



# QUARTERLY REPORT

For the period ending 31 March 2021

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

## Highlights

### Restructure of the Board and Executive

- Mr Seamus Cornelius, re-appointed as Executive Chairman and CEO position made redundant
- Board size and fee rationalisation undertaken

### Project Progress

- Process test work, necessary to determine final process equipment selection, undertaken during the quarter with completion expected in Q2
- Commencement of investigation to compress the project development schedule
- Completion of negotiations with Aggreko for the supply of a 12MW power plant
- Negotiations with preferred camp provider, RA International (**RAI**), materially completed

### Project Financing

- Industry and financial investors engagement with regard to securing a fully funded position for the Project
- Further discussions with Africa Finance Corporation and Afreximbank regarding increased participation in the Project
- Subsequent to quarter end (29 April 2021), successful Placement of A\$20.3 Million to advance Colluli was announced

### Environmental, Social and Governance (ESG)

- Initial discussions on a Hybrid solution commenced with Aggreko to assist the Company to deliver on its carbon net zero target for SOP Production

## Key activities planned for Q2 2021

### Project Progress

- Finalise contract with Aggreko for the supply of a 12MW power plant
- Finalise contract with RAI for the supply of Accommodation, Support Services and other infrastructure
- Finalise process test work, mass balance modelling and process flow diagrams to determine process equipment selection
- Finalise an optimisation opportunity to simplify infrastructure through the use of sea water in processing
- Finalise the investigation of the development schedule compression opportunities with EPCM Contractor, DRA and Vendors once processing equipment selection has been determined.

### Project Financing

- Industry and financial investors engagement with regard to securing a fully funded position for the Project
- Further discussions with Africa Finance Corporation and Afreximbank regarding increased participation in the Project

### Environmental, Social and Governance (ESG)

- Advance commercial discussions with Aggreko regarding a Hybrid power solution

## Corporate & Financial

- Cash balance of A\$7.6M as of 31 March 2021
- Release of the 2020 Financial Report



## Project & Corporate Update

### COVID-19

In response to lower cases, the Government of Eritrea has relaxed many of the measures placed to curtail the spread of COVID-19. Management of COVID-19 has been relatively effective to date where total cumulative cases at the end of March were 3,285, with 3,029 recovered and 10 fatalities. The controls left in place are the opening of kindergarten through to secondary schools, hotels and restaurants and the use of public transport.

These final measures are planned to be relaxed in April 2021 along with commercial flights to compliment the charter flights which have continued during the pandemic on a reduced basis.

### Environmental & Social Governance

#### Clean Energy Zero Carbon SOP

As announced on 10 March 2021, the Company is continuing the process of evaluating its renewable energy options of solar, wind and geothermal energy with a view to becoming zero carbon in the production of Sulphate of Potash (**SOP**).

#### Solar and Wind

The early assessment work on the solar and wind energy potential of Colluli has been completed and this has confirmed that both of these renewable energy sources can be incorporated into the future generation of power for the Project.

Initially, the Company is working with its preferred power provider, Aggreko, on further developing these solutions through the investigation of a hybrid power solution.

#### Geothermal

Colluli is located in the Danakil depression which lies within the East African Rift Valley, one of the world's most geothermally endowed rifts. Significantly, the mining license area is in close proximity to known geothermal gradients including at Alid, located on the axis of the Danakil depression, between the Red Sea and the Afar Triple Junction. Alid has been recognised by the Eritrean Ministry of Mines and Energy (**MoEM**) as a potential high geothermal resource due to the evidence of various surface manifestations and the presence of underground magma.

In 1996, detailed geological and geochemical work funded by USAID and conducted by United States Geological Survey (**USGS**) and MoEM identified a high temperature reservoir at Alid. Samples collected indicate a reservoir temperature of a hydrothermal-convection system likely to be in the range of 250°-300°C2, which is extremely promising as a geothermal power source. Follow up work in 2015 demonstrated structural trends and temperature permeability that are very favourable for an electric grade geothermal resource.

The importance of geothermal and other renewable energy sources is set out in Eritrea's national renewable energy policy and development framework. Danakali will utilise the impressive body of work already conducted in Eritrea to develop its plans and further its commitment to carbon neutral SOP production.



## E&S Management System Development

CMSC operational management systems will align with the Equator Principles, IFC standard for Environmental and Social Performance and the World Bank Group Environment, Health and Safety Guidelines. During the quarter, the Company further advanced the Environmental and Social Action Plan (**ESAP**) requirements, which is now approximately 87% complete. ESAP closure is a one of the conditions precedent to the US\$200m Senior Debt and the senior lenders are regularly engaged with regard to the progress.

### Project

#### Preferred Power Contractor

Negotiations with Aggreko relating to the 12MW (Heavy Fuel Oil (**HFO**)) power plant power contract were completed during the quarter with the contract approval expected in Q2 2021.

#### Process Test Work

As announced on 2 September 2020, process test work is being undertaken before EPCM Phase 3 (Detailed Design) commences to increase the accuracy of equipment selection and process definition allowing future schedule and plant commissioning risk mitigation. The detailed test work was completed during Q1 with final reports expected in Q2 2021.

#### Investigation of Schedule Compression

In parallel to the Test Work, the Company has identified that the current development path contains some opportunities for compression which have been investigated during the quarter. Finalisation of this optimisation is subject to the selection of equipment from the Test Work and a final review by Colluli's EPCM Contractor, DRA Global.

#### Progress with Mine Site Accommodation Provider

As announced on 20 August 2020, RA International were appointed as the preferred accommodation provider. Commercial discussions have been materially completed during the quarter with the final contract expected to be finalised in Q2 2021.

### Corporate

#### Appointment of Executive Chairman and restructure of Board and Executive

On 26 February 2021, the Company announced the following management changes:

- Non-Executive Chairman, Mr Seamus Cornelius, was re-appointed as Executive Chairman
- The role of Chief Executive Officer (CEO), held by Mr Niels Wage, was made redundant as part of a reallocation of responsibilities
- Basic board fees were reduced by 33% for all board members and board size to be reduced at the upcoming AGM

#### Executive Chairman

Mr Seamus Cornelius was appointed as Non-Executive Chairman of the Company on 15 July 2013 and acted in the role of Executive Chairman from 14 June 2018 to 25 June 2019. 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. Mr Cornelius is a member of the Company's Audit and Risk Committee, Remuneration and Nomination Committee and is the Chairman of CMSC.

On 26 March 2021, the Company confirmed that Mr Cornelius shall be entitled to receive fixed remuneration of A\$225,000 per annum plus superannuation at the statutory rate. In addition, Mr Cornelius will be eligible to participate in the Company's incentive plans, the terms and operation of which are at the discretion of the Board and subject to shareholder approval in the case of securities. This remuneration package includes existing director fees and executive services to be performed as part of the expanded role.

## CEO

With the ongoing serious disruption to international travel caused by the Covid-19 pandemic, the Company advised that as part of the restructure of roles and responsibilities, which will increase efficiencies and reduce operating costs, the role of Mr Niels Wage, the Company's Chief Executive Officer, was made redundant. His responsibilities were assumed by the Executive Chairman with support from other team members.

Mr Wage joined Danakali in June 2018 as Chief Commercial Officer before assuming the role of CEO in March 2019. Highlights of Mr Wage's tenure include leading the Company through signing of documentation for the US\$200m senior debt facility for CMSC from African Export Import Bank and Africa Finance Corporation (AFC) (refer announcement 23 December 2019) and while the Company secured the US\$21.5m equity investment from AFC (refer announcement 10 December 2019), Mr Wage also oversaw the commencement of the development of the Project including the completion of EPCM Phases 1 and 2.

Mr Wage supported an orderly transition of his responsibilities and intends to pursue other opportunities.

## Project Financing

The Company maintained institutional and strategic equity engagement during the quarter with a number of face-to-face meetings with targeted investors in the United Kingdom, US and Australia with Danakali's Executive Chairman, Seamus Cornelius, Executive team, ESG Team and Corporate Development presenting and attending.

With a continued focus on obtaining full funding for Colluli's development through additional debt, equity and quasi-equity investments, meetings with AFC were held to discuss a potential further investment.

## Capital

### Cash

Consolidated cash on hand was A\$7.6M as at 31 March 2021. Please refer to the Appendix 5B for the quarter which estimates that available funding is sufficient for more than 3 quarters.

### Securities

As at 31 March 2021, there were a total of 319,688,347 fully paid ordinary shares on issue. A total of 947,041 shares were issued during the March 2021 Quarter upon the exercise of unlisted options at \$0.00 expiring 31 December 2021.

As at 31 March 2021, there were a total of 5,264,112 unlisted options on issue at various exercise prices and expiry dates. The following unlisted options were issued during the March 2021 Quarter:



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- 500,000 unlisted options exercisable at \$0.527 expiring 29 January 2023
- 250,000 unlisted options exercisable at \$0.501 expiring 3 December 2023
- 250,000 unlisted options exercisable at \$0.780 expiring 24 March 2023

A total of 947,041 unlisted options at \$0.00 expiring 31 December 2021 were exercised during the March 2021 Quarter. No unlisted options lapsed during the March 2021 Quarter.

As at 31 March 2021, there were a total of 360,000 performance rights on issue. No performance rights were issued or converted during the period. A total of 900,000 performance rights lapsed during the March 2021 Quarter.

## Related Party Transactions

In accordance with ASX Listing Rule 5.3.5, payments to related parties of the Company and their associates during the quarter totaled A\$0.117m. The Company advises that this relates to Director fees. Refer to the Remuneration Report in the Financial Report for further details on director remuneration.

## Interests in mining tenements

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

### Tenement holdings

|                           |                         |
|---------------------------|-------------------------|
| <b>Tenement</b>           | <b>Colluli, Eritrea</b> |
| <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 March 2021 Quarter.

For more information, please contact:

#### Danakali

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

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Subscribe to Danakali on YouTube: [www.youtube.com/channel/UChGKN4-M4lOvPKxs9b-IJvw](https://www.youtube.com/channel/UChGKN4-M4lOvPKxs9b-IJvw)

Announcement authorised for release by the board of Danakali.

## Appendix 5B

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

Name of entity

Danakali Limited

ABN

57 097 904 302

Quarter ended ("current quarter")

31 March 2021

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| <b>1.</b>                            | <b>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                                       | (662)                      | (662)                                 |
|                                      | (e) administration and corporate costs                | (658)                      | (658)                                 |
| 1.3                                  | Dividends received (see note 3)                       | -                          | -                                     |
| 1.4                                  | Interest received                                     | -                          | -                                     |
| 1.5                                  | Interest and other costs of finance paid              | -                          | -                                     |
| 1.6                                  | Income taxes paid                                     | -                          | -                                     |
| 1.7                                  | Government grants and tax incentives                  | -                          | -                                     |
| 1.8                                  | Other (provide details if material)                   | -                          | -                                     |
| <b>1.9</b>                           | <b>Net cash from / (used in) operating activities</b> | <b>(1,320)</b>             | <b>(1,320)</b>                        |
| <b>2.</b>                            | <b>Cash flows from investing activities</b>           |                            |                                       |
| 2.1                                  | Payments to acquire or for:                           |                            |                                       |
|                                      | (a) entities  | -                          | -                                     |
|                                      | (b) tenements   | -                          | -                                     |
|                                      | (c) property, plant and equipment                     | -                          | -                                     |
|                                      | (d) exploration & evaluation                          | -                          | -                                     |
|                                      | (e) investments                                       | -                          | -                                     |
|                                      | (f) other non-current assets                          | -                          | -                                     |

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

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 2.2                                  | Proceeds from the disposal of:  |                            |                                       |
|                                      | (a) entities  | -                          | -                                     |
|                                      | (b) tenements   | -                          | -                                     |
|                                      | (c) property, plant and equipment   | -                          | -                                     |
|                                      | (d) investments   | -                          | -                                     |
|                                      | (e) other non-current assets  | -                          | -                                     |
| 2.3                                  | Cash flows from loans to other entities   | -                          | -                                     |
| 2.4                                  | Dividends received (see note 3)   | -                          | -                                     |
| 2.5                                  | Other (funding of joint venture)  | (907)*                     | (907)                                 |
| <b>2.6</b>                           | <b>Net cash from / (used in) investing activities</b>                                   | <b>(907)</b>               | <b>(907)</b>                          |
| <b>3.</b>                            | <b>Cash flows from financing activities</b>   |                            |                                       |
| 3.1                                  | Proceeds from issues of equity securities (excluding convertible debt securities)       | -                          | -                                     |
| 3.2                                  | Proceeds from issue of convertible debt securities                                      | -                          | -                                     |
| 3.3                                  | Proceeds from exercise of options   | -                          | -                                     |
| 3.4                                  | Transaction costs related to issues of equity securities or convertible debt securities | -                          | -                                     |
| 3.5                                  | Proceeds from borrowings  | -                          | -                                     |
| 3.6                                  | Repayment of borrowings   | -                          | -                                     |
| 3.7                                  | Transaction costs related to loans and borrowings                                       | -                          | -                                     |
| 3.8                                  | Dividends paid  | -                          | -                                     |
| 3.9                                  | Other (provide details if material)   | -                          | -                                     |
| <b>3.10</b>                          | <b>Net cash from / (used in) financing activities</b>                                   | <b>-</b>                   | <b>-</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  | 9,739                      | 9,739                                 |
| 4.2                                  | Net cash from / (used in) operating activities (item 1.9 above)                         | (1,320)                    | (1,320)                               |
| 4.3                                  | Net cash from / (used in) investing activities (item 2.6 above)                         | (907)                      | (907)                                 |
| 4.4                                  | Net cash from / (used in) financing activities (item 3.10 above)                        | -                          | -                                     |

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

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.5                                  | Effect of movement in exchange rates on cash held | 94                         | 94                                    |
| <b>4.6</b>                           | <b>Cash and cash equivalents at end of period</b> | <b>7,606</b>               | <b>7,606</b>                          |

| 5. Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts |  | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|--|----------------------------|-----------------------------|
| 5.1   | Bank balances  | 7,606                      | 9,739                       |
| 5.2   | Call deposits  | -                          | -                           |
| 5.3   | Bank overdrafts  | -                          | -                           |
| 5.4   | Other (term deposit)   | -                          | -                           |
| <b>5.5</b>  | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b> | <b>7,606</b>               | <b>9,739</b>                |

| 6. Payments to related parties of the entity and their associates |   | Current quarter<br>\$A'000 |
|---|---|----------------------------|
| 6.1   | Aggregate amount of payments to related parties and their associates included in item 1 | 117                        |
| 6.2   | Aggregate amount of payments to related parties and their associates included in item 2 | -                          |

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

Payments included in item 6.1 relates to payment of director fees (\$117k)

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

| 7. <b>Financing facilities</b><br><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.<br/>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>   | <b>Total facility amount at quarter end<br/>\$A'000</b> | <b>Amount drawn at quarter end<br/>\$A'000</b> |
|---|---|--|
| 7.1 Loan facilities   | -   | -  |
| 7.2 Credit standby arrangements   | -   | -  |
| 7.3 Other (please specify)  | -   | -  |
| 7.4 <b>Total financing facilities</b>   | -   | -  |
| 7.5 <b>Unused financing facilities available at quarter end</b>   |   | -  |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. |   |  |

| 8. <b>Estimated cash available for future operating activities</b>  | <b>\$A'000</b> |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9)   | (1,320)        |
| 8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))  | -              |
| 8.2a Other (funding of joint venture) (item 2.5)  | (907)*         |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2 + item 8.2a)  | (2,227)        |
| 8.4 Cash and cash equivalents at quarter end (item 4.6)   | 7,606          |
| 8.5 Unused finance facilities available at quarter end (item 7.5)   | -              |
| 8.6 Total available funding (item 8.4 + item 8.5)   | 7,606          |
| 8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>   | 3.4            |
| <i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i> |                |
| * The Company considers it appropriate to include cash outflows related to the funding of joint venture (investing activities) in this table given its ongoing obligation to fund these activities.                                 |                |
| 8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:   |                |
| 8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?   |                |
| Answer:   |                |
| 8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?              |                |
| Answer:   |                |

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

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

Answer:

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

**Compliance statement**

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

Date: 30 April 2021.....

Authorised by: By the Audit and Risk Committee.....  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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## 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.

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 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

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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 by 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<sup>+</sup>, Na<sup>+</sup>, Mg<sup>2+</sup>, Ca<sup>2+</sup>, Cl<sup>-</sup>, SO<sub>4</sub><sup>2-</sup>, H<sub>2</sub>O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

#### Forward looking statements and disclaimer

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.

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