders; and
- the alternative to undertaking the Proposed Capital Return is to hold the excess capital in reserve until such time as a strategic investment opportunity or an alternative capital management initiative on more favourable terms than the Proposed Capital Return becomes available to the Company. Given the time value of money, and the availability of other means to raise funding should it be required, undertaking the Proposed Capital Return is considered more favourable to Shareholders than delaying deployment of the excess capital until another opportunity becomes available.

Reasons a Shareholder may consider voting against the Proposed Capital Return are as follows:

- following implementation of the Proposed Capital Return, the capital and cash reserves of the Company will be reduced. The Board is of the view that the current capital base of the Company, taken together with cash otherwise available to it is in excess of the Company's current and projected requirements;
- following implementation of the Distribution, the Company's Shares are expected to trade at a lower share price than the trading price immediately prior to the 'ex' date for the Distribution. This is directly due to the payment/return of funds to Shareholders and the decrease in cash held by the Company; and
- you may disagree with the recommendation of the Board with respect to the Proposed Capital Return and believe that it is not in your best interests.

1.4 Legal Requirements

(a) Equal reduction

The Proposed Capital Return constitutes an equal reduction of Danakali's share capital for the purposes of Part 2J.1 of the Corporations Act because it:

- relates only to the Shares, being ordinary shares of the Company;
- applies to each Shareholder in proportion to the number of Shares they hold; and
- is on the same terms for each Shareholder.

(b) Other statutory requirements

Fair and reasonable

Section 256B(1)(a) of the Corporations Act provides that a capital reduction must be fair and reasonable to a company's Shareholders as a whole.

The Directors are of the opinion that the Proposed Capital Return is fair and reasonable to all Shareholders as it will apply to all Shareholders on the Record Date equally, in proportion to the number of Shares they hold as at that date.

Company's ability to pay creditors

Section 256B(1)(b) of the Corporations Act provides that a capital reduction must not materially prejudice a company's ability to pay its creditors.

The Directors, having carefully reviewed the Company's assets, liabilities and expected cashflows, believe that the Proposed Capital Return will not materially prejudice the Company's ability to pay its creditors. The Directors have also satisfied themselves as to the solvency of the Company following the Proposed Capital Return.

Please refer to Section 1.5(c) below for further information regarding the impact of the Proposed Capital Return on Danakali's ability to pay its creditors.

Shareholder approval

In accordance with section 256C(1) of the Corporations Act, Resolution 1 (Return of capital to Shareholders) will require approval by an ordinary resolution of Shareholders.

Resolution 1 (Return of capital to Shareholders) will be passed as an ordinary resolution for the purposes of section 256C(1) of the Corporations Act if more than 50% of the votes cast by Shareholders present and eligible to vote at the Meeting (whether in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) are in favour of it.

1.5 Effect on the Company

(a) Effect on capital structure and Shareholders

Following the implementation of the Proposed Capital Return, the Company's capital will be reduced by approximately A\$100,466,735, however no Shares will be cancelled in connection with the Proposed Capital Return.

You will continue to hold all of your shares in the Company and your voting power in the Company will not be affected.

The entitlement of each Shareholder as at the Record Date to participate in the Proposed Capital Return will be calculated based on the number of Shares the Company has on issue as at the Record Date.

Following implementation of the Distribution, the Company's Shares are expected to trade at a lower share price than the trading price immediately prior to the 'ex' date for the Distribution. This is directly due to the payment/return of funds to Shareholders and the decrease in cash held by the Company.

If the Proposed Capital Return does not proceed, then the issued capital of the Company will not change and there will be no corresponding decrease in the Company's share price.

(b) Effect on historical and pro forma financial position

(i) Basis of preparation

This proforma financial position has been prepared in accordance with general accepted accounting principles and the Corporations Act. The proforma financial position has been prepared on a historical cost basis and incorporating anticipated future cash flows. The proforma financial position is presented in Australian dollars.

(ii) Historical and pro forma consolidated statement of financial position

	As at 30-Jun-23 \$	Proforma Position \$
CURRENT ASSETS		
Cash and cash equivalents	168,292,560	38,539,784
Receivables	24,947,650	-
TOTAL CURRENT ASSETS	193,240,210	38,539,784
NON-CURRENT ASSETS		
Plant and equipment	12,887	12,887
TOTAL NON-CURRENT ASSETS	12,887	12,887
TOTAL ASSETS	193,253,097	38,552,671
CURRENT LIABILITIES		
Trade and other payables	54,913	54,913
Provisions	175,587	175,587
TOTAL CURRENT LIABILITIES	230,500	230,500
NON-CURRENT LIABILITIES		
Provisions	60,591	60,591
TOTAL NON-CURRENT LIABILITIES	60,591	60,591
TOTAL LIABILITIES	291,091	291,091
NET ASSETS	192,962,006	38,261,580
EQUITY		
Issued capital	135,716,735	35,250,000
Reserves	1,674,994	1,674,994
Accumulated profit	55,570,277	1,336,586
TOTAL EQUITY	192,962,006	38,261,580

(c) Effect on the Company's ability to pay its creditors

As evidenced by the historical and pro forma statements of financial position presented above, the Company has, and following completion of the Proposed Capital Return will continue to have, a strong balance sheet.

The Company's level of net debt, representing the Company's borrowings less cash reserves, is estimated on a pro forma basis after the payment of the Proposed Capital Return to be approximately A\$38,248,693 as at 31 January 2024.

The Company has also considered its pro forma financial position as at 1 October 2023 against management's view of reasonably possible changes, through to 31 January 2024, in material underlying assumptions, the Group's capital commitments and current plans to invest in growth opportunities. The review concluded that, under all modelled scenarios that were determined to be reasonable to consider in the context of that review, the Company's incremental borrowing and liquidity requirements would not exceed the amount available for drawdown under the Company's existing debt facilities, providing the Company with sufficient headroom to meet any short-term liquidity needs.

The review also concluded that the payment of the Proposed Capital Return will not materially prejudice the ability of the Company to continue to meet its payment obligations to creditors. Accordingly, the Directors consider that undertaking the Proposed Capital Return will not materially prejudice the Company's ability to pay its creditors.

(d) Tax implications for the Company

No adverse tax consequences are expected to arise for the Company from implementing the Proposed Capital Return.

The Company currently intends to pay the Special Dividend (but not the Proposed Capital Return) even if Resolution 1 is not approved.

(e) Implications if not approved

If the Proposed Capital Return is not approved, the Board intends to hold the surplus cash in reserve until such time as a new strategic investment opportunity or capital management initiative becomes available to the Company on terms which the Board considers are suitable for Danakali to pursue.

(f) Conclusion

Having regard to the analysis outlined above, the Board is satisfied and considers that implementing the Proposed Capital Return:

- will not materially prejudice Danakali's ability to pay its creditors;
- demonstrates the Company's commitment to maintaining a strong and efficient balance sheet; and
- will leave the Company well placed to pursue its strategic goals,

and therefore the Proposed Capital Return is in the best interests of the Company.

1.6 Tax implications for Shareholders

The Company has applied to the ATO for a Class Ruling to confirm the Australian income tax implications of the Proposed Capital Return and Special Dividend for Shareholders who hold their Shares on capital account for Australian tax purposes. The discussions with the ATO are substantially progressed.

The expected outcomes outlined below must not be relied upon by Shareholders. Rather, Shareholders should refer to the final Class Ruling to be issued by the ATO. Danakali anticipates the final Class Ruling to be issued by the ATO after payment of the Distribution. Danakali will make the final Class Ruling available on its website

as soon as it is issued, which, as a matter of standard ATO practice, will be issued after the Distribution payment has been made.

The information included in this Section does not consider the individual circumstances of each individual Shareholder and it is important that Shareholders seek their own professional tax advice to take into account their particular circumstances.

(a) Capital Return

The Class Ruling is expected to confirm that for Shareholders who are resident of Australia for tax purposes:

- no part of the Proposed Capital Return is a dividend for income tax purposes;
- the Proposed Capital Return gives rise to capital gains tax (**CGT**) event G1 for Shareholders. The tax cost base of your Share is reduced by the amount of the Proposed Capital Return and a capital gain will arise for Shareholders if the amount of the Proposed Capital Return for each of your Shares was more than the cost base of your Share;
- if you ceased to own a Share in respect of which the Proposed Capital Return was payable after the Record Date but before the date the Proposed Capital Return is paid, the right to receive the Proposed Capital Return in respect of that Share is retained by you and is a separate CGT asset from the Share. A capital gain will arise under CGT event C2 if the capital proceeds from the ending of the right to receive the Proposed Capital Return is more than the cost base of the right; and
- Shareholders may treat capital gains arising under CGT event G1 and C2 as a discount capital gain if the Shares were acquired at least 12 months before the date the Proposed Capital Return is paid provided the other conditions in Subdivision 115-A of the *Income Tax Assessment Act 1997* are satisfied.

The Class Ruling is also expected to confirm that, for those Shareholders who are not tax residents of Australia, no Australian capital gain or loss should arise as a consequence of the Proposed Capital Return.

Non-Australian resident Shareholders should seek advice in relation to the specific tax consequences arising from the Proposed Capital Return under the laws of their country of residence.

(b) Special Dividend²

The Class Ruling is expected to confirm the following:

- the entire Special Dividend will be unfranked and declared to be conduit foreign income; and
- Australian tax resident Shareholders will include the Special Dividend as assessable income; and

² The payment of the Special Dividend is not the subject of a resolution at the Meeting. Details regarding the Special Dividend have been included in this Explanatory Statement to provide Shareholders with the full context in which the Company intends to undertake the Proposed Capital Return.

- for non-Australian resident Shareholders, the Special Dividend will be non-assessable non-exempt income (i.e., not included as assessable income) and is not subject to Australian dividend withholding tax.

1.7 Impact on securities held under the Company's incentive plans

As at the date of this notice, the Company has on issue 14,250,000 unlisted Options over ordinary Shares³ and nil performance rights. Holders of the Options would ordinarily be entitled to acquire shares in the Company if the Options are exercised.

Holders of Options in the Company will not be eligible to participate in the Proposed Capital Return in respect of those securities, and it is not anticipated that there will be any change to the number of those securities on issue, or to the exercise price of the Options prior to the Record Date.

1.8 Directors' interests

The number of securities in which each Director has an interest as at the date of this notice is set out in the table below:

Director	Interests
Seamus Ian Cornelius	<p><u>Direct Holding</u></p> <p>a) 3,654,097 fully paid ordinary shares</p> <p>b) 2,000,000 unlisted options (remuneration) at A\$0.64, expiring on 30/07/2025</p> <p><u>Indirect Holding</u></p> <p>a) 2,106,000 fully paid ordinary shares</p> <p>b) 8,981,029 fully paid ordinary shares</p> <p>c) 4,000,000 unlisted options (remuneration) at A\$0.45, expiring on 31 December 2024⁴</p>
Taiwo Adeniji	Nil
Paul Donaldson	<p><u>Direct Holding</u></p> <p>a) 1,145,693 fully paid ordinary shares</p>
Jing Zhang	Nil

No Director will receive a payment or benefit of any kind as a result of the Distribution, other than as a securityholder of the Company.

1.9 Prior notice to ASIC

As required by section 256C(5) of the Corporations Act, copies of the Notice of Meeting and this Explanatory Statement were lodged with ASIC before being sent to Shareholders.

1.10 No other material information

Other than as set out in this notice and information previously disclosed to Shareholders, there is no other information that is known to the Directors which

³ 4,250,000 of these Options are subject to cancellation in accordance with Resolutions 2 and 3.

⁴ These Options, being 2022 Cornelius Options, are subject to cancellation in accordance with Resolution 2.

may reasonably be considered material to a Shareholder's decision as to whether or not to vote in favour of Resolution 1 (Return of capital to Shareholders).

2. RESOLUTIONS 2 AND 3 – CANCELLATION OF OPTIONS FOR CONSIDERATION

2.1 Background

The Company has previously issued:

- a) 4,000,000 Options to Seamus Cornelius, each with an exercise price of A\$0.450 and an expiry date of 31 December 2024 following shareholder approval given at the Company's AGM held on 26 May 2022 (**2022 Cornelius Options**); and
- b) 250,000 Options to an executive Company employee each with an exercise price of A\$0.501 and an expiry date of 3 December 2023 (**Executive Employee Options**),

(together, the **Executive Options**).

Terms of the 2022 Cornelius Options are set out in Schedule 1.

Terms of the Executive Employee Options are set out in Schedule 2. The Executive Employee Options were issued as part of an employee incentive program.

Rationale

The 4,250,000 Executive Options subject to the Option Cancellation Resolutions are at a strike price below the cash backing of each Share. If the 4,250,000 Executive Options were exercised, they would adversely impact Shareholders' capital return per Share. Likewise, the Executive Option Holders would be adversely impacted by the Distribution to Shareholders if they do not exercise their Executive Options. It is therefore recommended by the Board that these Executive Options should be cancelled for a fair and reasonable value.

If Shareholders pass Resolution 2 and 3 (together, the **Option Cancellation Resolutions**) the Company will cancel the Executive Options in exchange for cash consideration. BDO Corporate Finance (WA) Pty Ltd (**BDO**) has prepared an independent expert's report (a copy of which is enclosed with this Notice of Meeting at Annexure A) setting out its opinion on the fairness and reasonableness of the Option Cancellation Resolution 2. We have not obtained an independent expert report for Option Cancellation Resolution 3 as the value is not material.

The Option Cancellation Resolutions are all subject to the passing of Resolution 1.

Listing Rule requirements

ASX Listing Rule 6.23.2 provides that a change which has the effect of cancelling an Option for consideration can only be made if the holders of ordinary securities approve the change.

Accordingly, the Option Cancellation Resolutions seek Shareholder approval for the cancellation of the Executive Options for consideration for the purposes of Listing Rule 6.23.2.

If the Option Cancellation Resolutions are passed, the Company will be able to proceed with the cancellation of the Executive Options and Executive Option

Holders will collectively receive A\$303,750 as consideration for the cancellation, comprising of:

- (a) A\$0.075 per 2022 Cornelius Option; and
- (b) A\$0.010 per Executive Employee Option.

If the Option Cancellation Resolutions are not passed, the Company will not be able to proceed with the cancellation of the Executive Options.

2.2 Independent Evaluation

BDO has prepared an independent expert's report (a copy of which is enclosed with this Notice of Meeting at Annexure A) stating its opinion on the fairness and reasonableness of Resolutions 2 for Danakali's Shareholders.

In BDO's report the value of the 2022 Cornelius Options was assessed using a Black Scholes option valuation approach with the following assumptions:

- (a) Value of the Underlying Shares: low, midpoint and high range values of A\$0.072, A\$0.090 and A\$0.109 per Share were used as the value of the underlying Shares;
- (b) Exercise Price of the Options: stipulated under the terms of the Options;
- (c) Valuation Date: the Options were valued as at 13 October 2023 (**Valuation Date**);
- (d) Life of the Scheme Options: being approximately 1.28 years from the Valuation Date to 31 December 2024 for the 2022 Cornelius Options;
- (e) Expected Volatility of the Share Price: future estimated volatility in the range of 50% to 60%, based on an assessment of volatility;
- (f) Risk-free Rate of Interest: Australian Government 2-year bond rate of 3.93% as at the Valuation Date;
- (g) Dividends Expected on the Scheme Options: assumed nil, based on the information currently available.

BDO concluded that the cancellation of the 2022 Cornelius Options for cash consideration is fair and reasonable to the shareholders of Danakali.

2.3 Related Party Issues

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The cancellation of the 2022 Cornelius Options for monetary consideration the subject of Resolution 2 may constitute the giving a financial benefit with respect

to Mr Cornelius, who is a related party of the Company by virtue of being a Director.

Resolution 3 does not concern related parties of the Company.

The Directors (other than Mr Cornelius who has a material personal interest in Resolution 2) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the cancellation of the 2022 Cornelius Options because the agreement to issue these Options, reached as part of the remuneration package for Mr Cornelius, were considered reasonable remuneration in the circumstances and was negotiated on an arm's length basis, and the cancellation of these options for value will be conducted in accordance with BDO's opinion and on arm's length terms.

2.4 Board recommendation

The Directors recommend that shareholders vote in favour of the Option Cancellation Resolutions.

The Chair intends to vote in favour of these resolutions.

GLOSSARY

\$ means Australian dollars, unless otherwise specified.

2022 Cornelius Options means 4,000,000 Options issued to Seamus Cornelius, each with an exercise price of A\$0.450 and an expiry date of 31 December 2024 following shareholder approval given at the Company's AGM held on 26 May 2022 as described in Section 2.1 of the Explanatory Statement.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ATO means the Australian Taxation Office.

BDO means BDO Corporate Finance (WA) Pty Ltd (ACN 124 031 045).

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

CGT means capital gains tax.

Chair means the chair of the Meeting.

Class Ruling means a class ruling of the ATO that sets out how a relevant provision of Australian tax law is to be applied to a specific class of participants in a particular scheme.

Colluli Sale means Danakali's sale of its 50% interest in CMSC to SRBG on 29 March 2023 as described in Section 1.2 of the Explanatory Statement.

Company or **Danakali** means Danakali Ltd (ACN 097 904 302).

CMSC means Colluli Mining Share Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Distribution means together, the Proposed Capital Return and the Special Dividend, as described in Section 1.1 of the Explanatory Statement.

Executive Employee Options means 250,000 Options issued to an executive employee each with an exercise price of A\$0.501 and an expiry date of 3 December 2023, as described in Section 2.1 of the Explanatory Statement.

Executive Options means the 2022 Cornelius Options and the Executive Employee Options as described in Section 2.1 of the Explanatory Statement.

Executive Option Holders means holders of the Executive Options.

Explanatory Statement means the explanatory statement accompanying the Notice.

Group means the Company and its subsidiaries (as defined in the Corporations Act).

Listing Rules means the Listing Rules of ASX.

Meeting means the meeting convened by the Notice.

Notice means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option which, subject to its terms, could be exercised into a Share in the Company at a future date, subject to the satisfaction of applicable exercise conditions.

Option Cancellation Resolutions means Resolutions 2 and 3 of this Notice of Meeting.

Option Holder means a holder of an Option.

Proposed Capital Return means the equal capital return of approximately A\$100,466,735 to Shareholders (approximately A\$0.273 per Share), the subject of Resolution 1, as described in Section 1.1 of the Explanatory Statement.

Proxy Form means the proxy form accompanying the Notice.

Record Date means 5.00pm (WST), Tuesday, 2 January 2024.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

SRBG means Sichuan Road and Bridge Group Co. Ltd.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Special Dividend means the unfranked conduit foreign income dividend with an aggregate value of approximately A\$54,233,691 to Shareholders (approximately A\$0.147 per Share), as described in Section 1.1 of the Explanatory Statement.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF 2022 CORNELIUS OPTIONS

2022 Cornelius Options

- (a) Each Option shall be issued for no consideration.
- (b) Each Option entitles the holder to subscribe for one Share in the Company upon payment of the exercise price, as calculated at the higher of:
 - (i) 143% of the closing Share price on the date that Shareholder approval is obtained for the issue of the options; or
 - (ii) \$0.429,

(the **Exercise Price**).
- (c) The Options will lapse at 5.00 pm, Western Standard Time on 31 December 2024 (**Expiry Date**). The Options may otherwise lapse and be cancelled prior to the Expiry Date in accordance with clause (f).
- (d) Each Option is non-transferrable.
- (e) The Options shall vest and become exercisable immediately from date of issue.
- (f) Subject to clause (g), in the event that Seamus Cornelius resigns or is terminated from the position of Director for any reason, all unexercised Options will lapse immediately, unless otherwise determined by the Board.
- (g) In the event that, prior to the Expiry Date:
 - (i) a bona fide Takeover Bid (as defined in the Corporations Act) to acquire Shares is declared unconditional, and the bidder has acquired a Relevant Interest (as defined in the Corporations Act) in at least 50.1% of the Company's issued Shares;
 - (ii) a court approves, under section 411(4)(b) of the Corporations Act, a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
 - (iii) in any other case, a person obtains Voting Power (as defined in the Corporations Act) in the Company that the Board (which for the avoidance of doubt will comprise those Directors immediately prior to the person acquiring that Voting Power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board,and Seamus Cornelius resigns or is terminated from the position of Director as a result of any one of the above, the Options will not lapse or be cancelled.
- (h) There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.

- (i) If the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (j) If the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.

The Options shall be exercisable in whole or in part at any time and from time to time until the Expiry Date (Exercise Period) by the delivery to the Company Secretary of one or more notices in writing (each a Notice) stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Options certificate and payment to the Company of an amount in cleared funds equal to the Exercise Price multiplied by the number of Options.

- (k) The Notice and cleared funds must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Options holder to the balance of the Options held by it.
- (l) The Company shall as soon as practicable, and no later than 5 business days of exercise of the Options, allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number.
- (m) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

SCHEDULE 2 – TERMS AND CONDITIONS OF EXECUTIVE EMPLOYEE OPTIONS

Executive Employee Options

The Options are to be issued on the following terms:

- (a) Each Option shall be issued for no consideration.
- (b) Each Option entitles the holder to subscribe for one Share in the Company upon the payment of the exercise price of 143% of the VWAP of the fully paid ordinary shares of the Company on the 30 days prior to the date of grant of the Options (Exercise Price). Based on a grant date of 3 December 2020 (being date of employment commencement), the Exercise Price has been determined to be \$0.501.
- (c) The Options will lapse at 5.00 pm, Western Standard Time on the date 3 years from date of grant of the Options (Expiry Date). The Expiry Date has been determined to be 3 December 2023.
- (d) Each Option is non-transferrable.
- (e) Subject to (f) and (g), the Options shall vest and become exercisable on the date 1 year from the date of grant of the Options, conditional on remaining employed or engaged by the Company at that date.
- (f) Options shall immediately vest if DNK is subject to:
 - (i) a successful on or off market take over offer where either:
 - a. the bidder either acquires greater than 50% of the shares in DNK; or
 - b. If the offer is recommended by the DNK board the conditions for the offer are met; or
 - (ii) if there is a transaction at CMSC level, it needs to be a transaction where DNK sells 50% or more of its interest in CMSC.
- (g) Should the holder cease employment or engagement by the Company:
 - (i) any unexercised Options that have not vested as at the date of cessation of employment or engagement with the Company (Cessation Date) shall lapse immediately; and
 - (ii) any unexercised Options that have vested as at the date of cessation of employment or engagement with the Company will be retained by the holder.
- (h) There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option.
- (i) If the issued capital of the Company is reconstructed, all rights of an Option holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstructed.

- (j) If the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (k) The Options shall be exercisable in whole or in part at any time and from time to time until the Expiry Date (Exercise Period) by the delivery to the Company Secretary of one or more notices in writing (each a Notice) stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and payment to the Company of an amount in cleared funds equal to the Exercise Price multiplied by the number of Options.

The Notice and cleared funds must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
- (l) The Company shall as soon as practicable, and no later than 15 business days of exercise of the Options, allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number.
- (m) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
- (n) The Options are issued in conjunction with an accompanying Information Document.

ANNEXURE A – INDEPENDENT EXPERT’S REPORT



DANAKALI LIMITED
Independent Expert's Report

16 October 2023



Financial Services Guide

16 October 2023

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Danakali Limited ('Danakali' or the 'Company') to provide an independent expert's report on the proposal for Danakali to cancel the following options currently on issue for payment of cash consideration:

- 4,000,000 Options to Seamus Cornelius, each with an exercise price of \$0.450 and an expiry date of 31 December 2024 following shareholder approval given at the Company's AGM held on 26 May 2022 ('2022 Cornelius Options' or 'Options') ('Proposed Transaction').

You are being provided with a copy of our report because you are a shareholder of Danakali and this Financial Services Guide ('FSG') is included in the event you are also classified under the Corporations Act 2001 ('the Act') as a retail client.

Our report and this FSG accompanies the Notice of Meeting required to be provided to you by Danakali to assist you in deciding on whether or not to approve the proposal.

Financial Services Guide

This FSG is designed to help retail clients make a decision as to their use of our general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

We are a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide professional services primarily in the areas of audit, tax, consulting, mergers and acquisition, and financial advisory services.

We and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business and the directors of BDO Corporate Finance (WA) Pty Ltd may receive a share in the profits of related entities that provide these services.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients, and deal in securities for wholesale clients. The authorisation relevant to this report is general financial product advice.

When we provide this financial service we are engaged to provide an expert report in connection with the financial product of another person. Our reports explain who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. If you have any questions, or don't fully understand our report you should seek professional financial advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$18,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report and our directors do not hold any shares in Danakali.

Other Assignments: Over the past two years BDO Corporate Tax (WA) Pty Ltd has provided taxation advisory services with total fees of approximately \$95,000.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Danakali for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution*Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. We are also committed to meeting your needs and maintaining a high level of client satisfaction. If you are unsatisfied with a service we have provided you, we have avenues available to you for the investigation and resolution of any complaint you may have.

To make a formal complaint, please use the Complaints Form. For more on this, including the Complaints Form and contact details, see the [BDO Complaints Policy](#) available on our website.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint in writing within 1 business day or, if the timeline cannot be met, then as soon as practicable and investigate the issues raised. As soon as practical, and not more than 30 days after receiving the complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

We are a member of the Australian Financial Complaints Authority (AFCA) which is an External Dispute Resolution Scheme. Our AFCA Membership Number is 12561. Where you are unsatisfied with the resolution reached through our Internal Dispute Resolution process, you may escalate this complaint to AFCA using the below contact details:

Mail:	GPO Box 3, Melbourne, VIC 3001
Free call:	1800 931 678
Website:	www.afca.org.au
Email:	info@afca.org.au
Interpreter Service:	131 450

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16 October 2023

The Directors
Danakali Limited
Level 1, 2A/300 Fitzgerald Street
North Perth WA 6006

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

Danakali Limited (**'Danakali'** or **'the Company'**) is seeking approval from its shareholders (**'Shareholders'**) to cancel certain of the options it has on issue for payment of cash consideration.

The tranche of options to be cancelled are 4,000,000 Options issued to Seamus Cornelius, each with an exercise price of \$0.450 and an expiry date of 31 December 2024, following shareholder approval given at the Company's AGM held on 26 May 2022 (**'2022 Cornelius Options'** or **'Options'**). The 2022 Cornelius Options are to be cancelled for cash consideration of \$0.075 per option (the **'Proposed Transaction'**).

We note that the resolution to cancel the 2022 Cornelius Options also refers to the cancellation of 250,000 options held by Rod McEachern but the Company has instructed us that these McEachern Options are not to be included within the scope of this Independent Expert's Report.

We further note that there are two other tranches of options that will not be cancelled. Those tranches of options are as follows:

- 2,000,000 Options to Seamus Cornelius, each with an exercise price of \$0.640 and an expiry date of 30 July 2025 following shareholder approval given at the Company's AGM held on 30 July 2021 (**'2021 Cornelius Options'**); and
- 8,000,000 Options to executive Company employees each with an exercise price of \$0.640 and an expiry date of 30 July 2025 (**'Executive Employee Options'**).

The Proposed Transaction is associated with another resolution, to be addressed at the same November 2023 meeting, for the return of capital to shareholders of an amount of approximately \$101 million (**'Return of Capital'**). The Return of Capital is addressed in Resolution 1 in the Notice of Meeting. Resolutions 2 and 3 are both subject to Resolution 1 being passed.

2. Summary and Opinion

2.1 Requirement for the report

There is no statutory requirement for the Company to engage an independent expert in respect of the Proposed Transaction but the directors of Danakali have chosen to do so on the basis of the principle of good governance. To assist the Company in its disclosure to Shareholders, the directors of Danakali have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion in relation to the Proposed Transaction.

Although there is no statutory requirement for our Report, it is to be included in the Notice of Meeting for Danakali in order to assist the Shareholders in their decision whether to approve the resolution for the cancellation of options for cash consideration.

2.2 Approach

Our Report has been prepared having regard to ASIC Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the 2022 Cornelius Options as outlined in the body of this report. We have considered:

- The assessed value of a 2022 Cornelius Option compared with the value of the consideration per option;
- Other factors which we consider to be relevant to Shareholders; and
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is fair and reasonable.

2.4 Fairness

Our fairness assessment for 2022 Cornelius Options is set out in the tables below.

	Ref	Low \$	Midpoint \$	High \$
Assessed value per option	8	0.072	0.090	0.109
Cash consideration per option	9	0.075	0.075	0.075

We note from the table above that the cash consideration per option to be paid by Danakali is less than our assessed value per option.

Therefore, we conclude that the Proposed Transaction is fair for Shareholders.

2.5 Reasonableness

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
11.3	The Proposed Transaction is fair	11.4	There is no obligation to use cash funds
11.3	Simplified ownership structure may enhance the ability of Danakali to take up opportunities in the future	11.4	The existing options may expire in due course
11.3	Director aligned with interests of shareholders		

Other key matters we have considered include:

Section	Description
11.1	We are unaware of any alternative proposal.
11.2	If the Proposed Transaction is not approved it is possible that the Company will seek to propose a different solution to compensate the director for the reduction in the worth of his options.

Based on the above we consider that the Proposed Transaction is reasonable.

3. Scope of the Report

3.1 Purpose of the Report

There is no requirement under ASX Listing Rules, or Corporations Act or Regulations, for Danakali to engage an independent expert in relation to the Proposed Transaction.

However, Danakali engaged BDO to prepare this report for provision to Shareholders to assist the Shareholders in deciding whether to accept or reject the Proposed Transaction.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act define the meaning of ‘fair and reasonable’. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111 which provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG111 suggests that, where an expert assesses whether a related party transaction is ‘fair and reasonable’ this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is ‘fair’ and ‘reasonable’, as in a control transaction. An expert should not assess whether the transaction is ‘fair and reasonable’ based simply on a consideration of the advantages and disadvantages of the proposal.

We do not consider the Proposed Transaction to be a control transaction but we have used RG 111 as a guide for our analysis while considering the Proposed Transaction as not being a control transaction.

Neither the Listing Rules nor the Corporations Act define the meaning of ‘fair and reasonable’. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111 which provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

RG 111 suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. Further that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is not a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the assets which are the subject of an offer. In the case of Danakali the 2022 Cornelius Options are the subject of the Proposed Transaction. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length. RG 111 further states that when considering the value of the assets which are the subject of an offer in a control transaction the expert should consider this value inclusive of a control premium. However, as stated above we do not consider that the Proposed Transaction is a control transaction. As such, we have not included a premium for control when considering the value of the 2022 Cornelius Options.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being ‘not fair’ the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any alternatives.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the assessed value of an option and the value of the consideration (fairness - see Section 10 ‘Is the Proposed Transaction Fair?’); and
- An investigation into other significant factors which Shareholders might consider, prior to approving the resolutions, after reference to the value derived above (reasonableness - see Section 11 ‘Is the Proposed Transaction Reasonable?’).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’ (**‘APES 225’**).

A Valuation Engagement is defined by APES 225 as follows:

‘an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.’

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

As set out in the Explanatory Statement, following the completion of the sale of the Colluli Project, the Directors determined that the Company had surplus capital which they considered should be returned to Shareholders. For that reason, the Company intends to distribute to shareholders approximately \$154,700,425 of net sale proceeds from the sale of the Colluli Project.

The distribution will take the following form:

- firstly, an unfranked dividend with an aggregate value of approximately \$54,233,691 will be paid to Shareholders (approximately \$0.147 per Share) from conduit foreign income (**'Special Dividend'**); and
- secondly, subject to the approval of Resolution 1, a capital return of approximately \$100,466,735 will be made to Shareholders on a pro rata basis (approximately \$0.273 per Share).

We note that Resolution 1 (referred to in both Resolutions 2 and 3) is as follows:

Resolution 1 - Return of Capital to Shareholders

To consider to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, for the purposes of Part 2J.1 of the Corporations Act 2001 (Cth), approval is given for the share capital of the Company to be reduced by approximately A\$100,466,735, such reduction of capital to be effected by the Company paying to each Shareholder as at 5.00pm (AWST) on 1 January 2024 the amount of approximately A\$0.273 per ordinary share held at that time."

If Resolution 1 is passed the value of the Options on issue will significantly reduce which will have a negative impact on the holder of the Options and diminish the purpose of issuing the options. In order to mitigate the negative effects, the Company proposes to cancel the options for cash consideration.

As set out in the Notice of Meeting, the resolution comprising the Proposed Transaction (cancellation of options for cash consideration) is set out below.

Resolution 2 - Cancellation of 2022 Cornelius Options for Consideration

To consider to pass, with or without amendment, the following resolution as an ordinary resolution:

"That, subject to Resolution 1 being passed, for the purposes of ASX Listing Rule 6.23.2 and for all other purposes, Shareholders approve the cancellation of:

- *4,000,000 Options to Seamus Cornelius, each with an exercise price of \$0.450 and an expiry date of 31 December 2024 following shareholder approval given at the Company's AGM held on 26 May 2022 (2022 Cornelius Options).*

for the purpose and on the terms set out in the Explanatory Memorandum."

The cash consideration for the 2022 Cornelius options is as follows:

- 2022 Cornelius Options - \$0.075 per option.

5. Profile of Danakali

5.1 History

Danakali is an ASX-listed mineral exploration and development company that was incorporated in 2001 in Australia. On 31 March 2023 the Company sold its interest in the Colluli Potash Project ('Colluli Project') in Eritrea, East Africa.

Following the sale, Danakali's securities were suspended from quotation on the ASX. Danakali is now looking for suitable projects for investment so that it can meet the requirements to return to official quotation. Whilst previously focused on potash, Danakali will consider investment in a diversified portfolio of exploration and development assets such as copper, lithium, gold, cobalt, tin and nickel and projects located in Australia and Africa.

Danakali sold its interest in the Colluli Project through the sale of its wholly owned subsidiary, STB Eritrea Pty Ltd ('STB'), which in turn holds a 50% interest in Colluli Mining Share Company ('CMSC'). The remaining 50% interest in CMSC is held as a joint venture by Eritrean National Mining Corporation ('ENAMCO'). On 31 March 2023, Danakali announced the completion of the sale of STB to Sichuan Road and Bridge Group Co. Ltd ('SRBG'). The consideration paid was US\$166 million in upfront cash and deferred payments. In addition to the shares in STB, SRBG acquired the outstanding amount owed by CMSC to STB pursuant to the terms of the shareholders agreement between ENAMCO and STB ('Shareholder loan').

The current directors of Danakali are:

- Mr. Seamus Cornelius - Executive Chairman;
- Mr. Paul Donaldson - Independent Non-Executive Director;
- Mr. Taiwo Adeniji - Non-Executive Director; and
- Ms. Zhang Jing - Non-Executive Director.

5.2 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 30-June-23	Audited as at 31-Dec-22 \$
CURRENT ASSETS		
Cash and cash equivalents	168,292,560	14,873,027
Receivables	24,947,650	25,163
Prepayments	-	78,013
TOTAL CURRENT ASSETS	193,240,210	14,976,203
NON-CURRENT ASSETS		
Receivables	-	13,398,870
Investment in joint venture	-	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	54,913	761,675
Provisions	175,587	141,024
TOTAL CURRENT LIABILITIES	230,500	902,699
NON-CURRENT LIABILITIES		
Provisions	60,591	52,160

Statement of Financial Position	Reviewed as at 30-June-23	Audited as at 31-Dec-22 \$
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	135,716,735	127,866,319
Reserves	1,674,994	16,458,029
Accumulated losses	55,570,277	(80,406,201)
TOTAL EQUITY	192,962,006	63,918,147

Source: Danakali reviewed financial statements for the half-year ended 30 June 2023

- Cash and cash equivalents increased from \$14.87 million as at 31 December 2022 to \$168.29 million primarily due to the cash received from the sale of CMSC, totalling \$133.46 million;
- Non-current receivables of \$13.40 million as at 31 December 2022 was comprised of the fair value of the shareholder loan to CMSC. As set out above the shareholder loan to CMSC was disposed of to SRBG effective 31 March 2023;
- Investment in joint venture of \$36.48 million related to the Company's 50% interest in CMSC (holding the Colluli Project), which was disposed of on 29 March 2023;
- Trade and other payables as at 30 June 2023 and 31 December 2022 is outlined below:

Trade and other payables	30-Jun-23	31-Dec-22
Trade payables	32,448	702,130
Accrued expenses	-	-
Other payables	22,465	59,545
Total	54,913	761,675

- Trade payables as at 31 December 2022 included financial advisor fees of \$642,532 arising from the cancellation of a debt facility with African Finance Corporation ('AFC') and African Import-Export Bank ('Afrexim') in CMSC;
- Current and non-current provisions was comprised of employee entitlements relating to the balance of annual leave and long service leave accrued by the Group's employees.

5.3 Historical Statement of Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income	Reviewed for the half year ended 30-Jun-23 \$	Audited for the year ended 31- Dec-22 \$
Revenue and other income		
Interest income	1,573,764	89,484
Sundry	87,372	-
Expenses		
Depreciation expense	(2,577)	(8,335)
Loss on disposal of plant and equipment	-	(6,475)
Administration expenses	(1,805,996)	(4,222,734)
Share based payment expense	-	(235,310)

Statement of Profit or Loss and Other Comprehensive Income	Reviewed for the half year ended 30-Jun-23 \$	Audited for the year ended 31- Dec-22 \$
Net gain/(loss) on financial assets classified at fair value through profit or loss	-	2,724,831
Share of net gain/(loss) of joint venture	-	(3,358,802)
Foreign exchange gain/(loss)	(87,953)	400,173
Profit/(Loss) before income tax	(235,390)	(4,617,168)
Income tax benefit	-	-
Profit/(Loss) for the year	(235,390)	(4,617,168)
Other comprehensive income		
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Share of foreign currency translation reserve relating to equity accounted investment	-	1,114,816
Other comprehensive income/(loss) for the year, net of tax	-	1,114,816
Discontinued Operations		
Profit after tax for the period from discontinued operations	131,869,273	-
Total comprehensive loss for the year, net of tax	131,633,883	(3,502,352)

Source: Danakali audited financial statements for the half year ended 30 June 2023

- Interest income relates to interest earned on surplus funds from cash held at financial institutions;
- Administration expenses for the half-year ended 30 June 2023 and the year ended 31 December 2022 are outlined below:

Administration expenses	30-Jun-23	31-Dec-22
Employee benefits (net of recharges)	759,969	1,452,072
Financial advisory fees	-	645,875
Directors' fees	236,502	479,863
Compliance and regulatory expenses	778,871	91,198
Low value asset leases	30,654	-
Lease payments relating to short term leases	-	59,785
Insurance	-	407,179
Investor and public relations	-	367,870
Other administration expenses	-	718,892
Total	1,805,996	4,222,734

We note that profit or loss reported in the half-year ended 30 June 2023 and for the year to 31 December 2022 are not indicative of the profit or loss which may be reported in future as the Company has sold its interest in its primary investment being the CMSC.

5.4 Capital Structure

The share structure of Danakali as at 20 September 2023 is outlined below:

	Number
Total Ordinary Shares on Issue	368,334,346
Top 20 Shareholders	281,798,960
Top 20 Shareholders - % of shares on issue	76.51%

Source: Share register

The range of shares held in Danakali as at 20 September 2023 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	%Issued Capital
1-1,000	496	172,221	0.05%
1,001-5,000	786	2,008,469	0.55%
5,001-10,000	336	2,641,635	0.72%
10,001-100,000	652	22,007,473	5.97%
100,001 - and over	200	341,504,548	92.72%
TOTAL	2,470	368,334,346	100.00%

Source: Share register

The ordinary shares held by the most significant shareholders in Danakali as at 20 September 2023 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Citicorp Nominees Pty Limited	59,705,372	16.21%
AFC Equity Investments Limited	52,958,908	14.38%
Morgan Stanley Australia Securities (Nominee) Pty Limited <No 1 Account>	31,076,911	8.44%
Bnp Paribas Nominees Pty Ltd Acf Clearstream	21,051,091	5.72%
Total Top 4	164,792,282	44.74%
Others	203,542,064	55.26%
Total Ordinary Shares on Issue	368,334,346	100.00%

Source: Share register

Danakali's options on issue as at the date of this report are outlined below:

Name	# of Options	Exercise Price (\$)	Expiry Date
OP24 - Remuneration Options - Rod McEachern	250,000	0.501	3 December 2023
OP27 - Remuneration Options - Seamus Cornelius	2,000,000	0.640	30 July 2025

Name	# of Options	Exercise Price (\$)	Expiry Date
OP29 - Remuneration Options - Seamus Cornelius	4,000,000	0.450	31 December 2024
OP28 - Remuneration Options - Executive Employees	8,000,000	0.640	30 July 2024
Total Number of Options	14,250,000		
Cash Raised if Options Exercised	\$8,325,250		

Source: Annual Report

6. Valuation approach adopted

There are several methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies or assets, based on the individual circumstances of that company or asset and available information. In our assessment of the value of an option in each of the three option tranches, we have chosen to employ the following methodologies based on the following.

Valuation of options

- Options without market based conditions can be exercised at any time following vesting up to the expiry date, and as such are more suitably valued using a Black Scholes option pricing model.
- Option pricing models assume that the exercise of an option or right does not affect the value of the underlying asset.
- Under AASB 2 'Share-based Payment' and option valuation theory, no discount is made to the fundamental value derived from the option valuation model for unlisted options over listed shares.

The key inputs to the option valuation model are the following:

- Valuation date
- Value of underlying share - refer our approach below
- Exercise price
- Effective life of option
- Volatility
- Risk free rate of interest
- Dividend yield.

Valuation of underlying share

We have chosen to apply the net asset value for the following reasons:

- Danakali does not have a history of achieving a positive earnings before interest, tax, depreciation and amortisation ('EBITDA') which would allow for the capitalisation of FME to be applied;
- We were not able to consider the use of the DCF methodology because due to the nature of the Company's operations following the sale of the Colluli Project no appropriate cash flow forecasts for the Company are available;
- Although Danakali was previously listed on the ASX, it was suspended in April 2023 and there is no recent history of trading in its shares. Therefore the QMP is not a suitable primary valuation approach to use, although we have given consideration to its QMP data; and
- Since the Company's net assets are positive and a large portion of its assets are held as cash and other tangible assets, NAV is a viable approach to valuing a share in the Company.



We have addressed the net asset value of a share in Danakali prior to the Return of Capital (which is the subject of Resolution 1). Although Resolution 2 is subject to the passing of Resolution 1, we consider that the options were granted in respect of Danakali which at the time of granting had a major project (now replaced by cash) and it is clear that the intent of the resolutions is to distribute excess cash in proportion to the holdings of all equity holders.

7. Valuation of Danakali as a key input to our option value assessment

Initially we present the valuation of a Danakali share following the Proposed Transaction as this is a necessary input to our option valuation. We have considered two valuation methodologies being the NAV and QMP approaches.

7.1 Net Asset Valuation of Danakali

Our concluded net asset value of a Danakali share is summarised in the table below with the details set out in the following sub-sections.

Valuation of Danakali	Ref.	Low value \$	Midpoint value \$	High value \$
Total value of Danakali (control)		192,893,719	192,893,719	192,893,719
Number of shares outstanding		368,334,346	368,334,346	368,334,346
Value per share (\$) (control)	7.1.1	0.524	0.524	0.524
Minority interest discount	7.1.2	26%	23%	20%
Value per share (\$) (minority interest)		0.388	0.403	0.419

7.1.1. Valuation of Danakali's Assets and Liabilities

The value of Danakali's net assets on a going concern basis and of a share on a controlling interest basis is reflected in our valuation below:

	Ref.	Reviewed as at 30-June-23 \$	Adjusted Value \$
CURRENT ASSETS			
Cash and cash equivalents	a)	168,292,560	168,224,273
Receivables		24,947,650	24,947,650
Prepayments		-	-
TOTAL CURRENT ASSETS		193,240,210	193,171,923
NON-CURRENT ASSETS			
Receivables		-	-
Investment in joint venture		-	-
Plant and equipment		12,887	12,887
TOTAL NON-CURRENT ASSETS		12,887	12,887
TOTAL ASSETS		193,253,097	193,184,810
CURRENT LIABILITIES			
Trade and other payables		54,913	54,913
Provisions		175,587	175,587
TOTAL CURRENT LIABILITIES		230,500	230,500
NON-CURRENT LIABILITIES			
Provisions		60,591	60,591
TOTAL NON-CURRENT LIABILITIES		60,591	60,591
TOTAL LIABILITIES		291,091	291,091
NET ASSETS		192,962,006	192,893,719
Shares on issue	b)		368,334,346
Value per share Controlling Interest			0.5237

Source: BDO analysis

Note a) Cash and cash equivalents

We have adjusted cash and cash equivalents as at 18 September 2023 to reflect the movements over the period from 30 June 2023 to 22 September 2023. Our adjusted cash position is based on the management accounts at 30 June 2023, which has been verified against bank statements provided by Danakali. This provides us with reasonable grounds for the use of the unaudited financial information in our valuation.

We have been advised that there has not been a significant change in the net assets of Danakali since 30 June 2023. The table above indicates the net asset value of a Danakali share is \$0.524.

Note b) Shares outstanding

The number of shares outstanding as at the date of our Report is 368,334,346. We consider the number of shares outstanding as at the date of our Report to obtain the value per Danakali Share as at the Valuation Date, which is an input to our valuation of the Option tranches.

7.1.2. Minority Interest Discount

The value of a Danakali share derived under the NAV approach is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence on the operations and value of that company. However, for the purpose of our valuation of the Option tranches, option holders exercising their options would become minority holders in Danakali, meaning that their individual holding will not be considered significant enough to have an influence in the operations of the Company.

Therefore, we have adjusted our valuation of a Danakali share as at the Valuation Date to reflect the minority interest. The minority discount is based on the inverse of the control premium and is calculated using the formula $1 - (1 / (1 + \text{control premium}))$.

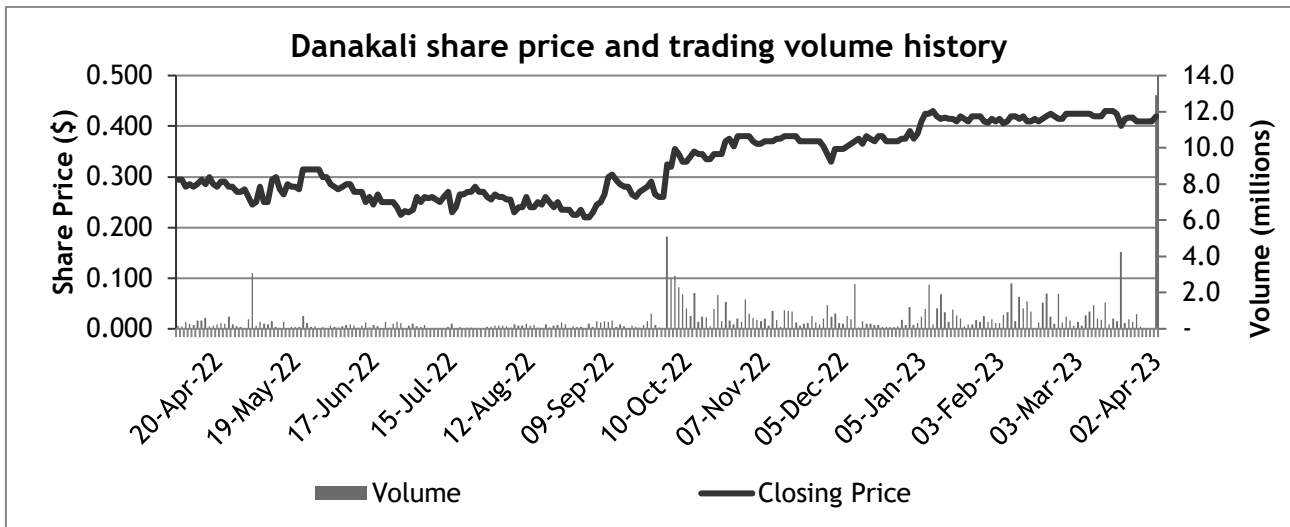
Based on our analysis in Appendix 3, we consider an appropriate control premium to be in the range of 25% to 35% with a midpoint of 30%. This assessed control premium range gives rise to a rounded minority discount in the range of 20% to 26%, with a rounded midpoint of 23%.

7.2 Quoted Market Prices for Danakali's Securities

To provide a comparison to the valuation of Danakali in Section 7.1, we have also assessed the quoted market price for a Danakali share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

Our analysis of the quoted market price of a Danakali share is based on the pricing prior to the date of the announcement of suspension being 2 April 2023.



Information on the Company’s suspension from the ASX was announced to the market on 3 April 2023. Therefore, the following chart provides a summary of the share price movement over the 12 months to 2 April 2023, which was the last trading day prior to the announcement.

Source: Bloomberg

The daily price of Danakali shares from 4 April 2022 to 2 April 2023 has ranged from a low of \$0.22 on 2 September 2022 to a high of \$0.43 on 16 March 2023.

To provide further analysis of the market prices for a Danakali share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 2 April 2023.

Share Price per unit	02-Apr-23	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.420				
Volume weighted average price ('VWAP')		\$0.423	\$0.422	\$0.419	\$0.409

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the suspension.

An analysis of the volume of trading in Danakali shares for the twelve months to 2 April 2023 is set out below:

Trading days	Share price		Cumulative volume traded	As a % of Issued capital
	low	high		
1 Day	\$0.415	\$0.440	12,899,659	3.50%
10 Days	\$0.400	\$0.440	19,306,055	5.24%
30 Days	\$0.400	\$0.440	34,477,157	9.36%
60 Days	\$0.400	\$0.440	59,086,051	16.04%
90 Days	\$0.320	\$0.440	73,552,146	19.97%
180 Days	\$0.220	\$0.440	120,443,784	32.70%
1 Year	\$0.220	\$0.440	138,007,160	37.47%

Source: Bloomberg, BDO analysis

This table indicates that Danakali’s shares displayed a low level of liquidity, with 37.47% of the Company’s current issued capital being traded in a twelve month period. RG 111.86 states that for the quoted market price methodology to be an appropriate methodology there needs to be a ‘liquid and active’ market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- Regular trading in a company’s securities;
- Approximately 1% of a company’s securities are traded on a weekly basis;
- The spread of a company’s shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company’s shares should meet all of the above criteria to be considered ‘liquid and active’, however, failure of a company’s securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Danakali, we consider the share to display a low level of liquidity, on the basis that less than 1% of the securities have been traded weekly on average, with approximately 9.36% traded over the 30-days prior to the suspension, and approximately 19.97% of the Company’s current issued capital being traded in the 90 trading days prior to the suspension.

Our assessment is that a range of values for Danakali shares based on market pricing, after disregarding post announcement pricing, is between \$0.409 and \$0.420. The value of a Danakali share on a non-controlling interest basis is set out in the table below.

	Low \$	Midpoint \$	High \$
Quoted market price value (non-controlling)	0.409	0.414	0.420

Source: BDO analysis

7.3 Assessment of the value of a Danakali Share

The results of the valuations performed are summarised in the table below:

	Low \$	Midpoint \$	High \$
Net assets value (Section 7.1)	0.388	0.403	0.419
Quoted Market Price (Section 7.2)	0.409	0.414	0.420

Source: BDO analysis

Since the shares of Danakali are currently and have been suspended since 3 April 2023, we do not consider that the quoted market price valuation methodology provides a viable valuation approach in this case. We consider that the Net Assets Value, representing the position of Danakali post the disposal of the Colluli Project, is much more representative of the current value of Danakali particularly as the principal asset is now cash.

Based on the results above we consider the value of a Danakali share to be between \$0.388 and \$0.420, with a midpoint value of \$0.404.

8. Valuation of the Options

8.1 Black Scholes Valuation of the Options

We have addressed the valuation of the options using the Black Scholes valuation approach. The terms of the Options are as follows:

Item	
Number of Options	4,000,000
Exercise price	\$0.45
Valuation Date	22-Sep-23
Expiry date	31-Dec-24
Time to expiry (years)	1.28

Valuation Methodology

In valuing the Options, we made the following assumptions regarding the inputs required for our option pricing model:

Value of the Underlying Shares

Based on our assessment of the value of a Danakali share in section 7, we have used the low, midpoint and high range values of \$0.388, \$0.404 and \$0.420 per share as the value of the underlying share to obtain the low, midpoint and high range values for the Options.

Exercise Price of the Options

The exercise price is the price stipulated under the terms of the option.

Valuation Date

We have valued the Options as at 22 September 2023.

Life of the Scheme Options

We have estimated the life of the Options for the purpose of our valuation. The minimum life of an option is the length of any vesting period. The maximum life is based on the expiry date, which is approximately 1.28 years for the Options. We have assessed the life of the Options from the valuation date, being the date of this report, to the expiry date being 31 December 2024.

For the purpose of valuing the Options, we have estimated an exercise date as the expiry date giving an effective life of 1.28 years for the Options. We have input the effective life into the Black Scholes option pricing model.

Expected Volatility of the Share Price

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time.

Many techniques can be applied in determining volatility, with a summary of the methods we use below:

- The square root of the mean of the squared deviations of closing prices from a sample. This can be calculated using a combination of the opening, high, low, and closing share prices each day the underlying security trades for all days in the sample time period chosen
- The exponential weighted moving average model adopts the closing share price of the Company in a given time period. The model estimates a smoothing constant using the maximum likelihood method, which estimates volatility assuming that volatility is not a constant measure and is predicted to change in the future
- The generalised autoregressive conditional heteroscedasticity model. This model takes into account periods of time where volatility may be higher than normal and/or lower than normal, as well as the tendency for the volatility to run at its long run average level after such periods of abnormality. The model will calculate the rate at which this is likely to occur from the sample of prices thereby enabling estimates of future volatility by time to be made.

We have considered the share price volatilities of companies comparable to Danakali following the transaction, being ASX-listed investment companies. The comparable companies are detailed in Appendix 4 of our Report. The recent volatility of the share price of our comparable companies was calculated over one, two and three year periods prior to the Valuation Date, using data extracted from Bloomberg. On this basis, and with consideration of Danakali's historical volatility prior to the Company's suspension from the ASX, we used a future estimated volatility in the range of 50 to 60% for Danakali in our pricing model.

Risk-free Rate of Interest

We have used the Australian Government 2-year bond rate of 3.93% as at the valuation date as an input into our option pricing model.

Dividends Expected on the Scheme Options

Based on the information currently available Danakali is unlikely to pay a dividend during the life of the Options. Therefore, we have assumed a dividend yield of nil.

Conclusion on the value using the Black Scholes option pricing model

Our conclusions on the value of the 2022 Cornelius Options is set out in the table below.

Item	Low	Preferred	High
Underlying closing share price	\$0.388	\$0.404	\$0.420
Exercise price	\$0.450	\$0.450	\$0.450
Volatility	50%	55%	60%
Valuation date	22-Sep-23		
Expiry date	31-Dec-24		
Time to expiry (years)	1.28		
Risk-free rate	3.93%		
Valuation per Option	\$0.072	\$0.090	\$0.109
Number of Options	4,000,000	4,000,000	4,000,000
Valuation per Tranche	\$288,000.00	\$356,000.00	\$432,000.00

Source: BDO Analysis

8.2 Conclusion on the value of the Options

The results of the valuations performed are summarised in the table below:

Valuation of Options	Low value \$	Midpoint value \$	High value \$
2022 Cornelius Options	\$0.072	\$0.090	\$0.109



9. Valuation of the Consideration for the Options

Since the consideration is cash we have not made any adjustment to the stipulated cash consideration as set out below.

	Cash Consideration \$
2022 Cornelius Options	\$0.075

10. Is the Proposed Transaction fair?

Our fairness assessment is set out in the table below.

	Ref	Low \$	Midpoint \$	High \$
Assessed value per option	8	0.072	0.090	0.109
Cash consideration per option	9	0.075	0.075	0.075

We note from the above tables the cash consideration per option to be paid by Danakali is less than our assessed value per option.

Therefore, we conclude that the Proposed Transaction is fair for Shareholders.

11. Is the Proposed Transaction reasonable?

11.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Danakali a more favourable result than the Proposed Transaction.

11.2 Consequences of not Approving the Proposed Transaction

Consequences

If the Proposed Transaction is not approved it is possible that the Company will seek to propose a different solution to compensate the director for the reduction in the worth of his options but at this point it is not possible to speculate what such an alternative might be.

11.3 Advantages of Approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

Advantage	Description
The Proposed Transaction is fair	As set out in Section 10 we consider that the Proposed Transaction is fair.
Simplified ownership structure may enhance the ability of Danakali to take up opportunities in the future	Danakali is currently well placed to vend in assets after the Return of Capital to commence a new project. The ability to take up an opportunity will be enhanced by having a simplified capital structure without a reduced number of extant options. The options with the lowest exercise price are proposed to be cancelled.
Director is aligned with interests of shareholders	Approval of the Proposed Transaction, which compensates the director currently holding the Options, will help to maintain alignment between the director and the interests of shareholders

11.4 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
There is no obligation to use cash funds	The Company is not obliged to compensate option holders by offering cash consideration. Effectively, cash will be reduced to pay for the cancellation of options and the Company does not have to do this.
The existing options may expire in due course	If the Company is unable to identify any appropriate opportunities in the short to medium term then the options may naturally lapse before they are exercised.

12. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is fair and reasonable.

13. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Danakali for the year ended 30 December 2022 and reviewed financial statements for the six months ended 30 June 2023;
- Offer letters relating to each of the option tranches;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Danakali.

14. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$18,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Danakali in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Danakali, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Danakali and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Danakali and its respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Danakali, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Danakali and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

15. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investments Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of Chartered Accountants Australia & New Zealand and the Joint Ore Reserves Committee. Adam's career spans over 25 years in the audit and corporate finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 35 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 500 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Corporate Finance Practice Group Leader of BDO in Western Australia, the Global Head of Natural Resources for BDO and a former Chairman of BDO in Western Australia.

16. Disclaimers and consents

This report has been prepared at the request of Danakali for inclusion in the Notice of Meeting and Explanatory Memorandum which will be sent to all Danakali Shareholders. Danakali engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposal to cancel various tranches of options for cash consideration.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Notice of Meeting and Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Notice of Meeting and Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Danakali.

BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

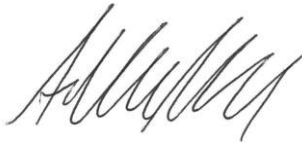
With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Danakali, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Adam Myers
Director



Sherif Andrawes
Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
Afrexim	African Import Export Bank
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
CMSC	Colluli Mining Share Company
Colluli Project	Colluli Potash Project in Eritrea
The Company	Danakali Limited
Corporations Act	The Corporations Act 2001 Cth
Danakali	Danakali Limited
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ENAMCO	Eritrean National Mining Corporation
Executive Employee Options	8,000,000 Options to executive Company employees each with an exercise price of \$0.640 and an expiry date of 30 July 2025
FME	Future Maintainable Earnings
NAV	Net Asset Value
Proposed Transaction	Proposal to cancel the 2021 Cornelius Options, the 2022 Cornelius Options and the Executive Employee Options for cash consideration
QMP	Quoted market price
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Return of Capital	the return of capital to shareholders of an amount of approximately \$101 million covered by Resolution 1
Shareholders	Shareholders of Danakali not associated with Options referred to in the Proposed Transaction

Reference	Definition
Shareholder Loan	the outstanding amount owed by CMSC to STB pursuant to the terms of the shareholders agreement between ENAMCO and STB included as part of the settlement when Danakali sold its interest in the Colluli Project
Special Dividend	An unfranked dividend with an aggregate value of approximately \$54,233,691 to be paid to Shareholders (approximately \$0.147 per Share) from conduit foreign income
SRBG	Sichaun Road and Bridge Group Co. Ltd
STB	STB Eritrea Pty Ltd
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price
2021 Cornelius Options	2,000,000 Options to Seamus Cornelius, each with an exercise price of \$0.640 and an expiry date of 30 July 2025 following shareholder approval given at the Company's AGM held on 30 July 2021
2022 Cornelius Options	4,000,000 Options to Seamus Cornelius, each with an exercise price of \$0.450 and an expiry date of 31 December 2024 following shareholder approval given at the Company's AGM held on 26 May 2022

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The Directors

BDO Corporate Finance (WA) Pty Ltd

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5 Spring Street

Perth, WA 6000

Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset-based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market-based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 - Control Premium

The concept of a premium for control reflects the additional value that is attached to a controlling interest. We have reviewed control premiums on completed transactions, paid by acquirers for general mining companies and all ASX-listed companies. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where an acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium). We have summarised our findings below.

General Mining Companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2023	8	152.13	28.39
2022	9	1929.92	22.67
2021	6	1235.14	29.89
2020	6	494.17	33.24
2019	11	153.60	36.27
2018	9	61.53	39.47
2017	5	13.91	35.21
2016	11	66.19	51.54
2015	9	340.83	57.86
2014	15	113.69	41.79
2013	11	121.44	31.04

Source: Bloomberg, BDO Analysis

All ASX-listed Companies

Year	Number of Transactions	Average Deal Value (\$m)	Average Control Premium (%)
2023	14	418.34	30.59
2022	39	3,199.03	23.39
2021	33	1,420.58	33.59
2020	25	451.20	37.66
2019	43	3,161.24	29.90
2018	42	1,158.47	31.08
2017	29	973.72	37.91
2016	38	788.28	36.82
2015	34	828.15	34.10
2014	45	517.00	37.98
2013	32	104.81	30.76

Source: Bloomberg, BDO Analysis

The mean and the median of the entire data sets comprising control transactions from 2013 onwards for general mining companies and all ASX-listed companies, are set out below:

Entire Data Set Metrics	General Mining Companies		All ASX-Listed Companies	
	Deal Value (\$m)	Control Premium (%)	Deal Value (\$m)	Control Premium (%)
Mean	384.83	37.96	1294.58	32.97
Median	42.52	32.67	123.39	28.99

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction; and
- Level of liquidity in the trade of the acquiree's securities.

When performing our control premium analysis, we considered completed transactions where the acquirer held a controlling interest, defined at 20% or above, pre-transaction or proceeded to hold a controlling interest post-transaction in the target company.

The table above indicates that the long-term average control premium by acquirers of general mining companies and all ASX-listed companies is approximately 34.66% and 29.51% respectively. However, in assessing the transactions, we noted transactions that appear to be extreme outliers.

These outliers included 11 general mining company transactions and 27 ASX-listed company transactions, for which the announced premium was in excess of 100%. We have removed these transactions because we consider it likely that the acquirer in these transactions would be paying for special value and/or synergies in excess of the standard premium for control. Whereas the purpose of this analysis is to assess the premium that is likely to be paid for control, not specific strategic value to the acquirer.

In a population where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note that the median announced control premium over the assessed period was approximately 32.67% for general mining companies and 29.99% for all ASX-listed companies.

Based on the above, we consider an appropriate premium for control to be between 25% and 35%.

The minority discount is calculated from the control premium identified, using the formula:

$$1 - (1/(1+\text{Control Premium})).$$

Therefore, the minority discount (rounded to the nearest percentile) is in the range from 20% to 26%.

Share price volatilities

Company	Listing Code	Market Cap. (A\$M)	LTM Revenue (A\$M)	Close-Close Share Price Volatility
Danakali (ASX:DNK)	ASX:DNK			65%
Australian Foundation Investment Company Limited (ASX:AFI)	ASX:AFI	8725.80	350.0	10%
AMCIL Limited (ASX:AMH)	ASX:AMH	308.10	10.3	20%
Argo Investments Limited (ASX:ARG)	ASX:ARG	6599.50	280.5	15%
Bentley Capital Limited (ASX:BEL)	ASX:BEL	3.05	0.0	65%
BKI Investment Company Limited (ASX:BKI)	ASX:BKI	1429.00	72.8	15%
Bailador Technology Investments Limited (ASX:BTI)	ASX:BTI	184.30	16.0	30%
Carlton Investments Ltd. (ASX:CIN)	ASX:CIN	761.10	39.1	20%
Djerriwarrh Investments Limited (ASX:DJW)	ASX:DJW	750.10	50.7	15%
Diversified United Investment Limited (ASX:DUI)	ASX:DUI	1048.90	53.0	15%
NGE Capital Limited (ASX:NGE)	ASX:NGE	30.10	4.2	30%
Gowing Bros. Limited (ASX:GOW)	ASX:GOW	123.70	72.4	25%
360 Capital Group Limited (ASX:TGP)	ASX:TGP	137.10	13.8	30%
Tribeca Global Natural Resources Limited (ASX:TGF)	ASX:TGF	141.40	24.3	30%
Frontier Digital Ventures Limited (ASX:FDV)	ASX:FDV	164.60	61.1	50%
Fiducian Group Ltd (ASX:FID)	ASX:FID	182.60	73.3	35%
Bailador Technology Investments Limited (ASX:BTI)	ASX:BTI	184.30	16.0	30%
WAM Strategic Value Limited (ASX:WAR)	ASX:WAR	192.70	22.2	15%

Company descriptions

Company	Business Description
Danakali (ASX:DNK)	Danakali Limited, together with its subsidiaries, engages in the exploration of minerals in Eritrea, East Africa. The company focuses on the development of the Colluli potash project located in the Danakil Depression region of Eritrea. The company was formerly known as South Boulder Mines Ltd. and changed its name to Danakali Limited in June 2015. Danakali Limited was incorporated in 2001 and is based in North Perth, Australia.
Australian Foundation Investment Company Limited (ASX:AFI)	Australian Foundation Investment Company Limited is a publicly owned investment manager. The firm invests in the public equity markets of Australia and New Zealand. It invests in value stocks of companies. It benchmarks the performance of its portfolio against S&P/ASX 200 Accumulation Index. It invests in companies across diversified industries. The firm employs fundamental analysis with a focus on bottom-up research to make its investments. The firm conducts in-house research to make its investments. Australian Foundation Investment Company Limited was founded in 1928 and is based in Melbourne, Australia.
AMCIL Limited (ASX:AMH)	Amcil Limited is a publicly owned investment manager. The firm primarily manages separate client focused equity portfolios for its clients. It invests in the public equity markets of Australia. The firm invests in growth and value stocks of large cap and small cap companies to create its portfolios. Amcil Limited was founded in 1996 and is based in Melbourne, Australia.
Argo Investments Limited (ASX:ARG)	Argo Investments Limited is a publicly owned investment manager. The firm manages separate client focused equity portfolios for its clients. It invests in public equity markets of Australia. The firm employs a qualitative analysis with bottom-up stock picking approach to create its portfolio. It conducts in-house analysis to make its investments. Argo Investments Limited was founded in 1946 and is based in Adelaide, Australia with an additional office in Sydney, Australia.
Bentley Capital Limited (ASX:BEL)	Bentley Capital Limited is a publicly owned investment manager. The firm invests in the public equity markets of Australia. It focuses on technologies and services, especially in resources and mining, fast growing creative and information-based businesses, distressed / turnaround / pre or post insolvency situations, energy and metals. It was formerly known as BT Global Asset Management Limited and changed its name to Bentley Equities Limited in 2003, and then to Bentley Capital Limited in March 2004. Bentley Capital Limited was founded in 1986 and is based in West Perth, Australia.
BKI Investment Company Limited (ASX:BKI)	BKI Investment Company Limited is a publicly owned investment manager. The firm invests in the public equity markets. It invests in the stocks of companies operating across diversified sectors. It also invests in well managed, quality Australian companies. The firm primarily invests in dividend paying stocks of companies. It employs bottom up approach with a focus on merits of individual companies rather than market and economic trends to create its portfolio. The firm conducts in-house research to make its investments. BKI Investment Company Limited was formed on October 17, 2003 and is based in Sydney, Australia.
Bailador Technology Investments Limited (ASX:BTI)	Bailador Technology Investments Limited is a venture capital firm specializing in investments in mid venture, late venture and PIPEs and expansion capital in companies which have advanced through the start-up phase. The firm prefers to invest in IT, software & services, health technology, the Internet with a focus on e-commerce and subscription-based internet businesses, software, high value data, online education, telecommunications applications and services, and new media and marketing. It does not invest in start-ups or biotechnology sector. The firm seeks investments in Australia and New Zealand. It makes investments through Balance Sheet and prefers to take minority stake and board seats in portfolio companies. The firm makes equity investment between A\$5 million (\$3.34 million) to A\$20 million (\$13.35 million) in companies with sales value between A\$5 million (\$3.34 million) to A\$100 million (\$66.76 million) and enterprise value between A\$25 million (\$16.69 million) to A\$300 million (\$200.28 million). Bailador Technology Investments Limited was founded in 2010 and is based in Sydney, Australia.
Carlton Investments Ltd. (ASX:CIN)	Carlton Investments Limited is a publicly owned asset management holding company. Through its subsidiaries, the firm manages separate client-focused equity portfolios. It invests in the public equity markets of Australia through its subsidiaries. Carlton Investments Limited was founded in 1928 and is based in Sydney, Australia.
Djerriwarrh Investments Limited (ASX:DJW)	Djerriwarrh Investments Limited is a publicly owned investment manager. The firm invests in public equity markets of Australia. The firm invests in diversified portfolio of Australian equities. Djerriwarrh Investments Limited was founded in November 1989 and is based in Melbourne, Australia.

Company	Business Description
Diversified United Investment Limited (ASX:DUI)	Diversified United Investment Limited is a publicly owned investment manager. The firm manages separate client focused equity and fixed income portfolios. It invests in public equity and fixed income markets across the globe. For the equity portion of its portfolio, the firm invests in Australian and international equities. For the fixed income portion of its portfolio, it invests in short term deposits. The firm also invests in listed property trusts. It also invests in exchange traded index funds. Diversified United Investment Limited was founded in 1991 and is based in Melbourne, Australia.
NGE Capital Limited (ASX:NGE)	NGE Capital Limited operates as an investment company in Australia. It invests in listed and unlisted securities. The company was formerly known as New Guinea Energy Limited and changed its name to NGE Capital Limited in June 2017. NGE Capital Limited was founded in 2005 and is based in Melbourne, Australia.
Gowing Bros. Limited (ASX:GOW)	Gowing Bros. Limited operates as an investment and wealth management company in Australia. It operates through two divisions, Investment Management and Property Management. The Investment Management segment invests in securities listed on the Australian Stock Exchange in private equity vehicles, as well as loans, including mezzanine finance arrangements. The Property Management segment engages in the ownership and leasing of commercial properties; and the development and sale of residential and commercial properties. The company was founded in 1868 and is headquartered in Coffs Harbour, Australia.
360 Capital Group Limited (ASX:TGP)	360 Capital Group is an ASX-listed, investment and funds management group, focused on strategic and active investment management of real estate assets. Led by a highly experienced team, the Group operates in Australian and New Zealand investing across real estate equity and credit opportunities.
Tribeca Global Natural Resources Limited (ASX:TGF)	Tribeca Global Natural Resources Limited is an investment firm specializing in infrastructure investments. Tribeca Global Natural Resources Limited is headquartered in Sydney, New South Wales, Australia.
Frontier Digital Ventures Limited (ASX:FDV)	Frontier Digital Ventures Limited is a private equity firm specializing in investing and developing online classifieds business in emerging markets. The firm prefers to invest in property and automotive verticals and general classifieds/marketplace websites. Frontier Digital Ventures Limited was founded in May 2014 and is based in Kuala Lumpur, Malaysia with an additional office in Melbourne, Australia.
Fiducian Group Ltd (ASX:FID)	Fiducian Group Ltd, through its subsidiaries, provides financial services in Australia. It operates through Funds Management, Financial Planning, Corporate Services, and Platform Administration segments. The company provides investor directed portfolio and separately managed accounts services; and acts as the trustee of fiducial superannuation services. It also offers fiducial funds; financial planning services; client account administration platforms; and wrap platform administration services. In addition, the company develops IT software systems for financial planning; and offers financial advisory services, such as cash flow management, debt reduction, planning retirement, estate management, and aged care, as well as provides platform solutions and SMSF administration services. Further, it offers diversified and sector funds, specialist funds, managed portfolios, and manager system services. The company was founded in 1996 and is based in Sydney, Australia.
Bailador Technology Investments Limited (ASX:BTI)	Bailador Technology Investments Limited is a venture capital firm specializing in investments in mid venture, late venture and PIPEs and expansion capital in companies which have advanced through the start-up phase. The firm prefers to invest in IT, software & services, health technology, the Internet with a focus on e-commerce and subscription-based internet businesses, software, high value data, online education, telecommunications applications and services, and new media and marketing. It does not invest in start-ups or biotechnology sector. The firm seeks investments in Australia and New Zealand. It makes investments through Balance Sheet and prefers to take minority stake and board seats in portfolio companies. The firm makes equity investment between A\$5 million (\$3.34 million) to A\$20 million (\$13.35 million) in companies with sales value between A\$5 million (\$3.34 million) to A\$100 million (\$66.76 million) and enterprise value between A\$25 million (\$16.69 million) to A\$300 million (\$200.28 million). Bailador Technology Investments Limited was founded in 2010 and is based in Sydney, Australia.
WAM Strategic Value Limited (ASX:WAR)	WAM Strategic Value Limited invests in discounted assets. The company provide capital growth over medium to long term, deliver fully franked dividends and preserve capital. It also offers risk-adjusted returns and intends to invest in LIC. The company was founded in 1997 and is headquartered in Sydney, Australia.



DANAKALI
Danakali Limited
ABN 56 097 904 302

Need assistance?



Phone:
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)



Online:
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **2:00pm (AWST) on Wednesday, 22 November 2023.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 182990

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Danakali Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Danakali Limited to be held at The Celtic Club, 48 Ord Street, West Perth, WA 6005 on Friday, 24 November 2023 at 2:00pm (AWST) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 2 (except where I/we have indicated a different voting intention in step 2) even though Resolution 2 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 2 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Return of Capital to Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Cancellation of Cornelius Options for Consideration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Cancellation of Executive Employee Options for Consideration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
 Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

Mobile Number Email Address
 By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

