



QUARTERLY REPORT

For the period ending 31 March 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**).

Highlights

- **Significant CMSC senior debt funding progress**
 - Financier due diligence satisfied for US\$200M of senior debt
 - AFC and Afreximbank moving through internal approvals required for credit approval
- **Mr. Niels Wage appointed as CEO after an extensive global search¹**
 - Mr. Wage brings invaluable experience from former senior management roles at BHP, including Vice President Potash and Vice President Freight
 - Mr. Wage's appointment is timely as Danakali finalises project funding and moves into project development
- **Independent UNDP report identifies Colluli's ability to boost Eritrean economy and support the country's Sustainable Development Goals²**
 - Examines Colluli's potential to enhance the delivery of the UN Global Goals for Sustainable Development in Eritrea
 - Concludes that Colluli could significantly boost the Eritrean economy with associated benefits to agricultural productivity, training and employment
- **Mr. Tony Harrington promoted to Project Director**
 - Reflects Mr. Harrington's deep skills and experience in project execution in emerging jurisdictions
 - Highlights Colluli is at 'shovel ready' development stage

Key activities planned for the June 2019 Quarter

- **Finalise CMSC senior debt credit approval**
- **Progression of project execution**
 - Tendering of EPCM sub-contracts
- **Danakali Annual General Meeting to be held on Monday, 27 May 2019³**

Financial position

- **Cash position of A\$7.6M as at 31 March 2019**

¹ DNK announcement, 25-Mar-19

² DNK announcement, 30-Jan-19

³ DNK announcement, 24-Apr-19



Project

Project update – Colluli is ‘shovel ready’

Colluli is ‘shovel ready’ pending funding. 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. Risk assessments and compliance checks are ongoing to support execution and operations readiness. Additionally, Danakali is looking into organic certification for Colluli’s products.

Project financing – AFC and Afreximbank progressing through internal approvals towards credit approval

Mandated Lead Arrangers (**MLAs**), AFC and Afreximbank, have completed due diligence and commenced the internal approval processes required ahead of credit approval for US\$200M of CMSC senior debt.

Outside of the CMSC senior debt process, the Company continues to move the Project’s funding requirements forward through the following avenues:

- extensive awareness exercises carried out to further raise the profile of Danakali and Colluli;
- ongoing discussions with strategic, institutional and private client investors and brokers globally; and
- moving towards financial close for Colluli Module I in parallel with the CMSC senior debt process.

The Company is carefully working towards achieving the further funding requirements at the optimal time and on the optimal terms. It is Danakali and CMSC’s aim to commence project execution this year.

Operational contracts – Ongoing progression and assessment including tenders for EPCM sub-contractors

Specific conditions of final contracts agreed at CMSC level for EPCM, mining services and power. Major contracts have been reviewed by the legal counsel appointed by the MLAs. Feedback has been received with respect to senior debt compatibility and no material gaps exist.

Execution preparedness continues, including ongoing collaboration with DRA Global. Several sub-contractor visits to Asmara, the Port of Massawa and Colluli were held during the first quarter of 2019. Potential mechanical services and camp provider sub-contractors were among those that carried out preliminary due diligence ahead of CMSC issuing tender packages.

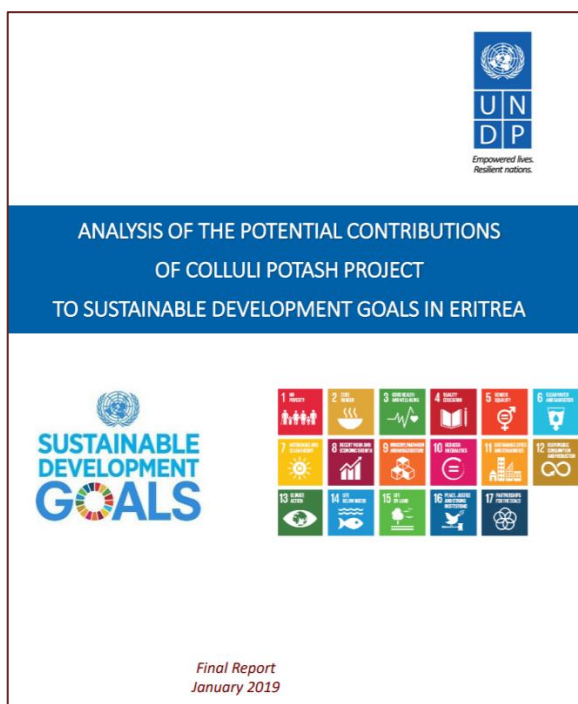


DANAKALI

Photos of the Port of Massawa from recent site visits



UNDP Report – The UNDP highlights Colluli’s potential⁴



A report prepared by independent consultants that was initiated and funded by the United Nations Development Programme (**UNDP**) on the potential contributions of the Project to Eritrea’s Sustainable Development Goals (**SDGs**) was released during the March 2019 Quarter (the **Report**). The Report can be viewed on the Company’s website via this link: <http://www.danakali.com.au/the-colluli-project/undp-report>.

The Report asserts that the size of Colluli’s deposit and length of mine life give it the potential to boost Eritrea’s economy and agriculture. SOP fertiliser can be used to grow high value fruits, nuts and vegetables and promote food security in Eritrea and Africa more broadly.

The Report concludes Colluli can significantly boost the Eritrean economy through 5 areas of direct impact and meaningfully advance the Sustainable Development Agenda of Eritrea, in particular with respect to 13 out of the 17 defined UN SDGs.

⁴ DNK announcement, 30-Jan-19; Danakali and its Board take no responsibility for the content of the Report, nor does the Company or its Board endorse or warrant the accuracy of any content of the Report



Colluli's 5 areas of direct impact and corresponding 13 SDGs

 Economic value generated	 No poverty
	 Zero hunger
	 Good Health and Wellbeing for people
	 Quality Education
 People and society	 Gender Equality
	 Clean Water and Sanitation
 Environmental impact	 Sustainable Economic Growth & Decent Work
	 Industry, Innovation and Infrastructure
	 Reduced Inequalities
 Fiscal effects	 Responsible consumption and production
	 Climate Action
 Production, potash and other minerals fertilisers	 Peace, Justice and Strong Institutions
	 Partnerships for the Goals

“From a global perspective the Project is a very interesting case and can be considered a significant step ahead in terms of the relationship between the resource industry and the development agenda of the host country, and how to understand mining contributions beyond the traditional direct economic effects.”

Senior Economist and joint author of the Report, Cristian Parra

“Colluli is much more than a great mining asset. Not only does it have outstanding grade, size, location and simplicity; Colluli’s products will also help farmers and support food security in Eritrea, across Africa and beyond. The Report effectively highlights the alignment between Danakali and, our partners, ENAMCO in ensuring the Project is successfully executed. We look forward to working with ENAMCO to ensure Colluli reaches its full potential for the benefit of all stakeholders.”

Executive Chairman of Danakali, Seamus Cornelius

CMSC and Danakali employees ahead of a recent site visit



Corporate

New CEO appointed – Mr. Niels Wage appointment positions Danakali for near and long-term advancement and building of shareholder value⁵

Following a thorough global search for potential CEO candidates, Mr. Wage was appointed as CEO in the March 2019 Quarter due to his extensive and relevant industry experience, clear leadership capabilities, and passion for the Colluli Potash Project and Eritrea.

Mr. Wage brings significant potash, trading and logistics experience to the team. Prior to joining Danakali he held a number of senior management roles at BHP, including Vice President Potash, Vice President Freight and Vice President Diamonds. At BHP he was also responsible for marketing, sales and supply chain for the Jansen Potash Project. Mr. Wage previously worked in trading and logistics for Cargill and Vopak. He has also held a series of directorships including joint ventures between Japanese firms K-line, Daiichi and JFE Steel and BHP, the International Plant Nutrition Institute and RightShip. He holds a Master's Degree in Business Economics from the University of Amsterdam and has completed the International Directors Programme at global business school INSEAD.

Mr. Wage joined Danakali in June 2018 as Chief Commercial Officer (**CCO**). As CCO, Mr. Wage assisted the Company with building and maintaining industry relationships including interacting with CMSC's offtake partner, EuroChem. He has also been involved in investigating the multicommodity and logistics optimisation potential of the Project, further developing CMSC's product sales strategy, advancing Danakali and CMSC's social and environmental agenda, and supporting funding, project execution and operations readiness processes.

"I look forward to building value for shareholders by working closely with the Danakali team, joint venture partners ENAMCO and other stakeholders to move rapidly towards production from Colluli. I am privileged to be able to contribute to a unique project that has the potential to positively change the lives of people in Eritrea and across the region while helping to deliver the substantial and environmentally sound increases in global food supply required in the coming decades."

Danakali CEO, Niels Wage



Watch a recent video interview with Mr. Wage here: https://www.youtube.com/watch?v=_VH9ndzsF3I

Project Director – Mr. Tony Harrington promoted to Project Director

Mr. Tony Harrington was recently promoted to the role of Project Director (from Project Manager). He brings a depth of experience to his role as well as Eritrean and wider developing nation insight.

Mr. Harrington has over 35 years' experience managing the delivery of projects across a diverse range of commodities, mineral processing units and jurisdictions including East Africa, West Africa, Southern Africa, China, Europe, UK and Australia.

⁵ DNK announcement, 25-Mar-19



Mr. Harrington has spent the majority of the last 9 months in Eritrea. He has been progressing EPCM, operations readiness and other project execution processes.

Mr. Harrington was interviewed following his appointment:

Could you elaborate on your previous experience, particularly as relevant for leading project execution at Colluli?

“I have had a lot of experience over the years in development projects in various parts of the world, mainly Africa, but also Asia, Europe and Australia. In previous roles I have been known as ‘Mr. Fix It’; someone that can be called on to drive strong outcomes in troubled or difficult projects.

In 2012, I worked on the 0.3 billion dollar expansion of the Lumwana Copper Mine, a large copper mine and processing facility with a plant production rate of 25Mtpa in Zambia close to the Democratic Republic of Congo border. The project was finished on time and on budget.



I also project managed the 0.3 billion dollar Kwale Mineral Sands Project in Kenya, the country’s first major mining venture. We finished with around double the intended nameplate throughput allowing an expected average production of 470ktpa of mineral sands products. The Kwale Project has since won awards related to sustainable development and is well known for its strong culture of Corporate Social Responsibility.

I was also involved as Construction Manager and became Project Manager at the Jinfeng Biox Gold Project in China. At the time it was the first western developed mine built in China. A similar structure to CMSC, it was a joint venture between the Chinese Government and Sino Gold, an Australian company. The Chinese Government expected a 7 to 10 year project, but we aimed for 3 to 4 years. We had the mine operating in 40 months – from start to finish, quite an achievement. The project won an award from the Chinese Government because there were over 7 million man hours without any lost time through injuries.”

What is a key learning from your experiences in developing projects?

“Change control. Too often changes in development strategy can be made without the necessary analysis and assessment. Change decisions can be made expecting a certain positive result but can end up leading to a cascading negative effect on other and often unexpected parts of the project. It is very important to keep control and understand change. Even if change is done well and doesn’t add further dollars, it almost always adds time.

There are a lot of issues that will need to be addressed during a project, this can lead to distraction. It’s very important that you always keep everyone focused on what needs to be achieved and when, always drive towards the end result to make the project successful.”

Having spent significant time in Eritrea, what insights can you give into the country?

“There has been quantum change since the signing of the peace agreement and the opening of borders. During the peace process in July 2018 there were several public celebrations, both formal and informal,



around Eritrea. All the celebrations I witnessed were about happiness, peace, hope, and the ability to see cross border families.

There has been a lot more traffic on the road, particularly Ethiopian trucks going into Massawa, and a marked increase in the numbers of people in Asmara and Massawa. More products, including white goods and other commodities, have been imported from Ethiopia which has increased competition and driven prices down. This is seen as a strong positive."

What are you currently focusing on in Eritrea?

"While I'm here I'm doing a number of things, including assessing current resources and team in-country, to better understand our capabilities as we go into the execution phase. Based on that understanding and review, an organisation structure is set up and we can build our Owner's Team. I want to utilise as much of our current skills and capacity as possible, and ensure we have the additional support where required. Community, human resources, and safety are among the areas I am and will be prioritising.

I am also ensuring we have consistent interactions with the Eritrean Government and our joint venture partners ENAMCO. These relationships are very strong."

What will be your first steps once Danakali achieves project funding?

"I will send a letter of intent to preferred EPCM contractor DRA so that they can ramp-up their workforce. We will kick-off the project and carry out Phases 1 and 2 of the EPCM plan [see below]. In parallel, I will start mobilising Colluli's Owner's Team. Part of the Owner's Team ramp-up scope will be to set up internal project control systems, internal reporting systems, and re-evaluate the current FEED study from a practical project execution perspective. We will then sit down with DRA and work through an updated FEED schedule, utilise and assess independent work and check differences between the Owner's Team and DRA, agree a position, and move into Phase 3."

Colluli EPCM phases

Phase 1

FEED review

- Mobilise EPCM Owner's Team
- Critical review of FEED in context of EPCM methodology
- Finalise geotechnical test work
- Purchase critical equipment including reverse osmosis plant

Phase 2

Capital estimate and schedule

- Complete updates to scope of work
- Investigate optimisation opportunities
- Develop optimal execution strategy
- Relocate camp
- Review and agree on capital estimates and schedule

Phases 3-6

Detailed engineering, procurement, construction and project management

- Finalisation of engineering design, development and drafting
- Finalisation of vendor packages, and procurement
- Finalisation and award of site contracts
- Construction
- Commissioning and ramp-up



Proactive Investors One2One Forum – Strong engagement with institutional investors and private clients⁶

Executive Chairman, Seamus Cornelius, presented at the Proactive Investors One2One Forum in London. The event showcased Danakali to sophisticated and private investors, private client brokers, fund managers, financial institutions, hedge funds, analysts and journalists. See a copy of the presentation here: http://www.danakali.com.au/images/stories/corporate-presentations-and-company-information/2019/20190307_proactiveinvestors_one2one_presentation.pdf

The Company also carried out institutional and private client engagement exercises in London, Australia and New York during the first quarter of 2019.

Eritrea

EU Investment – Announcement of €20M investment to build Eritrean roads

The European Union (EU) announced a €20M investment to build roads between Eritrea's port cities and Ethiopia's border⁷. The Commissioner for International Cooperation and Development, Neven Mimica, met with Eritrean President, Isaias Afwerki, to explore ways for the EU and Eritrea to enhance political relations⁸.

"The European Union is committed to support Eritrea and Ethiopia in delivering their historic peace agreement, which ended twenty years of conflict. To back this, we are launching a €20 million programme to rebuild the roads connecting both countries. This will boost trade, consolidate stability, and have clear benefits for the citizens of both countries through the creation of sustainable growth and jobs."

EU Commissioner, Neven Mimica⁹

The rapprochement has already reduced the price of basic commodities, from which the Eritrean population is significantly benefitting¹⁰.

Capital

Cash

Consolidated cash on hand was A\$7.6M as at 31 March 2019.

Securities

During the first quarter of 2019, the Company issued no fully paid ordinary shares.

As at 31 March 2019, there were a total of 264,422,398 fully paid ordinary shares on issue.

⁶ DNK announcement, 7-Mar-19

⁷ African News, 8-Feb-19

⁸ CNBC Africa, 18-Feb-19

⁹ CNBC Africa, 18-Feb-19

¹⁰ European Commission, 8-Feb-19



The following unlisted options were issued during the first quarter of 2019:

- 1,724,015 unlisted options with an exercise price of A\$1.031 each expiring 24 January 2022
- 583,000 unlisted options with an exercise price of A\$1.108 each expiring 13 March 2022

As at 31 March 2019, there were a total of 5,297,015 unlisted options on issue at various exercise prices and expiry dates. There were no unlisted options that lapsed during the quarter. There were no new unlisted options exercised during the first quarter of 2019.

As at 31 March 2019, there were a total of 1,315,000 performance rights on issue. No performance rights lapsed during the first quarter of 2019. There were no new performance rights issued during the first quarter of 2019.

Change of address

The Company's Principal Place of Business and the Registered Office changed effective 1 March 2019. The new address is as follows:

Danakali Limited
Level 11, 125 St Georges Terrace
Perth WA 6000
Phone: +61 8 6189 8635

Interests in mining tenements

The 7 Mining Licences awarded to CMSC span over 60km² of the 100km² Mining Agreement area¹¹.

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 first quarter of 2019.

For more information, please contact:

Danakali

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¹¹ 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")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	(244)	(244)
(e) administration and corporate costs	(601)	(601)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	30	30
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	(815)	(815)

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 (3 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	(1,171)	(1,171)
2.6	Net cash from / (used in) investing activities	(1,171)	(1,171)

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	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,551	9,551
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(815)	(815)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,171)	(1,171)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,565	7,565

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	7,565	9,551
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)	7,565	9,551

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	132
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 <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		


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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	(183)
9.5 Administration and corporate costs	(441)
9.6 Other - Funding of Joint Venture	(1,902)
9.7 Total estimated cash outflows	(2,526)

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: 30 April 2019

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.



DANAKALI

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 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.

A non-binding indicative term sheet and mandate for the provision of US\$200M in senior debt funding to CMSC has been executed with Mandated Lead Arrangers Africa Export Import Bank (**Afreximbank**) and Africa Finance Corporation (**AFC**).

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.

Danakali Limited

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DANAKALI

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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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.

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