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ASX Release: **20 December 2021**

Rock Salt Production & New Generation Sodium Ion Batteries Opportunities

Colluli will produce 1.8 million tonnes per annum of high-quality Rock Salt

Highlights

- **Rock Salt in the Colluli resource has been estimated to total 347 million tonnes at a grade of 96.9% sodium chloride (ASX Announcement 23 September 2015).**
- **Colluli will produce an estimated 128 Mt of Rock Salt in the first 60 years at a production rate of 1.8 million tpa from Modules 1 and 2 (ASX Announcement 29 January 2018). This creates another potential revenue stream for Colluli as Rock Salt prices rise 75% year on year from 2020-2021 (see Figure 3).**
- **Rock Salt is being used in a new generation of sodium-ion batteries.**

Danakali Limited (ASX: DNK) (**Danakali, the Company**) is pleased to provide a market update on the Rock Salt market potential and export capacity from the Colluli Project. DNK has previously stated its JORC-2012 compliant SOP reserve of 1.1Bt and the JORC-2012 compliant mineral resource of 347Mt of Rock Salt (ASX Announcement 23 September 2015).

With the test work completed (ASX Announcement 17 June 2021) and the mine plan confirmed in FEED (ASX announcement 29 January 2018), mining during Modules 1 and 2 will produce an estimated 128Mt of Rock Salt at an annual production rate of 1.8mtpa (as previously announced), from the Upper Rock Salt layer. The Rock Salt will initially be stockpiled at site in preparation for export from the proposed Anfile Bay export terminal during the first 60 years. With the recent rise in Rock Salt prices (see Figure 3), and new end uses in battery technology being developed by CATL[2] DNK considers Colluli's Rock Salt as a potential economic resource. DNK consider FEED inaccurately described Rock Salt as a waste product from the mining process.

Whilst Colluli' s primary focus is to develop the Colluli Project with the intention of exporting premium SOP to its target markets, the mine plan requires Colluli to mine through the Upper Rock Salt in order to access the target salt layers of carnallitite, sylvinitite and kainitite that start at 16 metres below surface. Colluli will produce a 96.9% pure Rock Salt which is produced as what was previous described as waste from the open-cut mining process. The final transportation and shipping cost have not been determined but the Rock Salt will most likely be sold FOB as a bulk commodity.

Rock salt prices have risen rapidly on year-on-year basis by approximately 47% (see Figure 3) with current average prices at US$50-$60/t. Interestingly for the Rock Salt market potential a new generation of sodium ion batteries are being developed that can reduce battery raw material production costs by approximately 30% compared to lithium-ion batteries (see Figure 2). Sodium ion-e cells are able to recharge faster than lithium-ion cells and operate better at low temperatures[2]. Due to recent advancements in developing a new generation of sodium-ion batteries, Rock Salt is seen as a potential source of sodium needed for their mass production[3]. Other primary applications for Rock Salt include its use for de-icing, water treatment and in the chemical, aluminium, oil, paper, textile, and food industries (see Figure 4).

Danakali Chairman, Seamus Cornelius said: "*Colluli is a 200-year life of mine Project, the Rock Salt resource represents another potential revenue stream from Colluli and reinforces Colluli's primary business model. We believe that the new generation of sodium ion battery development is an opportunity that complements other potential end uses for our mined Rock Salt given Colluli's proximity to regional markets".*

The Colluli Potash Project (**Project, Colluli)** is 100% owned by Colluli Mining Share company (**CMSC,**) a 50:50 Joint Venture between Danakali Limited **(DNK)** and Eritrean National Mining Corporation **(ENAMCO)**

Codes:
ASX: DNK, SO3-FRA, SO3-BER.
US Level 1 ADR's OTC-DNKLY, CUSIP.23585T101

Highlights:
The world's largest JORC compliant solid salt, Sulphate of Potash (**SOP**) reserve, 1.1Bt

Aiming to be the world's first Zero Carbon SOP Producer

Development underway towards production

Financial facts:
Issued capital: 368.33m
Share price: A$0.43
Market cap: A$158m

Figure 1: Rock salt potential at Colluli.

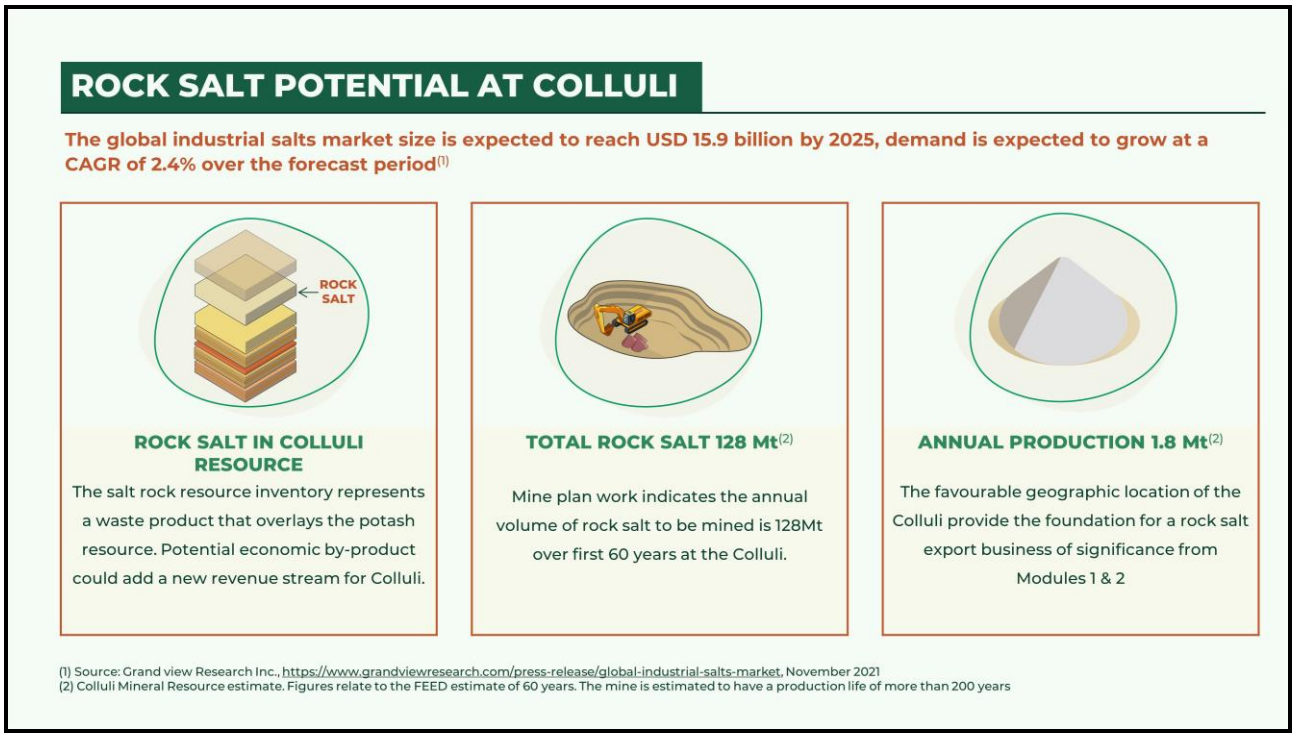


Figure 2: Potential rock salt use in battery industry.

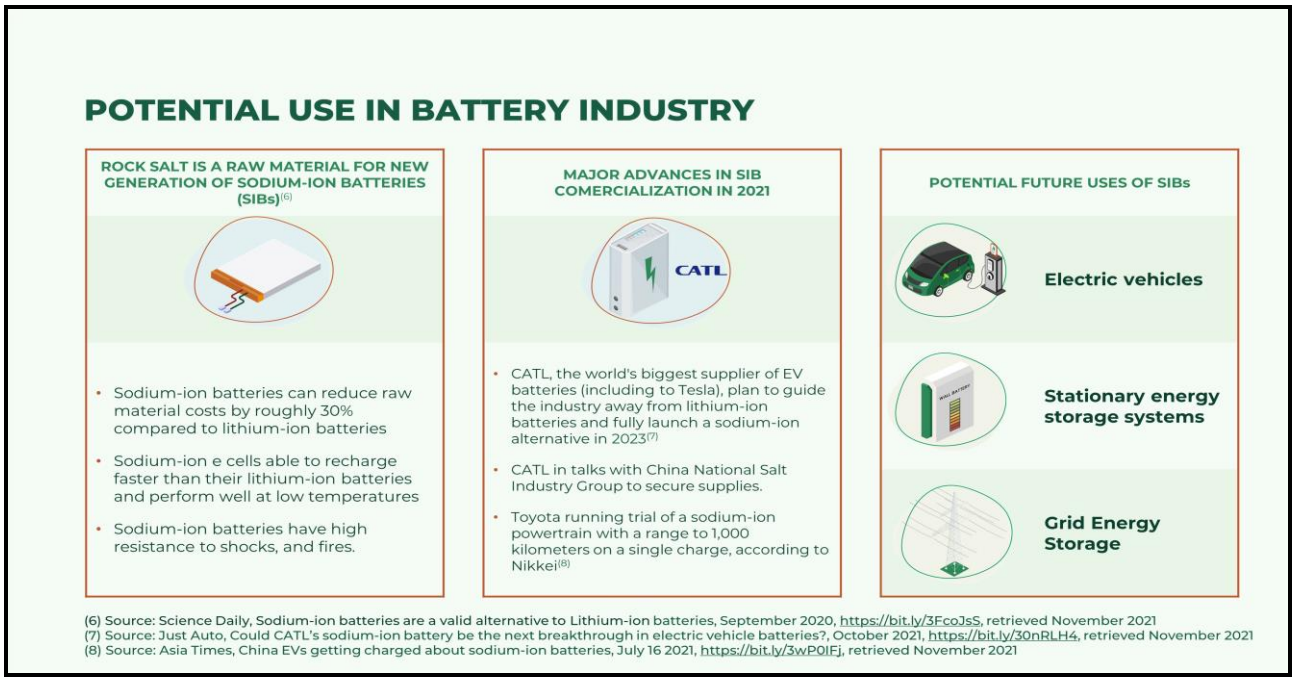


Figure 3: Rock salt price movement.

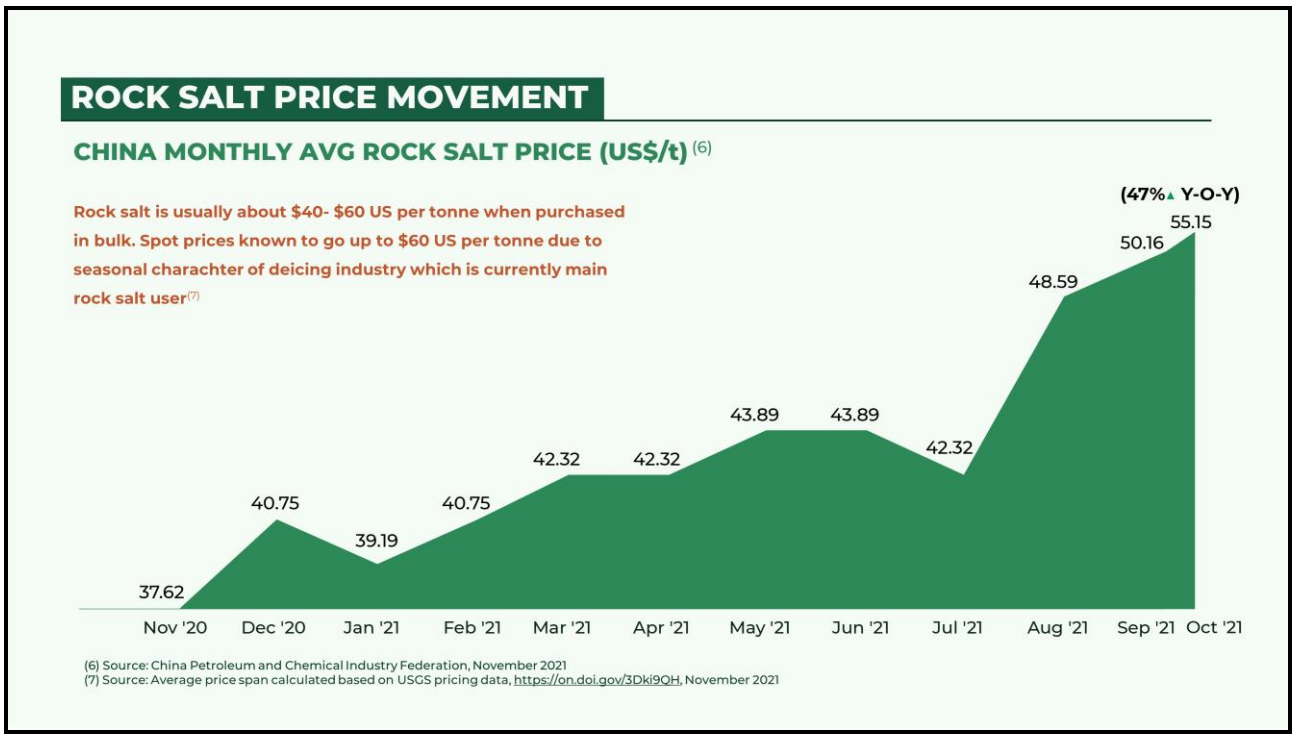
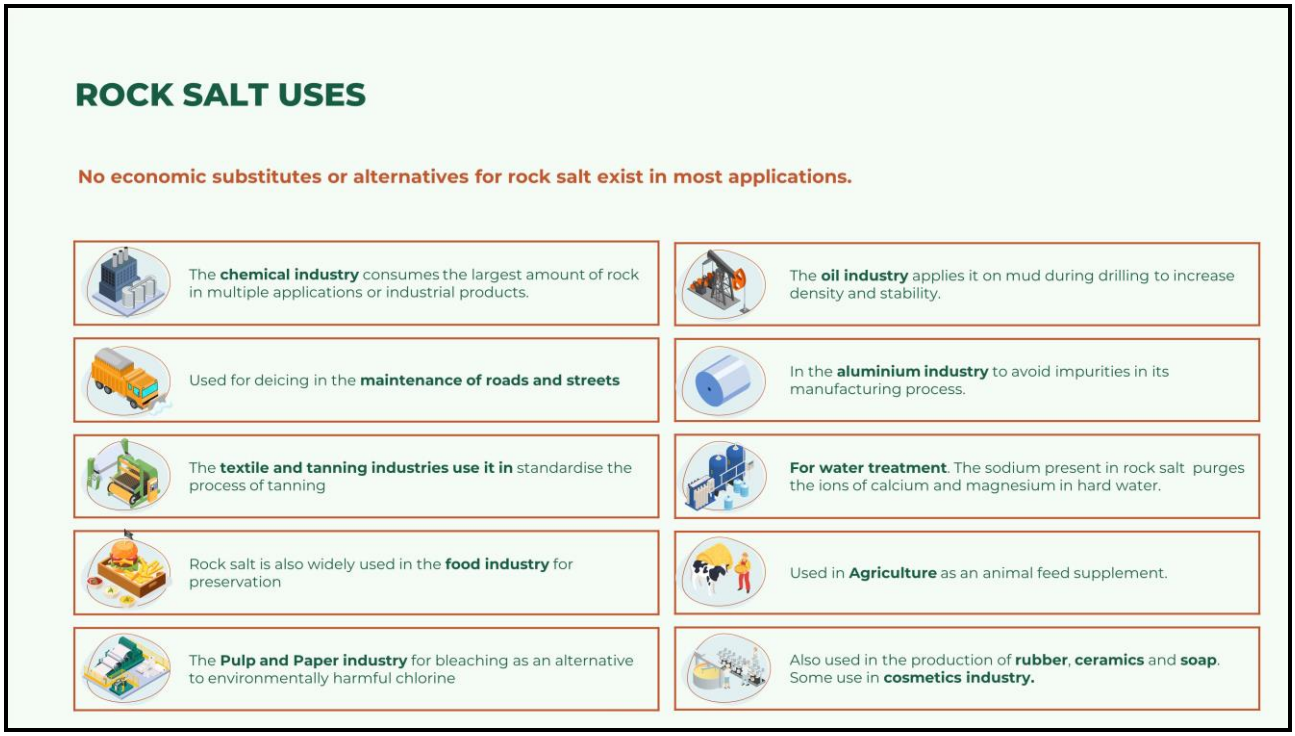


Figure 4: Rock Salt uses.



(1) Source: Science Daily, Sodium-ion batteries are a valid alternative to Lithium-ion batteries, September 2020, https://bit.ly/3FcoJsS, retrieved November 2021
(2) Source: Just Auto, Could CATL's sodium-ion battery be the next breakthrough in electric vehicle batteries?, October 2021, https://bit.ly/30nRLH4, retrieved November 2021
(3) Source: Asia Times, China EVs getting charged about sodium-ion batteries, July 16 2021, https://bit.ly/3wP0IFj, retrieved November 2021

This announcement authorised for release by the Board of Danakali Limited.

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About Danakali

Danakali Limited (ASX: DNK) (**Danakali**, or the **Company**) is an ASX 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.

Project execution has commenced, and 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.

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

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statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements.

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

There can be no assurance that the development of Colluli will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. To the extent permitted by law, the Company accepts no responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in this document. Recipients should make their own enquiries in relation to any investment decisions.

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

No representation or warranty, express or implied, is or will be made by or on behalf of the Company, and no responsibility or liability is or will be accepted by the Company or its affiliates, as to the accuracy, completeness or verification of the information set out in this announcement, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Company and each of its affiliates accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement or any such statement.

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% K20 Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K20 Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K20 Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K20 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.

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 (Magnesium Chloride)

Magnesium Chloride in the Bischofite brine is generated as a byproduct of SOP production due to the reaction of Carnallitite and Kainitite, with minor contribution from the Kieserite also present in the ore. Reported Magnesium Chloride from the Bischofite ore was calculated based on the expected quantity of Bischofite to be mined over the first 60 years of operation, taken at 90% pure Bischofite. Reported amount of byproduct Magnesium Chloride in the Bischofite brine was calculated based on the mass balance for the Colluli plant (Mass Balance Output – Colluli Mass Balance Rev3 Base Case Y 3 – 5 C S 60 40 with Harvest) which is expected to be the average operating conditions over the first 60 years of operation. The mass balance was generated by Global Potash Solutions (GPS, Saskatoon, SK, Canada) using the software SysCAD, while the underlying basis for the mass balance was an extensive series of tests performed at the Saskatchewan Research Council (SRC, Saskatoon, SK, Canada). GPS and SRC are both independent experts in the production of MOP and SOP, who have no business relationship with Danakali other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates.

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+, Na+, Mg2+, Ca2+, Cl-, SO42-, H2O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

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Appendix A: Colluli Mineral Resource estimate

Table 1: Colluli Mineral Resource estimate

Total Model Reported																						
K %	Mg %	Na %	Cl %	Ca %	so, %	KCl %	K20 %	Sylvite %	Halite %	Anhydrite %	s %	Insolubles %	As ppm	Cu ppm	Pb ppm	Cd ppm	Hg ppm	NaCl %	$CaSO_4$ %	Tonnes Mt	Cutoff %NaCl	DOMAIN	Classification
0.05	0.05	38.2	59.0	0.6	1.6	0.1	0.1	0.1	96.9	1.9	0.5	0.23		1.9	0.3	<0.13	<0.008	97.2	2.2	28	95	2000	Measured
0.07	0.06	37.9	58.7	0.7	1.6	0.1	0.2	0.3	96.2	2.3	0.6	0.24		1.0	0.3	<0.13	<0.008	96.6	2.3	180	95	2000	Indicated
0.05	0.05	38.2	59.0	0.6	1.2	0.1	0.1	0.1	96.9	1.8	0.5	0.25		0.3	0.2	<0.13	<0.008	97.2	1.8	139	95	2000	Inferred
0.06	0.05	38.0	58.8	0.7	1.4	0.1	0.1	0. 2	96.5	2.1	0.5	0.24	0.0	0.8	0. 2	<0.13	<0.008	96.9	2.1	347			Total

Table 2: Mineral Resource inside 30-year mine life pit optimization shell

In-Pit Model Reported																						
K %	Mg %	Na %	Cl %	Ca %	so, %	KCl %	K20 %	Sylvite %	Halite %	Anhydrite %	s %	Insolubles %	As ppm	Cu ppm	Pb ppm	Cd ppm	Hg ppm	NaCl %	$CaSO_4$ %	Tonnes Mt	Cutoff %NaCl	DOMAIN	Classification
0.05	0.04	38.4	59.3	0.5	1.2	0.1	0.1	0.2	97.4	1.6	0.4	0.19		0.6	0.2	<0.13	<0.008	97.7	1.7	17	95	2000	Measured
0.07	0.05	38.0	58.9	0.7	1.5	0.1	0.1	0.2	96.5	2.1	0.5	0.30		0.7	0.3	<0.13	<0.008	96.9	2.2	34	95	2000	Indicated
																				0	95	2000	Inferred
0.06	0.05	38.2	59.0	0.7	1.4	0.1	0.1	0. 2	96.8	1.9	0.5	0.26	0.0	0.7	0.3	<0.13	<0.008	97.2	2.0	52			Total

*The classification in the tables above is valid for the applied NaCl and CaSO, cut-offs only

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Appendix B:
2015 Colluli Mineral Resource Estimate for Upper Rock Salt Unit (2102 JORC Code - Table 1)
3.1 Section 1: Sampling Techniques and Data

Criteria	JORC Code Explanation	Commentary
Sampling techniques	Nature and quality of sampling (e.g. cut channels, random chips, or specific specialized industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.	The Colluli deposit was sampled using diamond core from surface. A total of 103 diamond holes were drilled into the deposit. 102 of the 103 holes had geological logging, assaying or geophysical logging and were available for the resource estimate. The total metres of drilling for the project were 6,409 at the date of the resource estimate. Drilling by Danakali (Formerly South Boulder Mines) occurred from June 2010 until October 2012. Borehole geophysical logging in the form of gamma ray-density measurements were made on 22 drillholes in Area B and the results interpreted to determine density of the various rock units. Holes were drilled on an approximate UTM grid (WGS84, Zone 37N) with a grid direction of approximately 050 degrees magnetic in Area A and 090 degrees in Area B, both at a dip of -90 degrees. The drill collar positioning was a nominal 500 m x 500 m spacing in X and Y at Area A and a 700 m x 1000 m grid spacing at Area B. An additional 28 drillholes were completed for use in the rock salt estimate, the GT-A* series and COL098- COL110. All were logged geologically, but only the GT-A* series holes were assayed (15 holes). The units that were targeted for the update were the Upper Rock Salt (URST) unit and the Marker Beds (MBED) unit.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	Drillhole collars were originally set out using hand held GPS and on completion the collars were surveyed by survey contractors using high precision GPS. Downhole surveys were not completed as all holes were drilled at 90 degrees down-dip and were almost all less than 150m depth. Diamond core was half-core sampled at regular intervals and generally constrained to geological boundaries where appropriate.
	Aspects of the determination of mineralization that are Material to the Public Repo rt.	Diamond core was drilled predominantly at HQ size. Diamond core samples for rock salt assaying were cut and bagged and sent to K-Utec in Germany where they were crushed, split and pulverized and assayed for a suite of cations and anions using a liquid ion chromatography technique. Sample pulps were then sent to Technische Universitat Clausthal (TUC) for check assaying, using a similar process. A small number of pulp repeats were sent to the Saskatchewan Research Council (SRC) along with samples for geotechnical sampling.
Drilling techniques	Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails,	Diamond drillholes account for 100% of the drill metres and comprises HQ sized core. All holes were drilled as diamond holes from surface, with HW 4" casing employed at the top of the holes due to poor ground conditions in the overburden unit. No core orientation was recorded.

	face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).	
Drill sample recovery	Method of recording and assessing core and chip sample recoveries and results assessed.	Diamond core recovery was assessed by comparison of the interval of core presented in the core tray against the driller's core blocks. Analysis showed that more than 93% of core intervals had 90% or better recoveries, with 96% of core having recoveries of 80% or better. Core recoveries in the uppermost unit, the overburden, were very poor and many losses occurred. Recoveries in this domain ranged between 0 - 60%. These reduced recoveries were not associated with mineralization and as such are not considered material.
	Measures taken to maximize sample recovery and ensure representative nature of the samples.	Diamond drilling utilized triple-tube techniques and constantly monitored drilling fluids in order to assist with maximising recoveries. PVC tubing, HW 4" pipe and HQ rods were used in the uppermost unit, with the tri- salt mud balance constantly monitored for viscosity and density to reduce core dissolution whilst drilling.
	Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	Assessments on the effect of low recoveries were completed for the diamond drilling and found that there was not likely to be any material impact or bias on the reported assay results as a result of the reduced recoveries. The MBED unit had recoveries generally in excess of 97%, with one sample with 67% and another with 85% recovery. The URST unit had recoveries greater than 80% for 85% of samples, with 5% having recoveries less than 50%.
Logging	Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.	Diamond core was geologically logged using predefined lithological, mineralogical and physical characteristics (such as colour, weathering, fabric) logging codes. In addition, structural measurements of major features were collected, such as bedding to core angle for laminations, bedding, veining or fracture structures. The logging was completed at the company core shed by the responsible geologist and checked by the Senior Geologist once completed. All of the drilling was logged onto paper and has recently (late 2014) been transferred to a digital form and loaded into a Microsoft Access drillhole database. The latest geotechnical and QAQC-twinned drillhole logging was completed directly onto a laptop in the field using Microsoft Excel spreadsheets with drop-down boxes to restrict values entered. Logging information was reviewed by the senior geologist prior to final load into the database. All core trays were photographed. Given the nature of the mineralization at Colluli (crystalline salts) the core was not photographed wet, unless photos were taken on-site as soon as the core was removed from the barrel after drilling. Geotechnical logging of all diamond core consisted of recording core recovery, RQDs , amount of dissolution and core state (i.e. whole, broken). In addition in late 2014, twelve diamond holes (GT-A1 - GT-A14) were drilled specifically for geotechnical purposes and were logged by both AMC geotechnical staff and then Danakali geologists after initial training. Samples from these were also selected for destructive testing. Four of these holes (GT-A6, GT-AB, GT-A11 and GT-A12) were planned to be assayed as twinned holes for comparison with the existing Colluli drillhole database.

		45 holes also had downhole geophysical logging completed for natural gamma, hole diameter, neutron log, sonic log, temperature and conductivity (calibrated to 25°C). 22 of these holes also had downhole density logging recorded.
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.	Logging was both qualitative and quantitative in nature, with general lithology information recorded as qualitative and most mineralization records and geotechnical records being quantitative. Core photos were collected for all diamond drilling.
	The total length and percentage of the relevant intersections logged.	All recovered intervals were geologically logged, apart from four drillholes (COL-005, COL-019B, COL-020, COL-042) that had no potash intersections and one hole (COL-063A) that was abandoned at 54 m downhole due to poor core recovery.
Sub-sampling techniques and sample preparation	If core, whether cut or sawn and whether quarter, half or all core taken.	Diamond core was cut in half using a diesel-powered core saw. No water was used for lubrication or dust suppression as core dissolution would have occurred. The material being cut is relatively soft and this has not proved to be an issue. Sample intervals were marked on the core by the responsible geologist considering lithological and structural features. Core selected for duplicate analysis was further cut as quartered core with both quarters submitted individually for analysis.
	If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.	No non-core samples were taken.
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	The sample preparation techniques employed for the diamond core samples follow standard potash industry best practice. To avoid dissolution by reacting with the water in the air, all samples were double-bagged at the drill rig, opened for logging and re-bagged immediately and heat sealed prior to transport to the laboratory. Samples were crushed by hammer, within the plastic liner, to a grain size of approximately 1cm or less. The entire sample was then transferred to a PVC vessel and homogenized by shaking. Approximately one third of the homogenized sample was then taken and crushed inside a polythene bag by hammer to a grain size of 5mm or less. About 100g of this homogenized sample was then pulped by disk swing-mill for 120 seconds. Three grams of this pulp was prepared for XRD analysis and ten grams dissolved in 990ml distilled water and agitated for 24 hours prior to ion chromatography. The insoluble portion remaining from the dissolution was removed by a membrane filter (0.45 micron) and weighed.
	Quality control procedures adopted for all sub-sampling stages to maximize representivity of samples.	For the initial drilling at Colluli, to hole COL-099, field QAQC procedures included the field insertion of "blanks" taken from the Upper Rock salt domain, as the main minerals of economic interest were KCl and MgSO4• These were inserted into the sample stream at a rate of approximately 1 in 15 samples. Coarse field duplicates were taken by quarter cutting the core at a rate of approximately 1 in 20 samples. For the updated Mineral Resource estimate of the rock salt, reference materials (standards) were added to the sample stream by Danakali to ensure quality control, however the quality varied with only two being certified standards (POT003 and POT004, internal standards from SRC). Pure NaCl from Rowe Scientific Laboratories was also used as a reference material; however its certification was not clear. The primary and secondary assay laboratories , also periodically

		inserted "blanks" in the form of clean distilled water and assayed their own internal standards. Pulp duplicates were taken and re-assayed by TUC, using a mixture of atomic absorption spectroscopy and ion chromatography. Duplicates were taken at a rate of approximately one in 40 samples.
	Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.	Field duplicates from core samples generally showed an excellent correlation between original and duplicates, however other measures of spread such as Half Absolute Relative Difference (HARD) showed some variance in some of the minor elements such as Ca and SO4• Pulp repeat samples from the secondary laboratories also showed excellent correlation between original and repeat samples. Standards were compared well to their expected results, with only minor differences in a few samples. These were generally in the minor components of the URST unit and the MBED unit.
	Whether sample sizes are appropriate to the grain size of the material being sampled.	Current industry standard sampling is used and deemed appropriate. All of the salts are coarse crystalline and are dissolved completely prior to analysis.
Quality of assay data and laboratory tests	The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.	Primary assaying for the updated estimate was undertaken by K-Utec laboratories in Germany. K-Utec uses a combination of flame spectrometry, atomic absorption spectroscopy and ion chromatography for analysis of potash salts.
	For geophysical tools, spectrometers, handheld XRF instruments , etc, the parameters used in determining the analysis including instrument make and model, reading times,calibrations factors applied and their derivation, etc.	Downhole geophysical readings were taken for 45 of the Danakali drilled diamond holes. Data collected included hole diameter, neutron logs, conductivity, temperature, natural gamma, sonic logs and density.Only 22 holes had density readings taken, due to breakages of the gamma-gamma probe. The work was performed by Abitibi Terratec using the following probes suspended from a 4-conductorcable: • Electromind T-Cd-GR. • Electromind 3-arm caliper. • RG Neutron-neutron probe. • RG Gamma-gamma probe. • ALT Sonic-Full Wave probe. Density measurements were validated by taking readings while theprobe was in an aluminium block and in a container of water. Therewere three readings taken in each material. As far as AMC is aware, calibration was undertaken for the density andneutron probes prior to delivery to site for the calliper probe whilst on- site. A polynomial curve function ($y=38.9520+0.176803x-1.53928 \times 1\text{-}0^{5}x^{2}$) was applied to the raw caliper data to produce the final hole width readings.
	Nature of quality control procedures adopted (e.g. standards,blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precisionhave been	QAQC results from both the primary and secondary assay laboratoriesshow no material issues with the main variables of interest for the updated URST and MBED grade estimates.

	established.	
Verification of sampling and assaying	The verification of significant intersections by eitherindependent or alternative company personnel.	Diamond drill core photographs have been reviewed for the recorded sample intervals. AMC Senior Geologist, John Tyrrell, visited the Colluliproject site and the Danakali head office and core shed in Eritrea in October 2014. Whilst there he viewed the drillhole collars on-site and the remaining core (full, half or quarter) at the core shed in Asmara. Selected sections of drillholes were examined in detail in conjunctionwith the geological logging and assaying.
	The use of twinned holes.	AMC requested four drillholes be twinned for the purpose of testing theveracity of the logging and assaying at Colluli. The holes were sampledusing the same intervals (where possible) to the original drillholes in order to compare the logging and assaying as directly as possible. The results for the twin hole assaying and QAQC programme show nomaterial issues and excellent repeatability of assaying and geological logging.
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	All primary geological data (prior to 2014) was collected using paper logs and transferred into Excel spreadsheets. This was checked by theChief Geologist for data entry error. Assay results were returned from the laboratories as electronic data (Excel spreadsheets and PDF files).Geophysical data was recorded as log ASCII standard (LAS) files and survey and collar location data was stored as spreadsheet files. In late 2014, all of the primary data was collated and imported into a Microsoft Access relational database, keyed on borehole identifiers andassay sample numbers. The data was verified as it was entered and checked by the Danakali Chief Geologist.
	Discuss any adjustment to assay data.	The primary and secondary assay laboratories reported results from theassaying process as weight % values of the assayed cations (Mg^{2+},Ca^{2+}, Na^{+}, K^{+}) and anions (Cl^{-}, SO_4^{2-}). KCl and K_2O values were also reported. The assays for K were multiplied by a factor of 1.90668 to report KCl and multiplied by a factor of 0.6317 to report K_2O.The raw assay values were also converted to mineral weight percentages using a "Normative Mineralogy" conversion scheme. This scheme relies upon the XRD results for the mineralogy of every sample.This was a two step process which is listed below: Step 1 - Combine cations and anions to simple salts according to thefollowing scheme: • Combine with Cl, in the following order: Na, K, Mg, Ca. • Combine with SO_4 in the following order: Ca, Mg, K, Na. • Based on experience with potash deposits, the analyses should be either $MgCl_2$ or K_2SO_4 normative, meaning if $CaCl_2$ or Na_2SO_4results from these combinations, the analysis is suspect. Step 2 - Combine the simple salts to salt mineralogy according to thefollowing simplified scheme: • All NaCl is Halite. • If $MgCl_2$ is present, it is combined 1:1 with KCl to form Carnallite. • If $MgCl_2$ > KCl, remaining $MgCl_2$ to Bischofite. • If K_2SO_4 is present, combine with $CaSO_4$ and $MgSO_4$ to formPolyhalite.

		• If KCl > $MgCl_2$ and $MgSO_4$ available, combine remaining KCl 1:1to Kainite. • If remaining KCl > $MgSO_4$, remaining KCl after Kainite to Sylvite,otherwise remaining $MgSO_4$ to Kieserite and; • Remaining $CaSO_4$ to Anhydrite. The resulting salt percentages are combined with the measured insoluble component and should sum to 100% (+3 to -5%). As otherpotash minerals occur in nature and are not taken into account, thisscheme is at best indicative and the results are checked against thelogging and core. The results are also checked to ensure overestimation of Kainite content and underestimation of the Sylvite and Kieserite does not occur.
Location of data points	Accuracy and quality of surveys used to locate drillholes (collar and down-hole surveys), trenches, mine workings andother locations used in Mineral Resource estimation.	All of the drillhole collar positions were initially positioned using hand- held GPS. In September 2012, the state run Eritrean Mapping & Information Center (EMIC) completed a program to position five surveycontrol points at and around the project site. These were positioned using Leica system 1200 differential global positioning system (DGPS)equipment with an accuracy of +/-5mm. All of the collar positions at site are now surveyed using DGPS referencing the control point nearest to Colluli, BM-1 (1594828.511 mE,644029.0546 mN, -101.3126 mRL, UTM) . The collars are surveyed in campaigns by an external contractor after the holes are drilled.
	Specification of the grid system used.	The grid projection used for Colluli is WGS84, UTM37N. All reportedcoordinates are referenced to this grid.
	Quality and adequacy of topographic control.	Topography data for Colluli has been generated from a series of contours taken from data provided by the NASA Shuttle Radar Topography Mission in February 2000. A wireframe was produced fromthe 2m contour data. AMC believes that the topography data is adequate for the project at this stage.
Data spacing and distribution	Data spacing for reporting of Exploration Results.	Drilling at Colluli has been focused on two deposits, Area A and Area B.The drillhole spacing at Area A is approximately 500 m x 500 m in easting and northing in the better drilled parts of the deposit, increasing to 1000m x 1000m at the peripheries. Drilling in Area A has been closedeven further in its northern part as a result of the twinned hole and geotechnical drilling programmes, with drill spacing down to 200 m to 300 m apart (except for the twinned holes at less than 10 m spacing from their original target holes). The grid pattern is aligned at approximately 050 degrees magnetic. There is a cruciform pattern of close-spaced drilling in the centre of the deposit designed to check short scale variability, which has a spacing of nominal 50m. At Area B, the drillhole spacing is a nominal 650 m - 700 m in easting by 1000 m in northing, with the grid direction approximately east-west. The spacing increases to approximately 1000 m in easting and northingat the peripheries.
	Whether the data spacing and distribution is sufficient toestablish the degree of geological and grade continuity appropriate for the	The degree of geological and grade continuity demonstrated by the datadensity is sufficient to support the definition of Mineral Resources and the associated classifications applied to the Mineral Resource estimate as defined under the 2012 JORC Code. Variography studies have shown very little variance in the data for most of the estimated variablesand ranges in the order of several

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	Mineral Resource and Ore Reserve estimation procedure(s)and classifications applied.	kilometres.
	Whether sample compositing has been applied.	No compositing was applied to the exploration results prior to assaying.All samples were composited to common lengths after being assayed, prior to their use in the Mineral Resource estimate.
Orientation of data in relation to geological structure	Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.	The mineralization is interpreted to be very shallow dipping, roughly planar with stratiform bedding striking approximately east-west and dipping at less than 0.5 degrees to the southwest in Area A and less than 1.0 degrees to the southwest in Area B. The diamond drilling is exclusively conducted at -90 degrees, producing drillhole intersectionswith the mineralization at effectively 90 degrees.
	If the relationship between the drilling orientation and the orientation of key mineralized structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	The orientation of drilling with respect to mineralization is not expectedto introduce any sampling bias. Drillholes intersect the rock units at approximately 90 degrees.
Sample security	The measures taken to ensure sample security.	Samples were collected onsite under supervision of a responsible geologist and any potential soluble samples were sealed with taped double bags prior to taking from the rig site. The samples were then stored in lidded core trays and closed with straps before being transported by road to the company core shed in Asmara. Only certifiedcompany drivers were allowed to transport the core. Once logging was completed the samples for assay were re-bagged and put into double plastic bags, which were heat sealed with the correct sample number onthe inner bag. The samples were then placed into heavy plastic drums, which were sealed ready for transport overseas for assaying. As the samples were travelling overseas for assay, the drums may have been opened by customs both in Eritrea and at their destination. AMC does not believe this to be an issue, as individual samples are in heat sealed bags and are not easily tampered with. Despatch sheets were compared against received samples and any discrepancies reported and corrected.
Audits or reviews	The results of any audits or reviews of sampling techniquesand data.	A review of the sampling techniques and data was completed by Ercosplan in 2012 and by Snowden in 2013. Neither found any materialerror. AMC also reviewed the data in the course of preparing the initial Colluli Mineral Resource estimate in 2014 and this update in 2015. A review of the method used by the secondary assay laboratory, TUC, was not available due to the proprietary nature of its potash assaying process. AMC concludes that the data integrity and consistency of the drillhole database shows sufficient quality to support resource estimation.

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3.2 Section 2: Reporting of Exploration Results

Criteria	JORC Code Explanation	Commentary
Mineral tenement and land tenure status	Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.	The Colluli Project is located wholly within an exploration concession granted by the State of Eritrea in 2009, which encompassed an area of approximately 857 km2, bordered to the West by the Ethiopian state border (as defined by the Eritrea-Ethiopia Boundary Commission in 2002). In 2012, in accordance with the Eritrean Mining Proclamation, the Colluli Exploration license has been extended and the tenement area has been reduced from the initial 857 km2 to the current 200 km2 Danakali owns a 50% interest in the project, with the remaining 50% owned by the state of Eritrea. AMC is unaware of any other joint venture, native title, environmental, national park or other ownership agreements on the concession area.
	The security of the tenure held at the time of reporting along	The concession area is in good standing and no known impediments
	Acknowledgment and appraisal of exploration by other parties.	Previous exploration in the wider Dallol region of the Danakil Depression has been undertaken since the early 1900's, with extensive drilling (approx. 300 holes), geophysical surveys, geological and topographic mapping and hydrogeological works undertaken from 1959 to 1968. At the concession area proper, previous exploration was undertaken by a number of parties since 1969. The first drilling at Colluli was undertaken by the Ethiopian Potash Company Inc. (EPC), who carried out exploration drilling and chemical analyses for potash in five sub- areas in the border region Eritrea-Ethiopia (N of Dallol) up to the Buri Peninsula (S of Massawa). The sub-area named "Colluli" at the border region between Eritrea and Ethiopia was reported to contain two distinct zones of potassium and magnesium minerals in a thick section of Halite in the western part of the sub-area (EPC Engineering Division Mine, 1984). Approximately eight other companies have reported mineralization considered (by them) mineable in the area (all now in Ethiopia), but none at the actual Colluli Project site until STB started exploration on the concession in 2010.
Geology	Deposit type, geological setting and style of mineralization.	The Colluli Project area is located in the Danakil Depression, which strikes NW-SE with an extension of more than 200km from Lake

		Bada inthe NW to Lake Acori in the SE. The structure of the Danakil Depressionwidens to the South, beginning with 10km width in the North and widening up to 70km in the South. The northern part is the deepest and has elevations as low as 50m to 128m below sea level. The depression is flanked by the Danakil Alps to the northeast and the Ethiopian Highlands to the southwest. These consist of Precambrian gneisses andphyllites as well as Jurassic sediments, Palaeozoic granites and intrudedNeogene basalts. Locally at Colluli the landscape is dominated by flat lying sediments andis approximately 120 metres below sea level. The mineralization in the project area is bound to the northeast by Pliocene to recent anhydrite/ gypsum, halite and clays. The mineralization is hosted by a potash sequence overlain by elastic sediments comprised of sands and silts. Underlying the elastic sequence is a sequence of salts consisting of a discrete sub-members including the "Upper and Lower Rock Salt", "Sylvinite", "Upper and Lower Carnallitite", "Bischofite", "Kainitite" andfinally the "Black Clay" at the base of the drilled sequence. The bedding is very shallow dipping (less than 0.5 degrees) to the southwest and bound by faults to the northeast and southwest. These faults are steep, with interpreted throws of approximately 20m. A major fault with a throw of approximately 50 to 100m separates the mineralizedArea A from Area B. The interpreted fault line track along the course of the Zariga River system. The mineralization is in the form of coarse crystalline salts, predominantly in the form of sylvinite, carnallitite, kainitite and rock salt, containing the mineral types Sylvite (KCl), Carnallite (KMgC'3.6(H 20)) and Kainite ($MgSO_4$. KCl.3(H_2O)), with common interbedded halite (NaCl)and kieserite (MgSO4·H2O).
Drillhole Information	A summary of all information material to the understanding ofthe exploration results including a tabulation of the following information for all Material drillholes: easting and northing of the drillhole collar elevation or RL (Reduced Level - elevation above sea level inmetres) of the drillhole collar dip and azimuth of the hole down hole length and interception depth hole length.	No exploration results have been reported in this release, therefore thereis no drillhole information to report. This section is not relevant to reporting Mineral Resources.
Data aggregation	In reporting Exploration Results, weighting averaging techniques, maximum and/or	No exploration results have been reported in this release, therefore thereis no drillhole

methods	minimum grade truncations (e.g.cutting of high grades) and cut-off grades are usually Materialand should be stated.	intercepts to report. This section is not relevant to reportingMineral Resources.
	Where aggregate intercepts incorporate short lengths of high-grade results and longer lengths of low-grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shownin detail.	No exploration results have been reported in this release, therefore there is no drillhole intercepts to report. This section is not relevant to reportingMineral Resources.
	The assumptions used for any reporting of metal equivalentvalues should be clearly stated.	No exploration results have been reported in this release, therefore there is no drillhole intercepts to report. This section is not relevant to reportingMineral Resources.
Relationship between mineralization widths and intercept lengths	If the geometry of the mineralization with respect to the drillhole angle is known, its nature should be reported.	No exploration results have been reported in this release. This section isnot relevant to reporting Mineral Resources.
Diagrams	Appropriate maps and sections (with scales) and tabulations ofintercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drillhole collar locations and appropriate sectional views.	No exploration results have been reported in this release. This section isnot relevant to reporting Mineral Resources .
Balanced reporting	Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and highgrades and/or widths should be practiced to avoid misleadingreporting of Exploration Results.	No exploration results have been reported in this release. This section isnot relevant to reporting Mineral Resources.
Other substantive exploration data	Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations;geophysical survey results; geochemical survey results; bulk samples - size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.	No exploration results have been reported in this release. This section isnot relevant to reporting Mineral Resources.
Further work	The nature and scale of planned further work (e.g. tests for lateral extensions or depth extensions or large-scale step-out drilling).	The decision as to the necessity for further exploration at Colluli is pending completion of mining technical studies on the currently availableresource.
	Diagrams clearly highlighting the areas of possible extensions,including the main geological interpretations and future drillingareas, provided this information is not commercially sensitive.	The decision as to the necessity for further exploration at Colluli is pending completion of mining technical studies on the currently availableresource.

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3.3 Section 3: Estimation and Reporting of Mineral Resources

Criteria	JORC Code Explanation	Commentary
Mineral tenement and land tenure status	Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between itsinitial collection and its use for Mineral Resource estimation purposes.	All of the drilling was logged onto paper and has recently (late 2014) been transferred to adigital form and loaded into a Microsoft Access drillhole database . The latest geotechnical and QAQC twinned drillhole logging was completed directly onto a laptop in the field usingMicrosoft Excel spreadsheets with drop-down boxes to restrict values entered. Logging information was reviewed by the senior geologist prior to final load into the database. The data is now stored in a single Microsoft Access database for the Colluli project.
	Data validation procedures used.	Prior to 2014, the data validation was initially completed by the responsible geologist loggingthe core and marking up the drillhole for assaying. The paper logs were transferred to Excelspreadsheets and compared with the originals for error. Assay dispatch sheets were compared with the record of samples received by the assay laboratories. All of the electronicfiles were stored in directories for each data type and labelled by drillhole identifier, allowingfor easy recognition of missing data. Since late 2014, all of the drillhole data has been collected and input into a Microsoft Accessdatabase, keyed on drillhole identifier (BHID) and assay sample number. All of the data was verified at the time of import to Access and any error was corrected. Both internal (Danakali) and external (Ercosplan, Snowden and AMC) validations were/are completed when data was loaded into spatial software for geological interpretation and resource estimation. AMC checked the data for overlapping intervals, missing samples, FROM values greater than TO values, missing stratigraphy or rock type codes, downhole survey deviations of ±10° in azimuth and ±5° in dip, assay values greater than or less than expected values and several other possible error types when loading the data into CAE Studio 3 (Datamine) software. Furthermore each assay record was examined and mineral resource intervals were picked by the Competent Person. QAQC data and reports are normally also checked. Ercosplan and Snowden both reportedbriefly on the available QAQC data for Colluli and AMC instigated a drilling program of four twinned drillholes for geological and assay data validation purposes. AMC produced a QAQC report on the results of this program and has continued to monitor the QAQC resultsfrom subsequent assaying programs.
Site visits	Comment on any site visits undertaken by the Competent Person and the outcome ofthose visits.	AMC Senior Geologist John Tyrrell visited the Colluli project site in late 2014 and inspectedthe Area A and Area B deposits. Whilst on site he witnessed the drilling of validation drillholes and their geological logging and sampling preparation for assaying. The geology, sampling, sample preparation and transport, data collection and storage procedures were all reviewed whilst at the project site and at the Danakali office and core shed in Asmara. AMC used this knowledge to aid in the preparation of this Mineral ResourceEstimate update for the URST and MBED units for Colluli Area A.
	If no site visits have been undertaken indicate why	

<table>
<tr><td></td><td>this is the case.</td><td></td></tr>
<tr><td rowspan="5">Geological interpretation</td><td>Confidence in (or conversely, the uncertainty of) the geological interpretationof the mineral deposit.</td><td>The Colluli potash mineralization is one of only a few shallow potash deposits documented globally. Detailed mapping, geophysical (including gravity and very localised induced polarization, electrical resistivity and seismic refraction studies) and mineralogical studies have been completed by Danakali geologists and contracted specialists between 2011 and2014. These data and the relatively closely- spaced (for potash) drilling has led to a good understanding of the mineralization controls.
The mineralization is hosted within very shallow dipping bedded evaporite units (potash saltsand halite) which are areally extensive and continuous. There is an obvious change in the sequence at the edges of the mineralization, explained by faulting in the order of 20m or so. Ercosplan had interpreted internal faulting in its 2012 report and model, but the vertical offsets are very small and thus have not been included in the current interpretation for the resource model as they would unnecessarily complicate the stratigraphy. Over the spacing of the drillholes, the difference in RL is negligible and they do not appear to materially affect the distribution of the potash units.
There is no obvious alteration in the mineralized units.</td></tr>
<tr><td>Nature of the data used and of any assumptions made.</td><td>No assumptions are made.</td></tr>
<tr><td>The effect, if any, of alternative interpretations on Mineral Resource estimation.</td><td>Neither alternative interpretations nor estimations were undertaken by AMC.</td></tr>
<tr><td>The use of geology in guiding and controlling Mineral Resource estimation.</td><td>Geological observation has underpinned the resource estimation and geological model. Rock type and geochemistry (assayed anion and cation values as well as normative mineralogy) were used to define the footwall and hanging wall boundaries for each unit. The geological model was developed as an iterative process of checking against logging and photography as needed during interpretation.
The extents of the geological model were constrained by drilling. Geological boundaries hadonly minimal extrapolation beyond drilling in line with the resource classifications of indicatedor inferred.
The domain coding for the Colluli project (Areas A & B) is as follows:
<table>
<tr><th>Lithology/Member</th><th>Rock Code</th><th>Numeric Domain Code</th></tr>
<tr><td>Overburden</td><td>OVBD</td><td>1000</td></tr>
<tr><td>Upper Rock Salt</td><td>URST</td><td>2000</td></tr>
<tr><td>Marker Beds</td><td>MBED</td><td>3000</td></tr>
<tr><td>Upper Sylvinite</td><td>USYL</td><td>4100</td></tr>
<tr><td>Middle Sylvinite (low grade)</td><td>MSYL</td><td>4200</td></tr>
<tr><td>Lower Sylvinite</td><td>LSYL</td><td>4300</td></tr>
<tr><td>Upper Carnallitite</td><td>UCRT</td><td>5000</td></tr>
<tr><td>Bischofitite</td><td>BSFT</td><td>6000</td></tr>
<tr><td>Lower Carnallitite</td><td>LCRT</td><td>7000</td></tr>
<tr><td>Kainitite
Lower Rock Salt
Clay</td><td>KANT
LRST
CLAY</td><td>1 8000
9000
10000</td></tr>
</table>
The Mineral Resource estimate update focused upon Domain Codes 2000 and 3000 only.</td></tr>
<tr><td>The factors affecting continuity both of grade and geology.</td><td>Key factors that are likely to affect the continuity of grade are:
• The down-hole variability of the geological units; the potash units are commonly inter-bedded with other halite and evaporite salts and</td></tr>
</table>

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		occasional insoluble materials (clay, quartz). • The variability at deposit scale due to complete or partial non-deposition, dissolutionof erosion of a salt layer. • Internal faulting at a scale that is too small to be defined at the current drill spacing.
Dimensions	The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limitsof the Mineral Resource.	The deposit at Area A strikes approximately 7 km and is approximately triangular being approximately 4 km at its widest point. The mineralized units dip less than one degree towards 170 - 180 degrees azimuth. The mineralized sequence for the Upper Rock Salt ranges in thickness from 0.5 m to 35 m, averaging 10 m and is approximately 10 m to 20 mbelow surface. The Marker Beds are much thinner, ranging from less than 0.5 m to 6.0 m inthickness, averaging approximately 1.5 m.
Estimation and modelling techniques	The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points.If a computer-assisted estimation method was chosen include a description of computer software and parameters used.	Grade estimation was completed using ordinary kriging (OK) for the Mineral Resource estimate. Datamine software was used to estimate grades for Na, Cl, K, Mg, Ca, S, SO_4, KCl, K_2O, As, Cu, Pb, Sylvite, Halite, Anhydrite and Insolubles using parameters derived from statistical and variographic studies. The majority of the variables estimated have coefficients of variance of less than 1.0. Average grades were assigned for Cd and Hg, as allof the assays for these elements were below their respective levels of detection. Drillhole spacing varies from approximately 300 m x 300 m to 500 m x 500 m at Area A. Drillhole sample data was flagged with numeric domain codes unique to each mineralizationdomain. Sample data was composited to 1 m downhole length for the MBED unit and 2 m downhole length for the URST unit, with the resulting composite length adjusted to retain residuals. The influence of extreme sample outliers was reduced by top-cutting where required. The top-cut levels for each mineralization domain were determined using a combination of grade histograms, log probability plots, and decile and percentile analysis. Grade was estimated into two mineralization domains, URST and MBED. The URST unit had downhole variography performed for all estimated variables and directional variography performed where the number of samples permitted for Na, Cl, K, KCl and SO_4. The MBED unit had no variography performed. All variograms were scaled to the variance of the individual variables in the domain. Grade continuity varied from several metres in the verticaldirection, to kilometres in the along and across-strike directions. All estimated variables in the mineralization domains had major search axis lengths of approximately 2/3 the longest variogram range, with the other search axes scaled according to their corresponding variograms. The vertical (minor) search axis ranges were multiplied by a factor of ten, to a minimum 20 m, due to the proportionally extreme lengths of the major and semi-major ranges.
	Any assumptions behind modelling of selective mining units.	Upon direction of Danakali it was assumed for modeling purposes that the deposit would be mined in its entirety by the open pit method so no selective mining units were assumed in this estimate. Model block sizes were determined primarily by drillhole spacing and statisticalanalysis of the effect of changing block sizes on the final estimates.
	Any assumptions about correlation	All elements within a domain used the same sample selection routine for block gradeestimation. No co-kriging was performed at Colluli.

	between variables.	
	Description of how the geological interpretation was used to control the resource estimates.	The geological interpretation is used to define the mineralization domains. All of the mineralization domains are used as hard boundaries to select sample populations for variography and grade estimation.
	Discussion of basis for using or not using grade cutting or capping.	Statistical analysis showed that the domains included outlier values that required top-cut values to be applied. Top-cut values are chosen based on the statistical parameters for thatelement in each domain and a visual check of the location of any possible outlier values. Usually the log probability plots and histogram plots are used to determine the final value used. The top-cuts generally only affect one or two samples. In some cases, the percentageof the weighted average mass of mineralized material was cut, due to extreme high value in relatively poorly sampled domains. The top-cut values applied were limited to the URST unit and were 0.6% for K, 1.2% for KCl and 5.0% for SO_4.
	The process of validation, the checkingprocess used, the comparison of modeldata to drill hole data, and use of reconciliation data if available.	Validation of the block model consisted of: • Volumetric comparison of the mineralization wireframes to the block model volumes. • Visual comparison of estimated grades against composite grades. • Comparison of block model grades to the input data using swathe plots. As no mining has taken place at Colluli to date, there is no reconciliation data available.
Moisture	Whether the tonnages are estimated on adry basis or with natural moisture, and the method of determination of the moisture content.	All mineralization tonnages are estimated on a dry basis. The moisture content in mineralization is considered low, however there is a moisture content of up to 40% in theoverlying overburden unit.
Cut-off parameters	The basis of the adopted cut-off grade(s)or quality parameters applied.	A 95% NaCl (Na_wt% + Cl_wt%) grade cut off has been used to report the rock salt MineralResource at Colluli, with an additional constraint of less than 2.5% Ca plus SO_4. Consideration of mining, metallurgical and pricing assumptions, while not rigorous, suggest that the currently interpreted mineralized material has a reasonable prospect for eventual economic extraction at these cut off grades.
Mining factors or assumptions	Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining	AMC Consultants is currently preparing mining reports to support a Definitive Feasibility Study (DFS) for Colluli on behalf of Danakali. Scenarios being considered are conventionalopen pit using mechanized mining techniques such as continuous surface mining. AMC has assumed, based on initial work, that the Colluli deposits are amenable to open-pit mining methods.

	reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	
Metallurgical factors or assumptions	The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.	Metallurgical studies are well advanced and have delivered highly encouraging results todate. Studies are ongoing as part of the DFS work.
Environmental factors or assumptions	Assumptions made regarding possible waste and process residue disposal options. It is always	Environmental studies are underway as part of the DFS work.

	necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfield project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported.Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.	
Bulk density	Whether assumed or determined. If assumed, the basis for the assumptions. Ifdetermined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.	Bulk density has been estimated from density measurements from geophysical probes aswell as direct core measurements. The geophysical density measurements were collected as down-hole LAS survey data (completed by Abitibi-Terratec) . The 0.01m readings were composited to 1m intervals foruse in the estimate. Top and bottom cutting of outlier values was performed as required. As part of the AMC geotechnical testing program in 2014, 64 direct core measurementswere taken by SRC. Danakali performed an additional 52 direct core measurements for density on samples fromthe URST and MBED units. Selected intervals of cylindrical core were measured for length,as well as with calipers along their length for an average diameter. The volume of the core derived by this method was combined with the weight of the core sample to generate a density measurement for each interval. These measurements and those taken by SRC have been incorporated into the table below.
	The bulk density for bulk material must have been measured by	The water immersion method is not appropriate for potash deposits, owing to their solubilityand collecting perfectly cylindrical core is also difficult. The down-hole geophysical collection of density data is most appropriate for Colluli, withadequate validation and porosity factors applied.

<table>
<tr><td></td><td>methods that adequately account for void spaces (vugs,porosity, etc.), moisture and differences between rock and alteration zones within the deposit.</td><td></td></tr>
<tr><td></td><td>Discuss assumptions for bulk density estimates used in the evaluation processof the different materials.</td><td>The bulk density values applied for the rock salt estimate at Colluli are:

<table><tr><td>LITHOLOGY</td><td>URST</td><td>-</td></tr><tr><td>DOMAIN</td><td>2000</td><td>-</td></tr><tr><td>MEAN DENSITY</td><td>2.11</td><td>-</td></tr></table>
All values are in t/m^3</td></tr>
<tr><td rowspan="3">Classification</td><td>The basis for the classification of the Mineral Resources into varying confidence categories.</td><td>Classification for the update of the rock salt Mineral Resource at Colluli is based upon continuity of geology, mineralization and grade, considering drillhole and density data spacing and quality, variography and estimation statistics (number of samples used and estimation pass). The classification also takes into account data supplied by Danakali and publicly available data for the quality specification and expected market for the final product.
The current classification is only valid for the nominated grade cut-offs and would likelychange if the cut-off used for reporting was changed.</td></tr>
<tr><td>Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations,reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</td><td>At Colluli, the core of the modelled Area A deposits is generally well drilled for a rock salt deposit having a drillhole spacing from a nominal 300 m x 300 m in easting and northing, up to 500 m x 500 m in easting and northing directions. There is also a localized cruciform drilling pattern in the centre of the deposit, designed to test continuity at small scale, with a spacing of approximately 50 m apart.
In general, the estimate has been classified as Measured Resource where clusters of drillholes are within 0.5 km to 0.65 km of each other, the holes have been assayed, geologically and geophysically logged and the confidence in the estimate is high. The estimate has been classified as Indicated Resource where clusters of drillholes are within
1.5 km of each other, with the remaining areas of the model classified as Inferred. The classification is based upon currently available marketing and processing information, particularly with respect to the deleterious elements (primarily Ca, Mg, SO_4 and insolubles), and assumes a 95% NaCl (Na_wt% + Cl_wt%) cut-off with $CaSO_4$ less than 2.5%. At the time of the completion of the estimate, the available marketing and product quality specification data was limited and AMC considered a base case scenario for potential economic extraction based upon publicly available data.
The MBED unit estimate has not been classified at this time, due to lack of data andconfidence in the possibility of economic extraction.</td></tr>
<tr><td>Whether the result appropriately reflectsthe Competent Person's view of the deposit.</td><td>AMC believes that the classification appropriately reflects its confidence in and the quality of the grade estimates.</td></tr>
<tr><td>Audits or reviews</td><td>The results of any audits or</td><td>The previously reported Mineral Resource estimate (AMC 2014) has not been audited anddid not report the URST and MBED units.</td></tr>
</table>

	reviews of Mineral Resource estimates.	
Discussion ofrelative accuracy/ confidence	Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. Forexample, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.	The Mineral Resource classification applied to each deposit is based on geostatistical procedures based on the drilling data, which implies a confidence level and level of accuracyin the estimates.
	The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and theprocedures used.	These levels of confidence and accuracy relate to the global estimates of grade and tonnesfor the deposit.
	These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	There has been no production from the Colluli project at this time.

DANAKALI
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