



DANAKALI
create. nurture. grow

ASX Release

31 July 2024

Quarterly Report

For the period ended 30 June 2024

Highlights

- Further cash distribution to shareholders, total funds distributed now \$162 million
- Advancing new project opportunities in Eritrea and Saudi Arabia
- Assessment of ASX re-listing issues and other liquidity options
- Focus on capital preservation and base cost reduction

Danakali Limited (ASX: DNK, **Danakali**, or the **Company**) is pleased to provide this quarterly update on the activities and financial position of the Company.

Distribution

During the June 2024 quarter, the Company confirmed a further return to shareholders of \$7.4m, bringing the total distribution from the sale of Danakali's share of the Colluli Potash project to \$162m.

The recent two cents per share return comprised:

- a special dividend of 0.924 cents per share; and
- a capital return of 1.076 cents per share.

Shareholder approval for the capital return was received at the Company's Annual General Meeting held 31 May 2024 (**AGM**). The distribution was subsequently made on 8 July 2024, based on registered shareholders as at 1 July 2024.

The majority of shareholders have received their distribution, however there are a number of shareholders who have not updated their payment information with Computershare and therefore have not received payment.

Shareholders are referred to the ASX Announcement dated 31 May 2024 which contains instructions regarding updating of shareholder details.

Annual General Meeting

The Company's AGM was held on 31 May 2024. All resolutions were decided by way of a poll and passed (refer to ASX Announcement 31 May 2024 for further details).



DANAKALI
create. nurture. grow

Corporate Development

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

As previously announced, Danakali has lodged an application for an exploration licence in Eritrea, location of Danakali's successful investment in Colluli. The application is for the Ela Gadel exploration licence, covering an area that is highly prospective for copper and gold.

The Company met with the Eritrean Ministry of Energy and Mines (MoEM) in June and was informed the application continued to move through the standard process.

Eritrea has a strong recent track record of commercial discoveries being developed, several of which have also been sold to international mining houses including:

- the Zara gold project, which was developed by ASX-listed Chalice Gold and then sold to the Chinese SFECO Group.
- the Bisha zinc-copper mine, which was the flagship project of TSX-listed Nevsun Resources before its AUD2 billion takeover by China's Zijin Mining Group in 2018.
- Sunridge Gold Corp, a TSX-listed producer, developed and later sold its interest in the Asmara gold project to Sichuan Road & Bridge Mining Development Corp.

In the June quarter, Danakali also met with Government officials in the Kingdom of Saudi Arabia which has embarked on a major campaign to develop its untapped mineral reserves. Given its experience with Eritrea, Danakali has a particular interest in the Arabian-Nubian Shield, a geological system on the edges of the Red Sea which takes in both Saudi Arabia and Eritrea.

Danakali has engaged advisors in Riyadh to represent the Company in securing exposure to this emerging mineral province, with a particular focus on gold, copper and battery metals.

Danakali believes the Saudi development could open up opportunities for the Company given its experience and track record in the region, supported by a strong local interest from the financing sector, itself seeking exposure to the developing hard rock minerals economy in Saudi Arabia and Africa.

ASX Suspension

The Company's securities were suspended from quotation on the Australian Stock Exchange (ASX) from the close of market on 3 April 2023 following the Colluli sale, as the ASX determined that Danakali's operations were no longer adequate to warrant the continued quotation of its securities. The suspension will continue until Danakali is able to demonstrate compliance with Listing Rule 12.1 of the Listing Rules.



DANAKALI
create. nurture. grow

The ongoing issue for the Danakali Board is balancing the stringent ASX requirements with the best interests of the Company's shareholders.

To be relisted on the ASX, Danakali needs to go through a full re-compliance process, as if the Company was listing for the first time. This includes making a commitment to spend a minimum of 50% of our cash reserves on exploration activities in the two years following re-listing.

Given Danakali's cash reserves post the distribution to shareholders on 8 July 2024 is \$32 million, this amounts to an exploration commitment over two years of at least \$16 million based on current reserves. In short, as result of our proven exploration success, we have a far greater cash balance than most other explorers on the ASX.

There may be no sensible economic or corporate need for Danakali to spend \$16 million directly on exploration activities within two years. Yet, the Company's cash reserves put it in a powerful position to explore substantial projects with outstanding potential to deliver superior returns to investors.

Given all of the circumstances, we will continue to assiduously explore other liquidity options, which may include listing on another stock exchange if it proves to be in the best interest of our shareholders.

Director appointment

The Company announced the appointment of experienced exploration and mining geologist Jon Coates as an Independent Non-Executive Director, effective 24 April 2024.

Mr Coates has had a lengthy and successful career as a senior executive and board member in the global resources sector. He has lived and worked in a number of jurisdictions and has operated in greenfield, brownfield and mine exploration environments. His work has covered a wide range of commodities and varied geological environments. He has held senior roles in major and junior companies. The majority of his career was with Shell/Billiton, where his last position was Chief Geoscientist in the metals exploration team of BHP Billiton. More recently, Mr Coates held the role of Executive Geoscience Advisor of Ma'aden at Riyadh, Saudi Arabia.

He has direct experience in remote site exploration and mining operations with complex logistics, security, community and sensitive ecosystem issues. He holds BSc and MSc degrees from the University of London and a MBA from University of Queensland.



DANAKALI
create. nurture. grow

Capital

Cash

Consolidated cash on hand was A\$39.3 million on 30 June 2024. Please refer to the Appendix 5B for the quarter.

Securities

As at 30 June 2024, there were 368,334,346 fully paid ordinary shares on issue. No shares were issued during the quarter.

As at 30 June 2024, there are 10,000,000 options on issue expiring 30 July 2025. In accordance with Listing Rule 7.22.3, the exercise price of each option was reduced by the equivalent of the return of capital per share made to shareholders on the 8 July 2024. The options strike price was reduced by \$0.01076 per option to \$0.35624 (DNK Announcement 8 July 2024).

There were no movements in the number of options on issue during the quarter.

Related Party Transactions

In accordance with ASX Listing Rule 5.3.5, payments to related parties of the Company and their associates during the quarter totalled \$134,762 in relation to Director fees and remuneration.

Refer to the Remuneration Report in the Financial Report for further details on director remuneration.

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

For more information, please contact:

Danakali

Seamus Cornelius
Executive Chairman
scornelius@danakali.com
+61 450 649 311

Greg MacPherson
Chief Financial Officer
gmacpherson@danakali.com
+61 426 967 683

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.

Appendix 5B

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

Name of entity

Danakali Limited

ABN

57 097 904 302

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(5)	(29)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(336)	(1,051)
	(e) administration and corporate costs	(397)	(668)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	134	2,614
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	-	-
1.9	Net cash from / (used in) operating activities	(604)	866

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:	-	-
	(a) entities		
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	(54,234)
3.9	Other:		
	(a) Payment for Share Buyback	-	(100,467)
3.10	Net cash from / (used in) financing activities	-	(154,701)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	39,877	193,108
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(604)	866
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(154,701)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	39,273	39,273

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,694	2,298
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	35,579	37,579
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	39,273	39,877

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	135
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Payments included in item 6.1 relates to payment of director fees.

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

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(604)
8.2	Payments for exploration & evaluation classified as investing activities (item 2.1(d))	-
8.2a	Other (item 2.5)	-
8.3	Total relevant outgoings (item 8.1 + item 8.2 + item 8.2a)	(604)
8.4	Cash and cash equivalents at quarter end (item 4.6)	39,273
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	39,273
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	65
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer:	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer:	

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

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 July 2024.....

Authorised by: By the Audit and Risk Committee.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.