



# QUARTERLY REPORT

## For the period ending 30 September 2020

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali**, or the **Company**) is pleased to provide this quarterly update on the activities and financial position of the Company and its Colluli Potash Project (**Colluli** or the **Project**), located in Eritrea, East Africa. The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (**ENAMCO**). CMSC is progressing to become a leading producer and exporter of Sulphate of Potash (**SOP**), the premium potash type.

### Highlights

#### Approval of Mine Development

- Application of Mine Development accepted by the Eritrean Ministry of Energy and Mines (**MoEM**), 21 July 2020
- MoEM consent includes granting of security for the Colluli senior debt financing, with all the preconditions under the CMSC Mining Agreement being satisfied, and extension to the date for commencing Commercial Production to 15 December **2022**

#### EPCM Progress

- DRA Global (**DRA**) deliverables provide greater certainty of definition regarding the process plant and associated infrastructure, and confirms the robustness of the 2018 FEED results
- Water Intake Treatment Area (**WITA**) optimisation confirms environmental benefits using beach well solution
- Dry harvesting confirmed for recovery pond salt harvesting, an improved and simplifying solution
- Test work, necessary to finalise designs for the plant, commenced during Q3

#### Contracting progress

- Appointment of RA International (**RAI**) as Preferred Camp Provider – 20 August 2020
- RAI will deliver a pre-manufactured, high quality camp that is containerized and ready to mobilize

#### Environmental, Social and Governance (ESG) progress

- Considerable progress advancing the CMSC operational management systems
- Systems align with the Equator Principles, IFC standards and World Bank Group Guidelines.

### Key activities planned for Q4 2020

#### Project financing

- Advancement of project funding
- Continue to satisfy conditions precedent necessary to allow CMSC senior debt drawdown

#### Project development

- Continue technical workstreams including optimizing process test work and process streams
- Continue desktop study for further opportunities with the Water Intake Treatment Area

### Corporate & Financial

- Neil Gregson, highly experienced mining and financial executive ex JP Morgan and Credit Suisse appointed as a Non-Executive Director to Danakali Board
- Retirement from the Board of Andre Liebenberg and Paul Donaldson
- Cash balance of A\$12.4M as at 30 September 2020

## Project

The on-site activities were recommenced, with the in-country team completing its first site visit on 18 August 2020 after COVID-19 restrictions were lifted in Eritrea.

### **EPCM Phase 2 completed**

#### EPCM progress

EPCM Phase 1 and 2 review of FEED study deliverables and procurement packages related to the process plant and associated infrastructure work have been completed. The completion of these Phases provides greater certainty of the scope of definition following the third-party review by DRA Global.

### **Additional test work and potential opportunities continues**

EPCM Phase 2 led to the identification of optimization opportunities which continued to be investigated during Q3. A direct result of this initiative has been the implementation of Dry Harvesting, and a Beach Well Water Intake System at the WITA, which has helped to reduce our environmental footprint and offset capital cost.

The testing of filtered sea water, in lieu of desalinated water for SOP wash is currently under investigation.

Due to the COVID-19 travel restrictions CMSC have reviewed the order of workstreams of the EPCM phases and continue to advance test work to optimize process streams and flowsheets further. This work would normally be in parallel with detailed engineering commencement. CMSC continues to identify and implement improvement opportunities wherever possible to advance the project during the current COVID –19 challenges.

### **Mine Development Approval**

On 21 July 2020 CMSC was informed of the acceptance of its Notice of Commencement of Mine Development by the Eritrean Ministry of Energy and Mines. In accepting this Notice, additional support was shown to CMSC by granting time to mid-December 2022 to commence commercial production which will be within 36 months from the date of the submission of Notice. Furthermore, the Ministry of Energy and Mines consented to the security being granted in support of CMSC and to the account structure for the financing for the Colluli Project.

The following preconditions were satisfied by CMSC in order for the Notice to be issued:

- Mining Agreement executed and Mining Licenses issued
- Submissions and approval for Social & Environmental Impact Assessments Study and Social & Environmental Management Plans; and
- Submission to the MoEM of Sulphate of Potash Production forecasts over the Life of Mine (LOM).

### **Preferred Contractor for Accommodation Services**

RA International (**RAI**) was appointed on 20 August as Preferred Contractor for Accommodation and Support Services. The camp has capacity for 600 persons with the ability to expand to 1,115 persons during the construction phase.

RAI will supply, deliver, and install the mine accommodation camp as well as plant administration and service facilities for the Colluli mine site. The very high quality camp is already built and is stored in containers, ready to be mobilized at short notice.



Figure 1: Computer generated image of the Colluli Mine camp.

Source: RAI August 2020

### **WITA opportunity**

The trade-off study on the WITA confirmed the use of a beach well intake method versus a subsea pipeline as the preferred water intake option, as announced on 2 September. This optimization outcome was considered to benefit the environment by minimizing the risk to the subsea and coastal habitats by avoiding onshore pipeline construction and offshore installation. In addition to these environment benefits, the optimized design eliminates chlorine dosing and improves the quality of the discharge water as the pre-treatment feedwater requires less chemicals.

## **Project Financing & Board Appointment**

### **Investor Engagement**

The Company has advanced its equity raising efforts in order to secure the remaining financing needed for Colluli development. Virtual equity investor and face-to-face broker meetings continued in Q3 with Danakali's executive team and Non-Executive Chairman, Seamus Cornelius, presenting to various institutional and strategic investor groups in the United Kingdom, Germany, Middle East and Australia.

Danakali, along with our partners including ENAMCO, AFC, Afreximbank, Eurochem, advisers and brokers are all focused on bringing Colluli into production as soon as possible.

### **Financial Resilience**

DNK Board has maintained strong oversight of the Q3 spending with particular focus on keeping working capital costs low and prioritize critical Project spend tied to the long-term success of Colluli development. Reduced salaries for Board, executives and staff continued through the quarter.

## **Environmental, Social and Governance (ESG)**

Danakali has considerably advanced the CMSC operational management systems that will align with the Equator Principles, IFC standards for Environmental and Social Performance and the World Bank Group Environment, Health and Safety Guidelines.

Danakali has also commissioned an independent human rights impact scoping exercise to identify future salient risks for the project and suggested mitigation approaches prior to construction.



On 30 July Danakali hosted a webinar with leading ESG specialists in international human rights and environmental management who provided an update on the progress to date with respect to the various Colluli management systems that have been established for the project. The webinar also included a presentation by Vita, an international NGO that has a long successful history of setting up social investment projects in both Eritrea and Ethiopia.

## Investor Relations

### Presentations

Danakali Talks Episode 2 was released 5 August and focused on the topic of Soil Fertility and Fertilizer systems in Africa. This webinar was hosted by CEO Niels Wage who spoke with Dr James Mutegi, Senior Program Manager, East and Southern Africa from the African Plant Nutrition Institute. The programme outlined why Sulphate of Potash is essential for soil fertility and how properly managed fertilizer applications lead to increased production and farmer profitability, enhanced protection, and improved sustainability. The recording can be accessed [here](#).

On 3 September, Danakali's CEO Niels Wage hosted another live webinar "Colluli Development – a Global Game Changer for Premium Potash" and was joined by Osam Iyehen from Africa Finance Corporation (AFC), and recently appointed Non-Executive Director Neil Gregson. The webinar provided an update on AFC's investment strategy and Colluli as intergenerational investment opportunity. The recordings of this event can be found on Danakali's YouTube page and the copy of the investor presentation – [here](#).

Danakali Talks Episode 3 focused on the topic of global food systems and nutrition security. On 1 September, Danakali's Non-Executive Chairman Seamus Cornelius hosted Dr Sylvain Charlebois from Dalhousie University in Halifax. Dr Charlebois is the Senior Director of Agri-food analytics Lab and is known as "The food Professor". He is one of the worlds most cited scholars in food supply chain management, food value chains and traceability. The series focused on the impact of COVID-19 and how it has changed nutrition habits, the importance of fertilizers in agriculture, food security, and the role Colluli could play in establishing stable and sustainable food chains. The recording can be accessed [here](#).

### Interviews and Media Releases

Danakali's Chairman Seamus Cornelius and its Chief Executive Officer, Niels Wage, gave interviews to a number of global media publications, including:

- Australian Financial Review - Eritrea venture set to ride the global growth, 17 September 2020
- SA Mining July/August – Food for thought.
- Smallcaps- Danakali eyes finish line for Eritrea potash project, 6 Aug 2020, [link](#)
- Smallcaps- Danakali outlines huge potash potential on its African doorstep, 8 September 2020, [link](#)
- Stockhead Special Report, Premium fertilizer project could help drive development of this East African country, 18 Sep 2020, [link](#)
- Stockhead Podcast with Barry FitzGerald, DNK's African Colluli potash project has world beater potential, 25 August 2020, [link](#)
- Stockhead -Bevis Yeo, These premium grade potash plays are forging ahead as demand remains strong, 17 August 2020, [link](#)

### AGM

Danakali's AGM was held on July 15<sup>th</sup>, 2020 in a first and new virtual set up to make engagement with all shareholders possible in a COVID-19 constrained world.



## Conferences

In addition to the above presentations, CEO Niels Wage, presented and was on the industry panel on 15 September at the CRU African Fertilizer Agribusiness 2020 Virtual Conference, with subject focused on “Investing in African fertilizer production and distribution.”

## Capital

### Cash

Consolidated cash on hand was A\$12.4M as at 30 September 2020. Please refer to the Appendix 5B for the quarter for more detail.

### Securities

As at 30 September 2020, there were a total of 318,741,306 fully paid ordinary shares on issue. There were no fully paid ordinary shares issued during the September 2020 Quarter.

As at 30 September 2020, there were a total of 5,211,153 unlisted options on issue at various exercise prices and expiry dates. No unlisted options were exercised or lapsed during the September 2020 Quarter. During the September 2020 Quarter, the Company issued the following unlisted options:

- 200,000 unlisted options at \$0.664 expiring 8 July 2023
- 947,041 unlisted options at \$0.000 expiring 31 December 2021.

As at 30 September 2020, there were a total of 1,260,000 performance rights on issue. No performance rights were issued or converted during the period. A total of 800,000 performance rights (class 4) lapsed during the period.

## 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 totaled A\$0.104m. The Company advises that this relates to Non-executive Director fees. Refer to the Remuneration Report in the Annual Report for further details on director remuneration.

## Interests in mining tenements

The 7 Mining Licenses awarded to CMSC span over 60km<sup>2</sup> of the 100km<sup>2</sup> Mining Agreement area. There were no mining exploration activities undertaken during the quarter.

### *Tenement holdings*

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

There was no change in tenement holding during the September 2020 Quarter.

For more information, please contact:

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Follow Danakali on LinkedIn: [www.linkedin.com/company/danakali-limited](http://www.linkedin.com/company/danakali-limited)

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Announcement authorised for release by the board of Danakali.

## 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 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(304)	(800)
(e) administration and corporate costs	(496)	(1,793)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	70
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	55	105
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(737)</b>	<b>(2,418)</b>

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

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (funding of joint venture)	(2,097)*	(16,055)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,097)</b>	<b>(16,055)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	-	(3,326)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>(3,326)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	15,771	33,800
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(737)	(2,418)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,097)	(16,055)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(3,326)

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(558)	378
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>12,379</b>	<b>12,379</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	12,379	8,501
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	-	7,270
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>12,379</b>	<b>15,771</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	104
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

Payments included in item 6.1 relates to payment of director fees (\$104k)

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(737)
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	-
8.2a Other (funding of joint venture) (item 2.5)	(2,097)*
8.3 Total relevant outgoings (item 8.1 + item 8.2 + item 8.2a)	(2,834)
8.4 Cash and cash equivalents at quarter end (item 4.6)	12,379
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	12,379
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	4.4
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
* The Company considers it appropriate to include cash outflows related to the funding of joint venture (investing activities) in this table given its ongoing obligation to fund these activities.	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	

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

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

Answer:

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

### Compliance statement

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

Date: 30 October 2020.....

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.

## About Danakali

Danakali Limited (ASX: DNK, LSE: DNK) (Danakali, or the Company) is an ASX- and LSE-listed potash company focused on the development of the Colluli Sulphate of Potash Project (Colluli or the Project). The Project is 100% owned by the Colluli Mining Share Company (CMSC), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (ENAMCO).

The Project is located in the Danakil Depression region of Eritrea, East Africa, and is ~75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Mineralisation within the Colluli resource commences at just 16m, making it the world's shallowest known potash deposit. The resource is amenable to open cut mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining, and is highly advantageous for modular growth.

The Company has completed a Front End Engineering Design (FEED) for the production of potassium sulphate, otherwise known as Sulphate of Potash or SOP. SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride (or MOP). Economic resources for production of SOP are geologically scarce. The unique composition of the Colluli resource favours low energy input, high potassium yield conversion to SOP using commercially proven technology. One of the key advantages of the resource is that the salts are present in solid form (in contrast with production of SOP from brines) which reduces infrastructure costs and substantially reduces the time required to achieve full production capacity.

The resource is favourably positioned to supply the world's fastest growing markets. A binding take-or-pay offtake agreement has been confirmed with EuroChem Trading GmbH (EuroChem) for up to 100% (minimum 87%) of Colluli Module I SOP production.

Development Finance Institutions, Africa Finance Corporation (AFC) and African Export Import Bank (Afreximbank), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance. The credit documentation was executed in December 2019, allowing drawdown of CMSC senior debt on satisfaction of customary conditions precedent. This represents the majority of funding required for the development and construction of the Colluli. AFC has also executed a Subscription Agreement and made a strategic equity investment in Danakali. The receipt of the first tranche of US\$21.6M (A\$31.8M) allowed commencement of development.

Project execution has commenced, and SOP production is currently expected to start in 2022. The Company's vision is to bring Colluli into production using the principles of risk management, resource utilisation and modularity, using the starting module (Module I) as a platform to develop the resource to its full potential.

## Competent Persons Statement (Sulphate of Potash and Kieserite Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K2O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K2O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K2O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K2O Equiv. and 9% Kieserite of Inferred Resource.

The information relating to the Colluli Mineral Resource estimate is extracted from the report entitled "Colluli Review Delivers Mineral Resource Estimate of 1.289Bt" disclosed on 25 February 2015 and the report entitled "In excess of 85 million tonnes of Kieserite defined within Colluli Project Resource adds to multi agri-commodity potential" disclosed on 15 August 2016, which are available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## Competent Persons Statement (Sulphate of Potash Ore Reserve)

Colluli Proved and Probable Ore Reserve is reported according to the JORC Code and estimated at 1,100Mt @ 10.5% K2O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K2O Equiv. Proved and 815Mt @ 10.3% K2O Equiv. Probable. The Colluli SOP Mineral Resource includes those Mineral Resources modified to produce the Colluli SOP Ore Reserves.

The information relating to the January 2018 Colluli Ore Reserve is extracted from the report entitled "Colluli Ore Reserve update" disclosed on 19 February 2018 and is available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## Competent Persons Statement (Rock Salt Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 347Mt @ 96.9% NaCl. The Mineral Resource estimate contains 28Mt @ 97.2% NaCl of Measured Resource, 180Mt @ 96.6% NaCl of Indicated Resource and 139Mt @ 97.2% NaCl of Inferred Resource.

The information relating to the Colluli Rock Salt Mineral Resource estimate is extracted from the report entitled "+300M Tonne Rock Salt Mineral Resource Estimate Completed for Colluli" disclosed on 23 September 2015 and is available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms

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that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

#### AMC Consultants Pty Ltd (AMC) independence

In reporting the Mineral Resources and Ore Reserves referred to in this public release, AMC acted as an independent party, has no interest in the outcomes of Colluli and has no business relationship with Danakali other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC and the Competent Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

#### Quality control and quality assurance

Danakali exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals.

The samples are derived from HQ diamond drill core, which in the case of carnallite ores, are sealed in heat-sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory.

Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-Umwelttechnik GmbH, Sondershausen, Germany, utilising flame emission spectrometry, atomic absorption spectroscopy and ion chromatography. Kali-Umwelttechnik (KUTECH) has extensive experience in analysis of salt rock and brine samples and is certified according to DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungsstelle GmbH (DAR). The laboratory follows standard procedures for the analysis of potash salt rocks chemical analysis (K+, Na+, Mg<sup>2+</sup>, Ca<sup>2+</sup>, Cl, SO<sub>4</sub><sup>2-</sup>, H<sub>2</sub>O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

#### Forward looking statements and disclaimer

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