

ASX Release

30 October 2024

Quarterly Report

For the period ended 30 September 2024

Highlights

- Completion of second cash distribution of \$7.4 million to shareholders
- Total funds distributed to shareholders following the sale of Colluli Potash Project now \$162 million
- Advancing new opportunities in Eritrea and Saudi Arabia, including site visit to Ela Gedel license area in Eritrea
- Assessment of listing and other liquidity options
- Continued focus on capital preservation

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

Completion of Second 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 made on 8 July 2024, based on registered shareholders as at 1 July 2024.

The majority of shareholders received their distribution on schedule, however there remains a number of shareholders who have not updated their payment information with our share register Computershare and, therefore, have not received payment.

The Company strongly advises shareholders who have not yet received payment to update their details online through Computershare's Investor Centre website at www.computershare.com.au/easyupdate/DNK. Alternatively, they may contact Computershare on 1300 850 505 (within Australia) or + 61 3 9415 4000 (outside Australia).

See Danakali's ASX Announcement dated 30 August 2024 which contains instructions regarding updating of shareholder details.

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 the Arabian-Nubian Shield (with a focus on Eritrea and Saudi Arabia) in precious and critical resources sector.

Site Visit to Ela Gedel Exploration License Area (Eritrea)

As previously announced, Danakali has lodged an application for an exploration licence in Eritrea, location of the Colluli Potash Project successfully divested by Danakali in 2023. The application is for the Ela Gedel exploration licence, covering an area that is highly prospective for copper and gold.

In September 2024, Danakali Executive Chairman Seamus Cornelius and Chief Financial Officer Greg MacPherson conducted a site visit to the Ela Gedel exploration application area in Eritrea. The visit was formally approved by Eritrea's Ministry of Energy and Mines (MoEM), which also facilitated the presence of a senior geologist to accompany and guide our delegation during their visit. This collaboration highlights the Ministry's ongoing support for foreign exploration of Eritrea's rich mineral resources. Danakali's track record of positive contribution and success through Colluli Potash Project in Eritrea puts the Company in good standing with the local community.



Located southwest of Asmara, the capital of Eritrea, the Ela Gedel exploration license area spans approximately 1,500 square kilometres. The region is considered highly prospective for both gold and copper, with evidence of historical workings with more recent areas of artisanal gold mining activity. Despite the minimal modern exploration carried out thus far, the MoEM has identified several promising gold and copper prospects scattered throughout the area, many of which are in relatively close proximity to Molki, the administrative hub of the sub-zone.

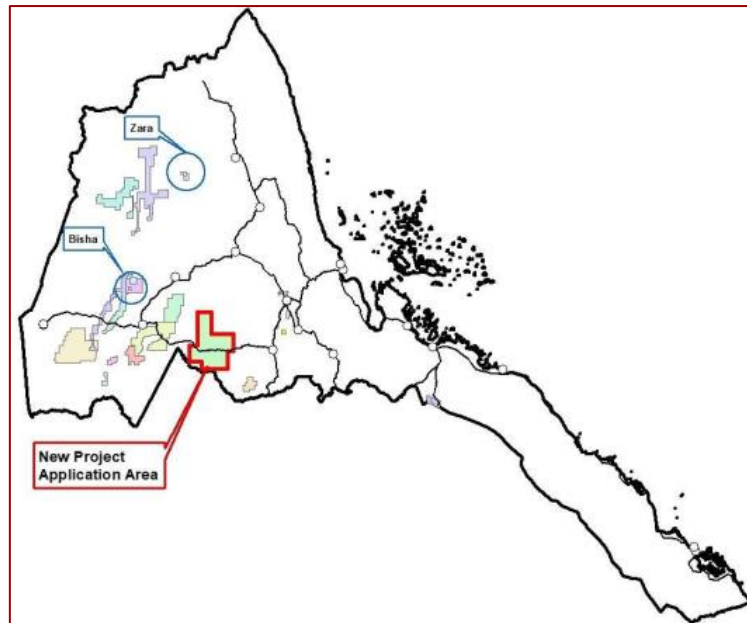


Figure 1: Location of Ela Gedel Tenement

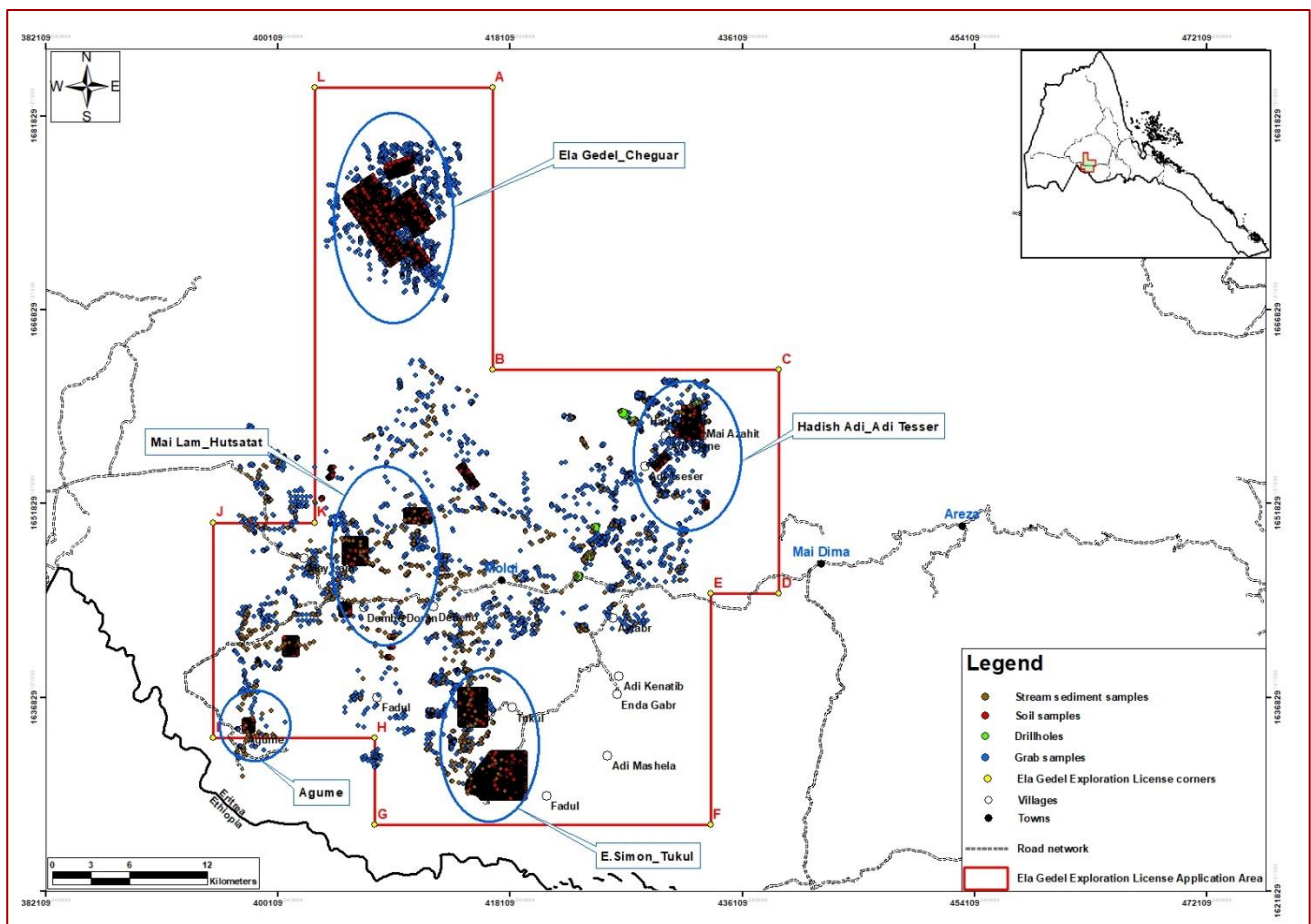


Figure 2: Ela Gedel Tenement Boundary

Accessibility to the site is facilitated by a network of moderately good roads that run from Asmara through towns such as Mendefera, Areza, and Mai-Dima. These transport routes enhance the project's feasibility and logistical considerations for ongoing exploration activities.

Significantly, Danakali has now received confirmation from the MoEM that the review of its application for the Ela Gedel exploration license is progressing to its final stage.

Following the visit, Mr Cornelius shared his optimism regarding the site's potential, saying: "It was a real pleasure to visit the Ela Gedel site. Seeing is believing and having been on the ground with a very knowledgeable Eritrean geologist, albeit in only a small portion of the very large application area, I am very confident that we have an exciting future at Ela Gedel. As for the application process, we have confidence in the approval process and in the quality of our relationships with relevant stakeholders".

This visit marks a significant step forward in Danakali's application, it further underscores the company's commitment to exploring and developing Eritrea's untapped mineral potential.

Saudi-Arabia Opportunities

Danakali continues to engage with its advisors in Riyadh in securing exposure to this emerging mineral province, with a particular focus on gold, copper and battery metals.

Danakali's interest in the geological formations along the Red Sea spans both Saudi Arabia and Eritrea. A development in Saudi Arabia could present good opportunities for the Company, leveraging its regional expertise and successful track record. This potential is further reinforced by strong local interest from the financing sector, which is eager to gain exposure to the growing hard rock minerals market in both 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.

The key challenge in meeting this requirement lies in the ASX Listing Rules, which mandate that exploration companies allocate at least 50% of their cash reserves to exploration within two years of listing. This puts Danakali in a corporate governance dilemma given the Board's view it would not be in shareholders' interests to needlessly spend money on exploration purely to facilitate re-listing.

In light of the extended suspension period, Danakali is actively exploring alternative liquidity options to enable shareholders to trade their shares. The Board expects to be in a position to announce these options in coming weeks and to be available shortly thereafter.

Capital

Cash

Consolidated cash on hand was A\$31.4 million on 30 September 2024. Please refer to the Appendix 5B for the quarter.

Securities

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

As at 30 September 2024, there are 10,000,000 options on issue.

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 \$139,000 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:

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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 September 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(42)	(71)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(391)	(1,443)
	(e) administration and corporate costs	(567)	(1,236)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	501	3,116
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	(499)	366

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 (9 months) \$A'000
2.2	Proceeds from the disposal of:	-	-
	(a) entities		
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
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	(3,404)	(57,637)
3.9	Other:		
	(a) Payment for Share Buyback	(3,963)	(104,430)
3.10	Net cash from / (used in) financing activities	(7,367)	(162,067)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	39,273	193,108
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(499)	366
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)	(7,367)	(162,067)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	31,407	31,407

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	740	3,694
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	30,667	35,579
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	31,407	39,273

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	139
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)	(499)
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)	(499)
8.4 Cash and cash equivalents at quarter end (item 4.6)	31,407
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	31,407
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	63
<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: 30 October 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.