



Danakali Half Year Report

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali**, or the **Company**), the potash company focused on the development of the Colluli Potash Project (**Colluli**, or the **Project**) in Eritrea, is pleased to announce their Half Year Results for the six month period ended 30 June 2018.

Key operational highlights

- Completion of the FEED Study, confirming Colluli as the most advanced stage greenfield SOP project globally with industry leading capital intensity, first quartile costs, a project level NPV of US\$902m and IRR of 29.9% for Module I & II¹
- Updated JORC-2012 compliant reserves report for Colluli completed as part of FEED², estimating:
 - 1,100Mt @ 10.5% K₂O Ore Reserve
 - 203Mt of contained SOP equivalent
 - Expected mine life of approximately 200 years at FEED production rates
- Signed binding take-or-pay offtake agreement with global partner EuroChem Trading GmbH for up to 100% of Colluli Module I SOP production for an initial ten year term, with an option to extend a further three years³
- Resignation of Danny Goeman as CEO, appointment of Seamus Cornelius as Executive Chairman and appointment of Niels Wage as Chief Commercial Officer⁴
- Engineering, Procurement, Construction & Management and mining contracts advanced to final negotiation stage
- Contract terms for preferred power provider, Inglett & Stubbs International, moved towards finalisation

Key financial highlights

- Healthy cash position of A\$14.5M as at 30 June 2018
- Debt Information Memorandum released to select financial institutions

Post period highlights

- Successful admission to trading on the London Stock Exchange (**LSE**) Main Market (completed in July 2018), helping to increase the Company's reach to international institutions and raise the profile of the Project⁵
- Significant positive developments in Eritrean-Ethiopian relations including signing of peace treaty
- CMSC's Social and Environmental Management Plans were agreed and finalised following an extensive review process by the Eritrean Ministry of Land, Water & Environment's Department of Environment⁶
- Appointment of Numis as Corporate Broker to the Company

Danakali Executive Chairman, Seamus Cornelius, said: *"We have made significant progress in the first half of this year, achieving key milestones on the path to securing the necessary financing and commencing development of the Colluli Potash Project, including confirming a take-or-pay offtake agreement for up to 100% (minimum 87%) of Colluli Module I SOP production with EuroChem and listing on the LSE Main Market in July."*

¹ ASX announcement, 29-Jan-18

² ASX announcement, 19-Feb-18

³ ASX announcement, 12-Jun-18

⁴ ASX announcement, 14-Jun-18

⁵ ASX announcement, 24-Jul-18

⁶ ASX announcement, 22-Aug-18



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“We have also made good progress on the development of operational and in-country readiness systems and structures, which puts us in a good position to commence the next stages in the project development on completion of financing. We are pleased to see that SOP demand growth continues to outpace low cost supply growth, resulting in a robust pricing environment, and welcome the significant positive developments in Eritrean-Ethiopian relations including the peace treaty signing, which provides a platform of stability for the region.”

Refer separate ASX Announcement released earlier today for a full version of the 30 June 2018 Half Year Report.

For more information, please contact:

Danakali

Seamus Cornelius
Executive Chairman
+61 8 6315 1444

William Sandover
Head of Corporate Development & External Affairs
+61 499 776 998

Corporate Broker – Numis Securities

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

UK IR/PR – Instinctif Partners

David Simonson / George Yeomans /
Sarah Hourahane
danakali@instinctif.com
+44 (0)207 457 2020

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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 Potash Project (**Colluli** or the **Project**). The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (**ENAMCO**).

The Project is located in the Danakil Depression region of Eritrea, East Africa, and is ~75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Mineralisation within the Colluli resource commences at just 16m, making it the world's shallowest potash deposit. The resource is amenable to open pit mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining, and is highly advantageous for modular growth.

The Company has completed a Front End Engineering Design (**FEED**) for the production of potassium sulphate, otherwise known as **SOP**. SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride (or **MOP**). Economic resources for production of SOP are geologically scarce. The unique composition of the Colluli resource favours low energy input, high potassium yield conversion to SOP using commercially proven technology. One of the key advantages of the resource is that the salts are present in solid form (in contrast with production of SOP from brines) which reduces infrastructure costs and substantially reduces the time required to achieve full production capacity.

The resource is favourably positioned to supply the world's fastest growing markets. A binding take-or-pay offtake agreement has been confirmed with EuroChem Trading GmbH (**EuroChem**) for up to 100% (minimum 87%) of Colluli Module I SOP production.

The Company's vision is to bring Colluli into production using the principles of risk management, resource utilisation and modularity, using the starting module (**Module I**) as a growth platform to develop the resource to its full potential.

Competent Persons Statement (Sulphate of Potash and Kieserite Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K₂O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K₂O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K₂O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K₂O Equiv. and 9% Kieserite of Inferred Resource.

The information relating to the Colluli Mineral Resource estimate is extracted from the report entitled "Colluli Review Delivers Mineral Resource Estimate of 1.289Bt" disclosed on 25 February 2015 and the report entitled "In excess of 85 million tonnes of Kieserite defined within Colluli Project Resource adds to multi agri-commodity potential" disclosed on 15 August 2016, which are available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Competent Persons Statement (Sulphate of Potash Ore Reserve)

Colluli Proved and Probable Ore Reserve is reported according to the JORC Code and estimated at 1,100Mt @ 10.5% K₂O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K₂O Equiv. Proved and 815Mt @ 10.3% K₂O Equiv. Probable. The Colluli SOP Mineral Resource includes those Mineral Resources modified to produce the Colluli SOP Ore Reserves.

The information relating to the January 2018 Colluli Ore Reserve is extracted from the report entitled "Colluli Ore Reserve update" disclosed on 19 February 2018 and is available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Competent Persons Statement (Rock Salt Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 347Mt @ 96.9% NaCl. The Mineral Resource estimate contains 28Mt @ 97.2% NaCl of Measured Resource, 180Mt @ 96.6% NaCl of Indicated Resource and 139Mt @ 97.2% NaCl of Inferred Resource.

The information relating to the Colluli Rock Salt Mineral Resource estimate is extracted from the report entitled "+300Mt Rock Salt Mineral Resource Estimate Completed for Colluli" disclosed on 23 September 2015 and is available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

AMC Consultants Pty Ltd (AMC) independence

In reporting the Mineral Resources and Ore Reserves referred to in this public release, AMC acted as an independent party, has no interest in the outcomes of Colluli and has no business relationship with Danakali other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC and the Competent Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

Quality control and quality assurance

Danakali exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals.

The samples are derived from HQ diamond drill core, which in the case of carnallite ores, are sealed in heat-sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory.

Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-Umwelttechnik GmbH, Sondershausen, Germany, utilising flame emission spectrometry, atomic absorption spectroscopy and ion chromatography. Kali-Umwelttechnik (KUTEC) has extensive experience in analysis of salt rock and brine samples and is certified according to DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungsstelle GmbH (DAR). The laboratory follows standard procedures for the analysis of potash salt rocks chemical analysis (K^+ , Na^+ , Mg^{2+} , Ca^{2+} , Cl^- , SO_4^{2-} , H_2O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

Forward looking statements and disclaimer

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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