



# QUARTERLY REPORT

For the period ending 31 December 2019

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's aim is to become a leading producer and exporter of Sulphate of Potash (**SOP**), the premium potash type, during 2022.

## Highlights

- **Development commenced**
  - DRA Global (**DRA**) engaged for the provision of EPCM services
  - Early works commenced
  - Owner's Team mobilised
  - Global project management firm Turner and Townsend appointed to support Owner's Team
  - Earth Moving Worldwide (**EMW**) confirmed as preferred mining services provider
- **US\$50M strategic equity investment by the Africa Finance Corporation (AFC)**
  - Leading African infrastructure solutions provider AFC secured as strategic investor for Colluli
  - Eritrea ratified as AFC's 24<sup>th</sup> member state
  - AFC affirm Colluli as a 'stand-out' project with strategic importance
  - Equity investment to be made in two tranches
- **US\$200M CMSC senior debt documentation executed with AFC and African Export Import Bank**
  - CMSC has executed the debt documentation (a condition precedent to the second tranche of the AFC equity investment) following extensive engagement with the Mandated Lead Arrangers
  - Confirms total funding commitment to date of US\$250M for Colluli
- **Appointment of Chief Sustainability Officer**
  - Highly experienced mining executive, Mr. Todd Romaine, appointed as Chief Sustainability Officer
  - Mr. Romaine brings over 15 years of industry experience overseeing Corporate Social Responsibility (**CSR**) programs including policy & process development, operational governance, environmental monitoring and public awareness initiatives with stakeholders and the public
  - Significant Eritrea and international experience from previous role as Vice President, CSR & Government Relations at Canadian miner Nevsun Resources

## Key activities planned

- **Close remaining project financing requirements**
  - Close out tranche 2 of AFC equity investment
  - Satisfy conditions precedent to allow CMSC senior debt drawdown
  - Execute company equity strategy to close out remaining project financing requirements
- **Progression of project development**
  - Purchase of critical equipment including acquisition of water processing facility
  - Continuation of preliminary Engineering Procurement Construction Management (**EPCM**) work and construction schedule optimisation
  - Commence pre-construction geotechnical work
- **Finalise mining and power agreements**

## Financial position

- **Cash position of A\$33.8M as at 31 December 2019**

## Project financing

### US\$200M CMSC senior debt documentation executed

Danakali announced it had received credit approval for the US\$200M CMSC senior debt Facility from AFC and Afreximbank in August 2019. CMSC has executed the documentation for the Facility in December 2019, allowing drawdown of CMSC senior debt on satisfaction of customary conditions precedent.



*Personnel from Danakali; CMSC; Eritrean National Mining Corporation (ENAMCO) – including Hagos Gebrehiwet, Head of Economic Affairs, Eritrea, and Director of ENAMCO and CMSC, and Berhane Habtemariam, Minister of Finance, Eritrea, General Manager, ENAMCO, and Director of CMSC (pictured second and third from the right in the first row); AFC; Afreximbank; Borrower's and Lender's counsel and Endeavour Financial at the signing of the Facility documentation in Asmara, Eritrea*

### AFC confirmed US\$50M strategic equity investment

On 3 December 2019, the Company announced that AFC had agreed to make a US\$50M (A\$74M) strategic equity investment in Danakali to fund construction and project execution for Colluli. The subscription price of A\$0.60 per Share represented a 5% discount to Danakali's 30-day VWAP.

The Placement is being conducted in two tranches. The first tranche consisted of approximately 53M new Shares issued at A\$0.60 per Share to raise A\$31.8M (US\$21.6M); this tranche was completed on 10 December 2019. The second tranche will consist of approximately 70M new Shares at the same issue price to raise the remaining A\$42.0M (US\$28.4M). The second tranche requires shareholder approval at a general meeting.

Upon completion of the Placement AFC will hold 32% of Danakali.<sup>1</sup> AFC will be granted the right to nominate up to two directors to Danakali's Board, provided AFC's Danakali ownership remains above certain thresholds.

The Company is currently well progressed with assessment of a range of options for funding the balance required to bring Colluli into production.

Standard Chartered is acting as corporate financial adviser to Danakali, including with respect to discussions with potential strategic investors.

<sup>1</sup> Assuming no other issues of Shares take place prior to the completion of the issue of Shares under Tranche 1

## AFC is a strong partner for Danakali, Colluli and Eritrea

AFC is a leading investment bank and development financial institution created to help mobilise required capital towards driving Africa’s economic development. Established by international treaty, AFC is comprised of 24 member countries (including recent addition Eritrea) and has expertise in principal investing, project development and financial advisory. The organisation holds US\$4.5Bn in total assets and has an investment footprint across 30 African countries.



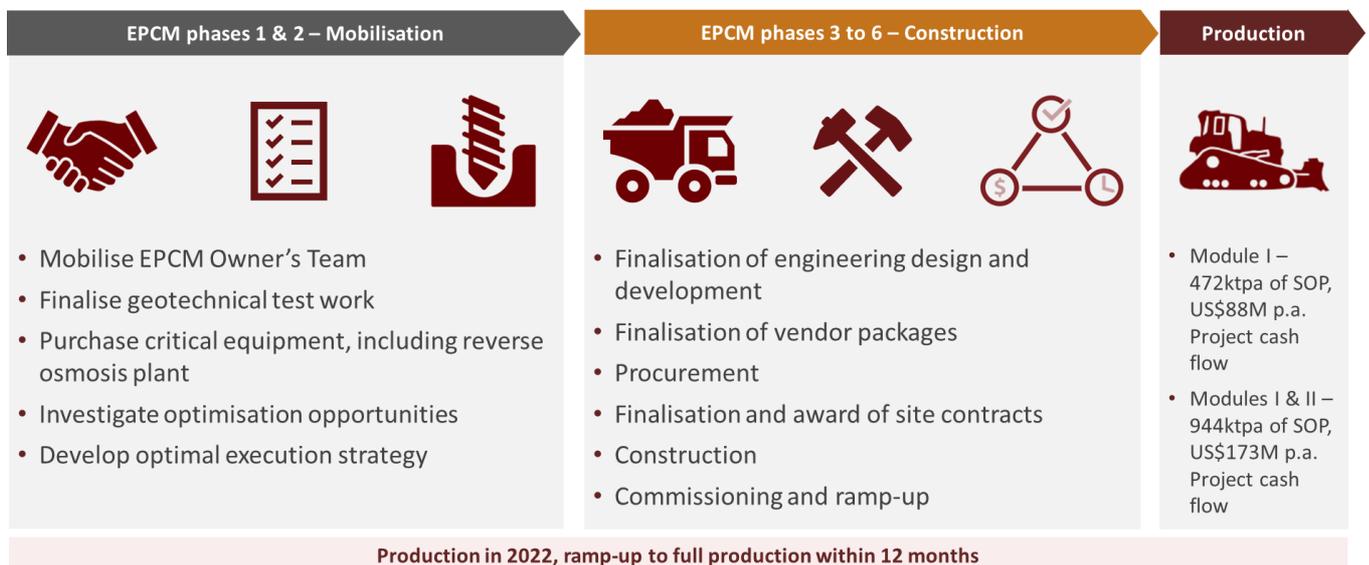
*“We assess hundreds of potential investment opportunities across Africa every year. Colluli stands apart from other opportunities due to its long life, low cost, low technical risk and proximity to infrastructure. We look forward to a cooperative alliance with Danakali in delivering the Colluli Sulphate of Potash Project.”*  
**AFC CEO, Samaila D. Zubairu**

## Project

### Development underway

The Company has engaged DRA Global (**DRA**) to commence the EPCM process.

In addition, multinational professional services company Turner & Townsend has been engaged to support the Owner’s Team. Danakali Project Director Tony Harrington has recently relocated to Eritrea to head up the construction office and has been leading the project execution activities, summarised below:



### Mining Services – EMW appointed as preferred mining contractor

Following a comprehensive tendering process, EMW was confirmed as the Company’s preferred contractor for Colluli’s mining services scope, which covers the pre-production period (development) plus the first 5 years of production, as well as provision, operation and maintenance of excavation, haulage and dewatering equipment. EMW has extensive global experience in mining services and will provide the Project with strong commercial and technical outcomes.

Finalisation of the Mining Services Contract is expected during the March 2020 Quarter.



## Corporate

### Chief Sustainability Officer appointed

Danakali is pleased to announce that Mr. Todd Romaine has been appointed as Chief Sustainability Officer (**CSO**).

Mr. Romaine brings significant experience in Environmental, Social & Corporate Governance (**ESG**) and Investor & Public Relations. Mr. Romaine has deep Eritrean experience accrued in his previous role as Vice President, CSR & Government Relations, with Eritrean miner Nevsun Resources.

As CSO, Mr. Romaine will be responsible for continuing and implementing the Danakali and Colluli's ESG strategies, and looking to drive Colluli's contribution to Eritrea's Sustainable Development Goals.



Mr. Romaine was interviewed following his appointment:

***Could you elaborate on your previous experience, particularly the aspects you would bring to your role leading the sustainable development of Colluli?***

*I worked 6.5 years as the Vice President, CSR & Government Relations for Nevsun Resources, a mid-tier Canadian mining company that owned 60% of the Bisha Mine in the Gash Barka region of Eritrea. I led the development and enhancement of a comprehensive corporate ESG program at the Bisha Mine, covering off relevant issues pertaining to worker rights, training & development, reporting & transparency, environmental management, health & safety, supply chain & procurement, stakeholder engagement and alignment with evolving national and international best practices.*

*My strategy in collaboration with our joint venture partner ENAMCO is to apply the standard of national and world class excellence to the sustainable development of Colluli.*

***Having worked in Eritrea extensively, could you provide an insight on the main opportunities presented by the jurisdiction?***

*There are many opportunities working in Eritrea including a very stable business relationship with the government, a hardworking and eager to learn workforce, no security or safety concerns, and well-maintained community infrastructure.*

***How will the Project contribute to Eritrea and their achievement of the UN's Sustainable Development Goals?***

*The UNDP report carried out on Colluli identified specific ways in which the Project can meaningfully advance 13 out of the 17 UN-defined Sustainable Development Goals of Eritrea including no poverty; quality education; gender equality; clean water and sanitation; sustainable economic growth; and decent work, industry, innovation and infrastructure. We aim to pursue as many of these goals as possible — some are more easily achieved than others. We aim to make our operations as sustainable and non-impacting as we can.*

*Furthermore, our product will be used to improve sustainable farming, crop yields and use of arable land for the end users it is delivered to. We are still working on the implementation of Sustainable Development Goals in our internal and external processes and aim to publish a CSR report, which will recognise the UN Sustainable Development framework.*



*As rightly indicated in the UNDP report, Colluli will play a significant role in empowering the Eritrean economy, including through job creation.*

## Investor engagement

### Presentations

Danakali's Chief Executive Officer, Niels Wage, and Non-Executive Chairman, Seamus Cornelius, attended the International Precious Metals & Commodities Show in Munich, 8-9 November.

### Videos

Danakali's Chief Executive Officer, Niels Wage, spoke to Proactive Investors Australia about AFC's US\$50M investment in December 2019. The interview can be found here: [www.proactiveinvestors.com.au/companies/news/909075/danakali-ceo-discusses-us50mln-investment-by-africa-finance-corporation-909075.html](http://www.proactiveinvestors.com.au/companies/news/909075/danakali-ceo-discusses-us50mln-investment-by-africa-finance-corporation-909075.html)

Niels also participated in the EMEA Metals & Mining Conference hosted by the LSE Group and Renaissance Capital. Their video can be found here: [www.linkedin.com/feed/update/urn:li:activity:6609977429509443584](https://www.linkedin.com/feed/update/urn:li:activity:6609977429509443584)

### Articles

Niels spoke to the Australian Mining Review about Colluli's sustainable development and role in addressing food security challenges. The interview can be found here: [www.australianminingreview.com.au/latest/#page=103](http://www.australianminingreview.com.au/latest/#page=103)

AFC's US\$50M cornerstone investment has been covered by several news sources including the following global media outlets:

- Proactive — Danakali's US\$50 million AFC investment facilitates start of Colluli project execution activities: [danakali.com.au/images/stories/media/2019/20191203-Proactive\\_Danakalis\\_US50\\_million\\_AFC\\_investment.pdf](http://danakali.com.au/images/stories/media/2019/20191203-Proactive_Danakalis_US50_million_AFC_investment.pdf); and
- Mining.com — Danakali secures US\$50 million investment from Africa Finance Corporation: [www.danakali.com.au/images/stories/media/2019/201912104-MINING.COM\\_Danakali\\_secures\\_50-million\\_investment\\_from\\_AFC.pdf](http://www.danakali.com.au/images/stories/media/2019/201912104-MINING.COM_Danakali_secures_50-million_investment_from_AFC.pdf)

## Capital

### Cash

Consolidated cash on hand was A\$33.8M as at 31 December 2019. Danakali received US\$21.6M from AFC during the December 2019 Quarter, the first tranche of AFC's two tranche US\$50M equity investment.

### Securities

As at 31 December 2019, there were a total of 318,546,306 fully paid ordinary shares on issue. During the December Quarter 2019, the Company issued the following fully paid ordinary shares:

- 52,958,908 shares to cornerstone investor AFC at A\$0.600 each
- 250,000 shares upon the exercise of unlisted options at A\$0.543 each
- 15,000 shares issued upon vesting of performance rights



As at 31 December 2019, there were a total of 6,004,112 unlisted options on issue at various exercise prices and expiry dates. No unlisted options were issued or lapsed during the December Quarter 2019. The following unlisted options were exercised during the period:

- 250,000 unlisted options with an exercise price of A\$0.543

As at 31 December 2019, there were a total of 2,285,100 performance rights on issue. 15,000 class 6 performance rights were converted to shares during the period. A total of 15,000 class 7 performance rights lapsed during the period. Additionally, performance hurdles in respect of 175,000 performance rights (25,000 class 6, 50,000 class 8, and 100,000 class 10) on issue as at 31 December 2019 were satisfied at this date. The shares in respect of these performance rights were issued in January 2020.

## Eritrea

### AFC membership – Ratified as 24<sup>th</sup> member state of AFC

AFC has confirmed Eritrea's accession and ratification to becoming an AFC member state.<sup>2</sup> Membership underlines the Eritrean Government's support of AFC's provision of financing for the development and construction of Colluli. The decision was ratified by the President of Eritrea on 6 November 2019.



"It is my pleasure to welcome Eritrea as a member state of AFC. The government's efforts at prioritising infrastructure investments bodes well for the country and we are committed to supporting Eritrea's economic development programmes,"  
**AFC President and CEO, Samaila Zubairu**

As its 24<sup>th</sup> member state, Eritrea stands to benefit from AFC's significant project development expertise and extensive partner network, which includes lenders, investors, project sponsors, project development companies and institutions.

*"[The membership] represents a strong endorsement from the Eritrean Government for one of CMSC's key funding partners and exhibits AFC's aspirations for further mining and infrastructure investment in Eritrea. This will bring significant economic and social development to Eritrea and the region."*

**Danakali CEO, Niels Wage**

### Horn of Africa – International recognition for positive developments

Ethiopian Prime Minister Abiy Ahmed received a Nobel Peace Prize for his role in restoring peace to the Horn of Africa. In his acceptance speech, Ahmed commended Eritrea's contribution to resolving the long-running conflict between the two countries, hailing Eritrean President Isaias Afwerki as his 'comrade-in-peace'.

There has been increased international involvement in the region with the new President of the European Commission, Ursula von der Leyen, choosing Ethiopia, rather than the UK or USA as the destination for her first trip in the role. Further, Eritrean President Afwerki received a senior Saudi delegation during October, and in November, the African Union & United Nations held a joint delegation in the Horn of Africa discussing regional integration and women empowerment.

---

<sup>2</sup> AFC Press Release, 4 December 2019



DANAKALI



Ahmed (left) and Afwerki at the reopening of Eritrea's Embassy in Ethiopia; source: Proactive

## 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.

### *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 December Quarter 2019.

For more information, please contact:

#### **Danakali**

Niels Wage  
Chief Executive Officer  
+61 8 6189 8635

Todd Romaine  
Chief Sustainability Officer  
+1 (604) 365 5999

#### **Corporate Broker – Numis Securities**

John Prior / James Black / Paul Gillam  
+44 (0)20 7260 1000

#### **UK IR/PR – Instinctif Partners**

Mark Garraway / Sarah Hourahane / Dinara Shikhmetova  
danakali@instinctif.com  
+44 (0)207 457 2020

Visit the Company's website: [www.danakali.com](http://www.danakali.com)

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

Subscribe to Danakali on YouTube: [www.youtube.com/channel/UChGKN4-M4IOvPKxs9b-IJvw](https://www.youtube.com/channel/UChGKN4-M4IOvPKxs9b-IJvw)

Announcement authorised for release by the board of Danakali.

#### **Danakali Limited**

Level 11, Brookfield Place, 125 St Georges Terrace Perth WA 6000  
Tel: +61 8 6189 8635 / ABN 56 097 904 302

## Appendix 5B

# Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

### Name of entity

Danakali Limited

### ABN

57 097 904 302

### Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(237)	(962)
(e) administration and corporate costs	(448)	(1,778)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	81
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(673)</b>	<b>(2,659)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) 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	(1,251)	(4,421)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,251)</b>	<b>(4,421)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	31,775	31,775
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	136	638
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
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>31,911</b>	<b>32,413</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	4,897	9,551
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(673)	(2,659)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,251)	(4,421)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	31,911	32,413
4.5	Effect of movement in exchange rates on cash held	(1,084)	(1,084)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>33,800</b>	<b>33,800</b>

5. <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	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	19,543	4,897
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (term deposit)	14,257	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>33,800</b>	<b>4,897</b>

6. <b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2 and 2.5	124
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Item 1.2 includes aggregate amounts paid to directors including salary, directors' fees, and superannuation (excluding the reimbursement of expenses)

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	Nil	Nil
8.2 Credit standby arrangements	Nil	Nil
8.3 Other (please specify)	Nil	Nil
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

--

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(260)
9.5 Administration and corporate costs	(1,130)
9.6 Other - Funding of Joint Venture	(13,371)*
9.6 Other - Transaction costs related to issues of shares	(4,713)
<b>9.7 Total estimated cash outflows</b>	<b>(19,474)</b>

\* Includes lenders fees associated with the debt financing.

<b>10. Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

### 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.

Sign here:  (Joint Company Secretary)

Date: 30 January 2020

Print name: Melissa Chapman

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

## 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 to make a US\$50M strategic equity investment in Danakali. The receipt of the first tranche of US\$21.6M (A\$31.8M) allowed commencement of development. Second tranche will consist of approximately US\$28.5M (A\$42.0M) and is expected in March 2020.

Project execution has commenced and SOP production is expected 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% K<sub>2</sub>O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K<sub>2</sub>O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K<sub>2</sub>O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K<sub>2</sub>O 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% K<sub>2</sub>O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K<sub>2</sub>O Equiv. Proved and 815Mt @ 10.3% K<sub>2</sub>O 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

## Danakali Limited

Level 11, Brookfield Place, 125 St Georges Terrace Perth WA 6000

Tel: +61 8 6189 8635 / ABN 56 097 904 302



DANAKALI

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 (KUTEC) 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+, Mg2+, Ca2+, Cl-, SO42-, H2O) 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

The information in this document is published to inform you about Danakali and its activities. Danakali 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 address future production, project development, reserve or resource potential, exploration drilling, exploitation activities, 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 results or developments may differ materially from those in forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include market prices of potash and, exploitation and exploration successes, capital and operating costs, changes in project parameters as plans continue to be evaluated, continued availability of capital and financing and general economic, market or business conditions, as well as those factors disclosed in the Company's filed documents.

There can be no assurance that the development of Colluli will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. 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.

Mineral Resource, Ore Reserve, production target, forecast financial information and financial assumptions made in this announcement are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 23 September 2015, 15 August 2016, 1 February 2017, 29 January 2018, and 19 February 2018 which continue to apply and have not materially changed. The Company is not aware of any new information or data that materially affects assumptions made.

No representation or warranty, express or implied, is or will be made by or on behalf of the Company, and no responsibility or liability is or will be accepted by the Company or its affiliates, as to the accuracy, completeness or verification of the information set out in this announcement, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. 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 or any such statement.

The distribution of this announcement outside the United Kingdom may be restricted by law and therefore any persons outside the United Kingdom into whose possession this announcement comes should inform themselves about and observe any such restrictions in connection with the distribution of this announcement. Any failure to comply with such restrictions may constitute a violation of the securities laws of any jurisdiction outside the United Kingdom.

#### Danakali Limited

Level 11, Brookfield Place, 125 St Georges Terrace Perth WA 6000

Tel: +61 8 6189 8635 / ABN 56 097 904 302