



QUARTERLY REPORT

For the period ending 30 June 2018

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**).

Highlights

- **Binding take-or-pay offtake agreement confirmed for up to 100%** (minimum 87%) of Colluli Module I SOP production **with EuroChem**¹
- Admission to the Standard Segment of the Official List of the Financial Conduct Authority and **trading on the LSE Main Market**²
- Appointment of **Seamus Cornelius as Executive Chairman**, following resignation of CEO, Danny Goeman
- Appointment of **CCO, Niels Wage** to lead product sales, logistics and export strategy
- **Significant positive developments in Eritrean-Ethiopian relations including signing of peace treaty** providing a platform of stability for the region

Key activities planned for the September 2018 Quarter

- Assess **CEO candidates**
- Confirmation of **preferred EPCM contractor**
- Confirmation of **preferred mining contractor**, finalisation of negotiations and advancement of contract terms
- Continue **due diligence process for debt** portion of project financing
- **Extensive investor awareness exercises** in the UK and other jurisdictions
- Detailed assessment of operations readiness processes and systems to **position Danakali and CMSC for development and production**
- CMSC to **finalise the SEMP**s, with sign-off expected shortly after submission

Corporate

- **Cash position of A\$14.4M** as at 30 June 2018
- The Company's **AGM was held on Friday, 11 May 2018**

¹ ASX announcement, 12 June 2018

² ASX announcement, 24 July 2018

Project

Colluli project execution preparedness is well underway. Danakali and CMSC are focused on logistics and other technical collaboration aspects with offtake partner EuroChem, operational contracts, operations readiness, funding and corporate social responsibility initiatives.

Offtake – Binding take-or-pay offtake confirmed³

Danakali, on behalf of CMSC, has announced a binding take-or-pay offtake agreement with EuroChem Trading GmbH (**EuroChem**) for up to 100% (minimum 87%) of Module I Sulphate of Potash (**SOP**) production from Colluli. 10 year term from the date of first commissioning of the Colluli SOP processing plant, with an option, if mutually agreed, to extend for a further 3 years.

The offtake agreement reinforces Colluli's position as an advanced stage and economically attractive project relative to other SOP greenfield development projects. The offtake agreement is also expected to be instrumental in unlocking project funding and represents a strong endorsement for the Project. The take-or-pay nature of the offtake agreement (and associated terms) provides cash flow certainty and strengthens the Colluli and Danakali investment propositions.

EuroChem – An outstanding partner



EuroChem has global reach and extensive fertiliser expertise and experience.

- Leading global producer of nitrogen, phosphate, and potash fertilisers, as well as certain industrial and mining products
- Aiming to be one of the world's top 5 fertiliser producers – by both nutrient capacity and profitability
- Vertically integrated with activities spanning mining, fertiliser production, logistics and distribution
- CY2017 revenue of US\$4.9B and EBITDA of US\$1.1B⁴

EuroChem may use a portion of Colluli SOP to produce complex Nitrogen Phosphate Potassium (NPK) fertilisers at its facilities in Antwerp, Belgium, and Nevinnomyssk, Russia. The balance of SOP provided to EuroChem will be sold through their international channels. CMSC has the option to sell up to 13% of production through alternative sales channels.

EuroChem has agreed to provide technical support to the Project on terms to be agreed. EuroChem Group AG will provide a parent company guarantee as part of the offtake agreement.

"We are excited about participating in this project with CMSC, as part of our growing global presence. Colluli is one of the closest SOP deposits to a coastline anywhere in the world and, in solid form, the salts at Colluli can be processed immediately, significantly reducing the time between mining and revenue generation."

EuroChem Group AG CEO, Dmitry Strezhnev

³ ASX announcement, 12 June 2018

⁴ <http://www.eurochemgroup.com/en/home/#>

Eritrea – Eritrean officials visit Ethiopia for first time in 20 years

Significant positive developments in Eritrean-Ethiopian relations throughout June and July 2018.

- Eritrean President Isaiya Afewerki and Ethiopian Prime Minister Abiy Ahmed announced the re-establishment of diplomatic and trade ties⁵
- First time leaders of the countries had met in almost 20 years⁶
- Leaders of both nations have signed a historic peace treaty⁷
- Prime Minister Abiy and President Isaias agreed to reopen embassies in the respective capitals⁸
- Ethiopia has submitted a request for the U.N. to lift Eritrean sanctions (primarily consisting of arms embargoes), with U.N. Chief Antonio Guterres also stating that sanctions may no longer be needed⁹
- Ethiopian Airlines resumed flying from Addis Ababa to Asmara¹⁰
- Ethiopia will soon be able to send freight trains to Assab, Eritrea's port on the Red Sea¹¹
- Telephone services between the two countries have been restored¹²
- The Ethiopian and Eritrean soccer teams are set to play their first match in 20 years in Asmara in August¹³
- The United Arab Emirates' highest award, The Order of Zayed, was conferred on the Eritrean and Ethiopian leaders in recognition of their work for peace between the two nations¹⁴

The progress in relations between Eritrea and Ethiopia enhances the opportunities for increased and sustained economic development for Eritrea and represents a de-risking event for foreign investment.

Figure 1: The progress with Ethiopia has been very well received in Asmara, with ongoing celebrations taking place



⁵ BBC News, Eritrea and Ethiopia to re-establish diplomatic ties, 9 July 2018

⁶ BBC News, Eritrea and Ethiopia to re-establish diplomatic ties, 9 July 2018

⁷ The Wall Street Journal, Eritrea, Ethiopia sign historic peace deal, 9 July 2018

⁸ BBC News, Eritrea and Ethiopia to re-establish diplomatic ties, 9 July 2018

⁹ Bloomberg, Once Bitter Foes, Ethiopia and Eritrea Promise 'Bridge of Love', 9 July 2018

¹⁰ The Globe and Mail, Ethiopia and Eritrea finally give peace a chance, 20 July 2018

¹¹ The Globe and Mail, Ethiopia and Eritrea finally give peace a chance, 20 July 2018

¹² The Globe and Mail, Ethiopia and Eritrea finally give peace a chance, 20 July 2018

¹³ BBC, Ethiopia and Eritrea set for first match in 20 years, 23 July 2018

¹⁴ Africa News, Ethiopia-Eritrea leaders meet in UAE, awarded for peace deal, 24 July 2018



Project financing – LSE listing represents a key component of project funding strategy

Equity – LSE listing completed

The Company's Ordinary Shares were admitted to the Standard Segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange's (LSE) Main Market at 8.00am BST on 24 July 2018, ticker "DNK"¹⁵.

"We are delighted to deliver on another of our strategic goals for 2018. The LSE listing should increase our profile, liquidity and breadth of potential investors. It is a key milestone as we move towards construction and production at the Colluli Potash Project."

Danakali Executive Chairman, Mr. Seamus Cornelius

Figure 2: The Company, its advisers to the LSE listing and other UK stakeholders 'ring the bell'



Figure 3: (from left) Eritrean UK Embassy Media & Communications Officer, Yared Tesfay Negasi; Head of Corporate Development & External Affairs, William Sandover; Executive Chairman, Seamus Cornelius, Eritrean Ambassador to the UK, his excellency Estifanos Habtemariam; Non-Executive Director, Andre Liebenberg; Arlington Group Executive Director, Richard Lockwood; and Global Head of LSE Primary Markets, Dr Robert Barnes, in front of Danakali's trading information at the LSE



¹⁵ ASX announcement, 24 July 2018



To facilitate trading of Danakali's shares on the Standard Segment of the LSE Main Market, Danakali has established a Depository Interest (DI) facility, under which it has appointed Computershare Investor Services Plc (**Computershare UK**) as the depository. Securities of Australian issuers such as Danakali cannot be directly registered, transferred or settled through CREST (which is the electronic settlement system in the UK). The DI facility overcomes this by creating entitlements to Danakali's shares (the DIs), which are deemed to be UK securities and therefore admissible to CREST. The underlying shares are listed and traded on the Standard Segment of the LSE Main Market, while the DIs are transferred in CREST to settle those trades.

If shareholders choose to move their securities to the UK to trade/or hold and become the holder of DIs, their shares are no longer held in their name on Danakali's Australian share register. Instead they are held by Computershare UK's Australian custodian. DI holders become the beneficial holder of those Danakali shares, with the DIs held on Danakali's UK DI register in CREST on their behalf by their broker.

Further information can be found on the Company's website at: danakali.com.au/investor-relations/LSE-listing-documents.

Numis Securities, Financial Adviser to the Company's LSE listing, has initiated research coverage on Danakali.

Debt – Due diligence continues

Ongoing discussions with potential debt providers. Multiple potential debt providers are well progressed with their due diligence. Detailed meetings and site visits are planned for the upcoming quarter.

Key contracts – Final negotiations

EPCM – final approvals for preferred contractor

Work continues with the shortlisted Engineering Procurement Construction and Management (EPCM) contractors. It is expected that the preferred EPCM contractor will be selected early in the second half of 2018.

Mining – final approvals and negotiations for preferred contractor

Negotiations with the shortlisted mining contractors advanced during the June 2018 Quarter. It is expected that the preferred mining contractor will be selected early in the second half of 2018.

Social and environmental – SEMP's approach finalisation

Following a period of consultation and further works, the Eritrean Ministry of Land, Water & Environment has requested that CMSC finalise the Social and Environmental Management Plans (SEMPs) by incorporating recently agreed responses and changes. The final SEMP's have been submitted and sign-off is expected imminently.

Operations readiness – Key systems development underway

Key components of the social and environmental, human resources, safety, risk and business management systems are under development in readiness for the commencement of project execution.

Corporate

Leadership transition – Appointment of Executive Chairman and CCO

On 14 June 2018 Danakali announced the following leadership changes:

- Appointment of Non-Executive Chairman, Mr. Seamus Cornelius, as Executive Chairman
- Appointment of Mr. Niels Wage as Chief Commercial Officer (CCO)
- Resignation of Chief Executive Officer (CEO), Mr. Danny Goeman

Seamus Cornelius – Executive Chairman

Mr. Cornelius had served as Non-Executive Chairman of Danakali since July 2013. Mr. Cornelius is a corporate lawyer and former partner of one of Australia’s leading law firms. He has a high degree of expertise in cross-border transactions, particularly in the resources and finance sectors.



Niels Wage – Chief Commercial Officer

The Company is pleased to advise that highly experienced industry executive, Mr. Niels Wage has been appointed as CCO. Mr. Wage has significant shipping, trading and commodity experience, and has held a number of senior management roles at BHP including Vice President Potash, Vice President Freight and Vice President Diamonds.



At Danakali, Mr. Wage will be responsible for workstreams including:

- Conducting a detailed joint logistics study with EuroChem
- Further developing CMSC’s product sales strategy
- Developing plans for CMSC’s own product export terminal at Anfile Bay, 87km from Colluli
- Assessing the expansion of CMSC’s product range

Mr. Goeman joined Danakali in 2016 as Head of Marketing before assuming the role of CEO in 2017. During his time with the Company, Mr Goeman developed the offtake strategy and contract framework, and led the offtake negotiations on behalf of CMSC. Mr. Goeman’s leadership resulted in the execution of a binding take or pay offtake agreement with EuroChem covering up to 100% (minimum 87%) of the planned Module I SOP production from Colluli.

Mr. Goeman has accepted an offer to become Global Director Sales & Marketing for Fortescue Metals Group (ASX: FMG) and will finish at Danakali on 3 August 2018. The Company thanks Mr. Goeman for his service to Danakali and CMSC and wishes him all the best in his new role.

A CEO assessment process to identify the right individual to take Colluli into development and production is well underway. Mr. Cornelius will remain as Executive Chairman until 3 months after the appointment of a new CEO.

Policies – Several policies updated in line with LSE listing

The following Company policies have been updated in line with UK laws and regulations in line with the Company’s LSE listing:

- the Code for Dealing in Danakali Securities has been updated to comply with the Market Abuse Regulation (MAR);
- the Continuous Disclosure Policy has also been updated to comply with MAR; and
- the Anti-Corruption Policy has been replaced by an Anti-Bribery Policy, and complies with the UK’s Bribery Act 2010

Annual General Meeting

The Company's Annual General Meeting (**AGM**) was held on Friday, 11 May 2018 at 10.00am AWST. For more information, refer to the Notice of AGM announced 10 April 2018 and results of the meeting announced 11 May 2018.

Capital – Moderate expenditure ahead of project execution

Consolidated cash on hand was A\$14.4M as at 30 June 2018.

During the June 2018 Quarter, the Company issued the following fully paid ordinary shares:

- 2,272,728 shares on exercise of unlisted options at A\$0.35 each¹⁶
- 200,000 shares on exercise of unlisted options at A\$0.45 each
- 738,346 shares on cashless exercise of 1,949,000 unlisted options at A\$0.405 each (shares issued at A\$0.652 each)
- 116,586 shares on cashless exercise of 750,000 unlisted options at A\$0.527 each (shares issued at A\$0.624 each)
- 90,740 shares on cashless exercise of 600,000 unlisted options at A\$0.55 each (shares issued at A\$0.648 each)
- 151,234 shares on cashless exercise of 1,000,000 unlisted options at A\$0.55 each (shares issued at A\$0.648 each)
- 10,000 shares on vesting of performance rights (Class 7: 10,000)

At 30 June 2018, there were a total of 263,811,414 fully paid ordinary shares on issue.

The following unlisted options were exercised during the June 2018 Quarter raising a total of A\$0.09M:

- 200,000 unlisted options with an exercise price of A\$0.45 each expiring 23 June 2018
- 1,949,000 unlisted options with an exercise price of A\$0.405 each expiring 13 May 2018
- 750,000 unlisted options with an exercise price of A\$0.527 each expiring 29 May 2018
- 600,000 unlisted options with an exercise price of A\$0.55 each expiring 31 May 2018
- 1,000,000 unlisted options with an exercise price of A\$0.55 each expiring 31 December 2018

75,000 unlisted option with an exercise price of A\$0.35 expired on 13 May 2018 without being exercised. There were no unlisted options issued during the June 2018 Quarter. At 30 June 2018, there were a total of 3,840,000 unlisted options on issue at various exercise prices and expiry dates.

The following performance rights vested and were converted to shares during the June 2018 Quarter:

- 10,000 Class 7 performance rights vested and converted to shares

At 30 June 2018, there were a total of 1,373,000 performance rights on issue.

¹⁶ Shares were issued on 4 April 2018 in respect of options at A\$0.35 which were exercised prior to their expiry on 30 March 2018 (funds received in the June 2018 Quarter)

Interests in mining tenements

The 7 Mining Licences awarded to CMSC span over 60km² of the 100km² Mining Agreement area¹⁷.

Table 1: Tenement holdings

Tenement:	Colluli, Eritrea
Nature of interest	Owned
License type	Mining Licences
Current equity	50%

There was no change in tenement holding during the June 2018 Quarter.

For more information, please contact:

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¹⁷ ASX announcements, CMSC enters into Mining Agreement for world class Colluli Potash Project, 1 February 2017, and Award of Mining Licences for world class Colluli Potash Project, 1 February 2017

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")

30 June 2018

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	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(348)	(440)
(e) administration and corporate costs	(594)	(951)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	44	90
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)	-	-
1.9 Net cash from / (used in) operating activities	(898)	(1,301)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) 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) 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	(1,241)	(3,725)
2.6	Net cash from / (used in) investing activities	(1,241)	(3,725)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	90	3,886
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)	-	-
3.10	Net cash from / (used in) financing activities	90	3,886

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16,426	15,505
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(898)	(1,301)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,241)	(3,725)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	90	3,886
4.5	Effect of movement in exchange rates on cash held	24	36
4.6	Cash and cash equivalents at end of period	14,401	14,401

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	14,401	16,426
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	14,401	16,426

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2 and 2.5	142
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. Payments to related entities of the entity and their associates	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

8. Financing facilities available

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

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.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
Nil	Nil
Nil	Nil
Nil	Nil

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9. Estimated cash outflows for next quarter**\$A'000**

9.1 Exploration and evaluation

9.2 Development

9.3 Production

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other - Funding of Joint Venture

9.7 Total estimated cash outflows

-

-

-

(165)

(598)

(3,504)

(4,267)

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
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: 31 July 2018

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) (**Danakali**, or the **Company**) is an ASX-listed potash company focused on the development of the Colluli 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 potash deposit. The resource is amenable to open pit 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 **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.

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 growth 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. 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. 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. 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.

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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^+ , Mg^{2+} , Ca^{2+} , Cl^- , SO_4^{2-} , H_2O) 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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