

QUARTERLY REPORT

For the period ending 30 September 2018

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

Highlights

- **First 'bank club' meeting held** with multiple potential debt financiers to further due diligence, including **meetings with Eritrean Government officials**
- **CEO candidate shortlist** established
- Confirmation of **DRA as preferred EPCM contractor**¹
- Executive Chairman, Seamus Cornelius, and Chief Commercial Officer, Niels Wage, were **hosted by a senior EuroChem delegation at EuroChem's NPK fertiliser production facility** in Antwerp
- **Social & Environmental Management Plans (SEMPs) agreed and finalised** following extensive review process²
- **Further significant positive developments in Eritrean-Ethiopian and wider Horn of Africa diplomatic relations**
 - Major economic powers and the United Nations have recognised and encouraged the progress

Key activities planned for the December 2018 Quarter

- Assess shortlist and **complete final interviews of CEO candidates**
- Finalisation of contracts with **DRA, Inglett & Stubbs International and preferred mining contractor**
- Continue **due diligence process for debt** portion of project financing and **work towards financier credit approvals**
- Continued development of operations readiness processes and systems to **position Danakali and CMSC for development and production**

Corporate

- **Admission** to trading on the **London Stock Exchange**³
- **Numis confirmed as Corporate Broker** to the Company⁴
- **Cash position of A\$11.8M** as at 30 September 2018

¹ DNK announcement, 27-Sep-18

² DNK announcement, 22-Aug-18

³ DNK announcement, 24-Jul-18

⁴ DNK announcement, 22-Aug-18

Project

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

Project financing – Progression of debt due diligence

There has been pleasing engagement from potential debt financiers during the period. Multiple potential debt financiers have provided expressions of interest, due diligence is well advanced, and meetings have been carried out with Eritrean Government officials as part of the due diligence requirements.

Debt process milestones

	Date	Area	Detail
✓	Jan-18	Technical reports	• FEED completed and provided to potential debt financiers
✓	Feb-18	Formal kick-off	• Information Memorandum provided to potential debt financiers
✓	Feb-18	Due diligence	• Independent Marketing report provided to potential debt financiers
✓	Jun-18	Due diligence	• Independent Social & Environmental and Technical Engineer reports provided to potential debt financiers
✓	Jul-18	Due diligence	• Legal Due Diligence report provided to potential debt financiers
✓	Jun-18	Offtake	• EuroChem offtake agreement provided to potential debt financiers
✓	Jul-18	Due diligence	• Bank club and Eritrea Government discussions
✓	Sep-18	Project contracts	• DRA Global (DRA) confirmed as preferred EPCM contractor
	TBC	Project contracts	• Finalisation of contracts with DRA, Inglett & Stubbs International, and preferred mining contractor
	TBC	Commitments	• Credit approval from debt financiers
	TBC	Commitments	• Signing of finance documentation
	TBC	Commitments	• Financial close with conditions precedent met

The Company continues to progress its equity strategy with the recent London Stock Exchange (LSE) dual listing acting as a key enabler. The Company is moving the Project's equity funding requirements forward through the following avenues:

- carrying out extensive awareness exercises to further raise the profile of Danakali and Colluli;
- build equity valuation and share trading liquidity;
- mobilisation of institutional and strategic interest globally; and
- moving towards financial close for Colluli Module I in close consultation with the debt funding process.

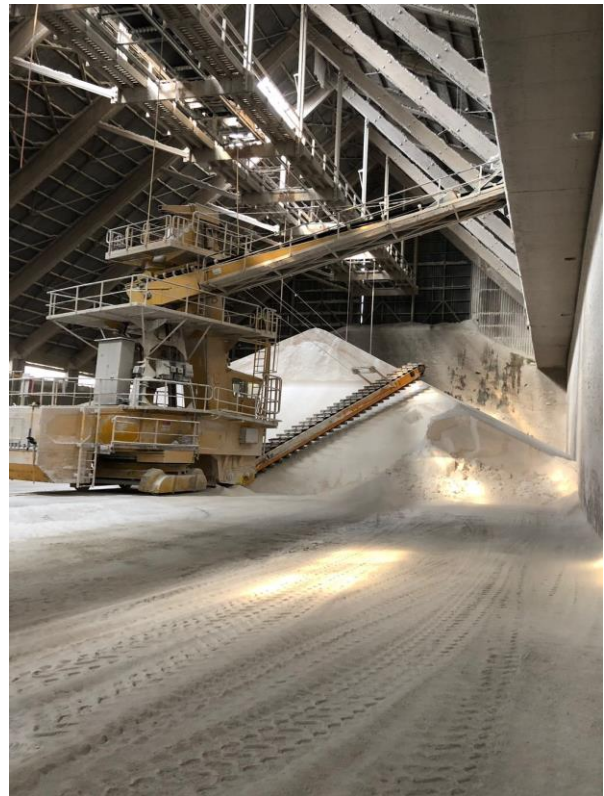
EuroChem – Continued development of offtake partnership⁵



Following the binding take-or-pay offtake agreement with EuroChem Trading GmbH (**EuroChem**) for up to 100% (minimum 87%) of Module I Sulphate of Potash (**SOP**) production from Colluli⁶, Danakali's Executive Chairman and Chief Commercial Officer visited EuroChem's Antwerp, Belgium Nitrogen Phosphorus Potassium (**NPK**) fertiliser production facility in August 2018. Their visit was escorted by a senior EuroChem delegation, who provided valuable insight into NPK fertiliser production processes.

Chief Commercial Officer (**CCO**), Niels Wage, described the visit as "very positive and constructive, with great engagement from EuroChem team members". Danakali continues to make progress with the implementation of the EuroChem agreement with supply chain and product development underway.

August 2018 visit by Danakali Executive Chairman and CCO along with senior EuroChem delegation at the EuroChem NPK fertiliser facility in Antwerp, Belgium



⁵ DNK announcement, 12-Jun-18

⁶ DNK announcement, 12-Jun-18

EPCM and project execution – DRA confirmed as preferred EPCM contractor for Colluli⁷



CMSC has confirmed DRA as the preferred Engineering, Procurement, Construction & Management (EPCM) contractor for Colluli, a critical project execution milestone. DRA is a high quality multi-disciplinary global Project Management and Engineering group with strong African experience and EPCM delivery capability. The EPCM contract is a requirement of potential debt providers and reinforces that Colluli is execution ready.

DRA will be responsible for all aspects of design, project management, procurement, construction management and supervision as well as commissioning of the complete process plant and associated infrastructure, including provision of all temporary construction facilities. DRA will also be responsible for awarding major contracts such as early works, earthworks, structural, mechanical, piping, electrical and instrumentation works, laboratory and permanent camp (including life support, freight and logistics).

“DRA is honoured to have been selected by the Colluli Mining Share Company for the execution of the project. We have put together a very strong team for the successful delivery of the project and both our Project Manager and proposed in-Country Manager have experience in delivering projects in Eritrea.”
DRA Global Chief Executive Officer, Wray Carvelas

Following discussions among the CMSC joint venture partners (ENAMCO and Danakali) and with the Eritrean Ministry of Energy & Mines (the **MoEM**), CMSC has decided not to submit a notice of commencement of development by the end of October 2018 and will instead seek an extension. Assurances have been provided by the MoEM to CMSC that an extension will be provided. Danakali and ENAMCO continue to work closely together to further the Project.

Social and environmental – SEMP’s finalised following extensive review process⁸

Following a period of consultation and further works, between the Eritrean Ministry of Land, Water & Environment and CMSC, the Social and Environmental Management Plans (**SEMPs**) finalised by CMSC have been signed off following an extensive review process. The SEMP’s are a cornerstone of the environmental, social and safety management system being developed by CMSC and provide the foundation for compliance.

The CMSC SEMP’s



⁷ DNK announcement, 27-Sep-18

⁸ DNK announcement, 22-Aug-18

Eritrea

Diplomatic relations – Rapid diplomatic progress in the Horn of Africa

Significant further positive developments in Eritrean-Ethiopian relations post the preliminary developments reported by Danakali in July 2018. The restoration of diplomatic relations among Eritrea, Djibouti, Ethiopia and Somalia signalling an end to the region's conflict⁹.

- Prime Minister Abiy and President Isaias agreed to reopen embassies in the respective capitals and signed a “joint declaration of peace and friendship”¹⁰
- The Eritrea-Ethiopia border was opened for the first time since 1998 in September, and the first Ethiopian ship docked in the Eritrean port of Massawa, carrying Eritrean zinc to China¹¹
 - Port and road upgrades planned
- Eritrean Government is considering a port close to Colluli as Ethiopia rapprochement spurs foreign investment interest¹²
- Eritrea and Ethiopia were hailed by Nobel laureate, Leymah Gbowee, on 2018 World Peace Day¹³
- China's Sichuan Road to mine copper in Eritrea starting in 2019¹⁴

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

Peace talks between the leaders of Eritrea and Ethiopia concluded in July, with both signing a historic peace treaty¹⁵

Signing of the “joint declaration of peace and friendship” between Eritrea and Ethiopia in Jeddah¹⁶



⁹ Aljazeera, 11-Sep-18

¹⁰ BBC News, 9-Jul-2018

¹¹ Reuters, 5-Sep-18

¹² Bloomberg, 23-Aug-18

¹³ Africa News, 23-Sep-18

¹⁴ Bloomberg, 20-Oct-18

¹⁵ The Defense Post, 9-Jul-18

¹⁶ Reuters, 16-Sep-18

Eritrean National Festival – CMSC hosted a booth at the annual Eritrean National Festival Expo in Asmara

CMSC recently participated in the Eritrean National Festival in Asmara, hosting a booth at the Expo to showcase Colluli. The Expo was held from 31 August to 8 September at the Expo Grounds in Asmara, Eritrea, with the theme “Peace for Sustainable Development”. The Expo highlighted and celebrated the new era of peace and cooperation in the region. The Eritrean National Festival originated in Bologna, Italy in 1984 during the struggle for independence. Since Eritrean Liberation in 1991, the Festival integrates different Eritrean cultures and encourages national unity of Eritreans at home and abroad. The main objectives of the Eritrean National Festival are to showcase:

- current developments happening in the country;
- the different ethnic groups and their traditions; and
- Eritrea’s collective culture and history

Companies from different industries (both local and international) showcased their businesses, including mining companies at varying development and mining stages.

CMSC’s booth in the ‘Mining Hall’ at the Eritrean National Festival in Asmara, Eritrea



Corporate

CEO – CEO shortlist generated

The search for a new CEO is entering its final stage. A candidate shortlist is in place and final interviews are underway.

LSE dual listing – Trading commenced and Numis appointed as Corporate Broker

The Company's ordinary shares were admitted to the Standard Segment of the Official List of the Financial Conduct Authority and to trading on the LSE Main Market on 24 July 2018¹⁷.

Further to Numis Securities (**Numis**) acting as Financial Adviser for Danakali's LSE dual listing, the Company confirmed the appointment of Numis as Corporate Broker to the Company¹⁸.

Extensive shareholder and investor interest led to the development of a LSE dual listing FAQ document. It can be found on the Company's website: <http://www.danakali.com.au/investor-relations/lse-listing-documents>, along with other LSE dual listing materials.

One2One Proactive Investors Forum – High level of interest from UK investors

Executive Chairman, Seamus Cornelius, presented at the Proactive Investors One2One Investor Forum in London on 20 September 2018. The event was well attended and there was a high level of interest in Danakali. The presentation materials can be found on the ASX website: <https://www.asx.com.au/asxpdf/20180920/pdf/43ygzgwtfc5vm.pdf>

Executive Chairman, Seamus Cornelius, presenting at the One2One Proactive Investors Conference



¹⁷ DNK announcement, 24-Jul-18

¹⁸ DNK announcement, 22-Aug-18

Eritrea Breakfast – Open for business

Executive Chairman, Seamus Cornelius presented on 26 September 2018 at the Hannam & Partners ‘Eritrea Breakfast’ hosted in London. The event focused on the recent diplomatic and economic developments in Eritrea and the Horn of Africa. The presentation materials can be found on the ASX website:

<https://www.asx.com.au/asxpdf/20180926/pdf/43ymzvsvr2jhkv.pdf>

Capital – Moderate expenditure ahead of project execution

Cash

Consolidated cash on hand was A\$11.8M as at 30 September 2018.

Securities

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

- 356,049 shares issued in lieu of fees to its Financial Adviser in relation to admission to and trading on the LSE
- 30,000 shares on vesting of performance rights (Class 6: 10,000; Class 8: 20,000)

At 30 September 2018, there were a total of 264,197,463 fully paid ordinary shares on issue.

At 30 September 2018, there were a total of 3,740,000 unlisted options on issue at various exercise prices and expiry dates. A total of 100,000 unlisted options with an exercise price of A\$0.558 lapsed during the quarter. There were no new unlisted options issued during the September 2018 Quarter.

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

- 10,000 Class 6 performance rights vested and converted to shares
- 20,000 Class 8 performance rights vested and converted to shares

At 30 September 2018, there were a total of 1,343,000 performance rights on issue. There were no new performance rights issued or cancelled during the September 2018 Quarter.

Interests in mining tenements

The 7 Mining Licenses awarded to CMSC span over 60km² of the 100km² Mining Agreement area¹⁹.

Tenement holdings

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

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

For more information, please contact:

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¹⁹ ASX announcements, CMSC enters into Mining Agreement for world class Colluli Potash Project, 1 February 2017, and Award of Mining Licences for world class Colluli Potash Project, 1 February 2017

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Danakali Limited

ABN

57 097 904 302

Quarter ended ("current quarter")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(250)	(690)
(e) administration and corporate costs	(1,129)	(2,080)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	42	132
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,337)	(2,638)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Funding of Joint Venture	(1,273)	(4,998)
2.6	Net cash from / (used in) investing activities	(1,273)	(4,998)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	3,886
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	3,886

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	14,401	15,505
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,337)	(2,638)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,273)	(4,998)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	3,886
4.5	Effect of movement in exchange rates on cash held	13	49
4.6	Cash and cash equivalents at end of period	11,804	11,804

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	11,804	14,401
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	11,804	14,401

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2 and 2.5	132
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Item 1.2 includes aggregate amounts paid to directors including salary, directors' fees, and superannuation (excluding the reimbursement of expenses)

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	Nil	Nil
8.2	Credit standby arrangements	Nil	Nil
8.3	Other (please specify)	Nil	Nil
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	-
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(164)
9.5	Administration and corporate costs	(707)
9.6	Other - Funding of Joint Venture	(1,967)
9.7	Total estimated cash outflows	(2,838)

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

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

Sign here:  (Joint Company Secretary)

Date: 30 October 2018

Print name: Melissa Chapman

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

About Danakali

Danakali Limited (ASX: DNK) (**Danakali**, or the **Company**) is an ASX-listed potash company focused on the development of the Colluli Potash Project (**Colluli** or the **Project**). The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (**ENAMCO**).

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

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

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

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

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

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

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

Competent Persons Statement (Sulphate of Potash Ore Reserve)

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

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

Competent Persons Statement (Rock Salt Mineral Resource)

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

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

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AMC Consultants Pty Ltd (AMC) independence

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

Quality control and quality assurance

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

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

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

Forward looking statements and disclaimer

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.

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.

The distribution of this announcement outside the United Kingdom may be restricted by law and therefore any persons outside the United Kingdom into whose possession this announcement comes should inform themselves about and observe any such restrictions in connection with the distribution of this announcement. Any failure to comply with such restrictions may constitute a violation of the securities laws of any jurisdiction outside the United Kingdom.

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