



# QUARTERLY REPORT

For the period ending 30 June 2020

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali**, or the **Company**) is pleased to provide this quarterly update on the activities and financial position of the Company and its Colluli Potash Project (**Colluli** or the **Project**), located in Eritrea, East Africa. The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (**ENAMCO**). CMSC's aim is to become a leading producer and exporter of Sulphate of Potash (**SOP**), the premium potash type, during 2022.

## Highlights

### ▪ Progress on EPCM – completion of Phase 2 by DRA

*Proactive steps to maintain forward momentum of the Project Development in the current environment*

- EPCM Phase 2 materials have been delivered by DRA Global (**DRA**)
- Additional test work to advance the Project commenced
- Environmental and Capital optimisation opportunities to improve outcomes identified

### ▪ Africa Finance Corporation

*Continuous support from strategic investor*

- Extended deadline for satisfaction of remaining conditions precedent for Tranche 2
- AFC remains committed to its US\$150m funding of Colluli
- Company appointed two AFC nominee Non-executive Directors to Danakali's Board of Directors

### ▪ Environmental and Social Governance (ESG)

*Ongoing and planned contributions to sustainable development in Eritrea*

- Publication of the inaugural Sustainability Report highlighting Colluli's potential to positively impact Eritrea

## Key activities planned for Q3 2020

### Project financing

- Ongoing monitoring of the recovery of the financial markets to focus on the execution of project financing
- Progress with the satisfaction of conditions precedent necessary to allow CMSC senior debt drawdown
- The Company will continue to execute on its equity capital strategy for remaining project financing and capital requirements subject to global market conditions

### Project development

- Complete the additional identified test work to advance the Project
- Finalise the update of FEED estimate and review of the execution schedule
- Continue desk top study of further opportunities with the Water Intake Treatment Area
- Continue to monitor and assess the impact of COVID-19 to advance the EPCM work
- Identify and pursue appropriate opportunities, delivered on a desk top basis

## Financial position

### Cash position of A\$15.8M as at 30 June 2020

- Refer to the Appendix 5B for the quarter which estimates that funding is sufficient for more than 7 quarters

## Project

### EPCM progress

The on-site activities were suspended, while desk-based work continued allowing Danakali to make significant progress on EPCM testing and planning workstreams, and to further analyse potential optimisation opportunities in environmental and capital management, in preparation for the Design stage. Project spend is continually assessed and restricted to those areas critical to the long-term success, as Colluli remains on track for production during 2022.

Within the June Quarter, EPCM Phase 2 materials have been delivered by DRA Global (**DRA**), including:

- Capital Estimate and Project Schedule, and
- identifying focus areas in design and process.

Furthermore, Environmental and Capital optimisation opportunities to improve outcomes identified, including:

- use of filtered sea water in the processing plant, and
- use of beach wells as the water intake system alternative for the Water Intake Treatment Area (**WITA**).

### EPCM Phase 2 completion

EPCM Phase 2 materials have been delivered by DRA Global. This provides information allowing advancement to the next phase of Project Development and identifies focus areas to manage the design and any process risks during the Detailed Design Phase. The CMSC Project Team are now in the process of reviewing the deliverables.

### Additional test work and potential opportunities

EPCM Phase 2 identified and commenced additional test work that was planned to be undertaken as part of the Phase 3 detailed engineering. CMSC took the opportunity with the COVID 19 global restrictions to advance these test work items immediately. The output of this test work supports Environmental and Capital optimisation opportunities. Contracts have been awarded in support of this test work. These proactive steps by CMSC maintain forward momentum of the Project Development within this current period.

### WITA opportunity

Within the Water Intake Treatment Area (**WITA**) a number of potential opportunities have been identified to improve Environmental outcomes. The key opportunities are identified as the use of filtered sea water in the processing plant and using beach wells as the water intake alternative. A desktop study is underway to evaluate the beach well intake option. The use of filtered sea water in the process plant is being assessed as part of the additional test work that has commenced.

## Project Financing & Board Appointments

The Company has further advanced its equity strategy in order to secure the remaining financing needed for Colluli development.

Danakali and AFC have agreed to an extension of the deadline for satisfaction of remaining conditions precedent for Tranche 2 of AFC's investment on or before 21 November 2021 to allow for stabilisation of market and global



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conditions in response to, amongst other things, the constraints arising from global restrictions imposed due to the COVID 19 pandemic.

AFC continues to be a great supporter of Colluli and are confident in Danakali's competence to successfully deliver the Project. AFC remain committed to its US\$150m funding across the CMSC Senior Debt and equity investments.

Danakali appointed to its Board of Directors, Samaila D. Zubairu, President and CEO, and Taiwo Adeniji, Senior Director for Investment Operations & Execution, of AFC. They joined the Danakali Board as Non-executive Directors at an important time, bringing significant experience to the Board and support to the Colluli, as it moves closer to construction and production which is currently expected to be in 2022.

As part of its US\$50M strategic equity investment in Danakali and overall funding package for development and construction of Colluli, AFC was granted the right to nominate up to two directors to Danakali's Board.

### Financial resilience

DNK Board has maintained prudent spending in the June Quarter with its focus on critical Project spend tied to the long-term success of Colluli development.

With the receipt of Tranche 1 of AFC's investment of US\$21.5m (A\$31.8m) in 2019, Danakali is well funded.

## Environmental and Social Governance (ESG)

Danakali achieved the publication of the inaugural Sustainability Report highlighting Colluli's potential to positively impact Eritrea. The report outlined the following:

- Significant commitment to responsible business,
- Strong alignment with 13 of the 17 UN Sustainable Development Goals (SDGs), and
- Operational management systems under development will align with Equator Principles, IFC standards for Environmental and Social Performance and the World Bank Group Environment, Health and Safety Guidelines.

## Investor engagement

### Presentations

In June, Danakali's CEO Niels Wage hosted a live webinar for investors, providing an update on the Company's recent developments and future plans for Colluli. The recording of the event can be found on Danakali's [YouTube](#) page and the copy of the investor presentation – [here](#).

Danakali has also launched its video series "Danakali Talks". In Episode 1 of the webcast Niels Wage hosted two senior Newcastle University scholars Dr. Natalia Yakovleva, Senior Lecturer in International Business Strategy and Professor David Manning, the soil fertility expert from the School of Natural and Environmental Sciences. The programme focused on the interplay between fertilisers, agriculture, food security, and the role that potash and new potash-mining projects, such as Colluli, play in establishing stable and sustainable food chains. The recording can be accessed [here](#).

Virtual Strategic equity investor and face to face broker meetings have been initiated in the Middle East and Australia respectively by Danakali.

### Danakali Limited

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## Interviews

Danakali's Chief Executive Officer, Niels Wage, gave interviews to a number of global media publications, including:

- Mining Journal – [Danakali happy to take on Aussie potash rivals 16 June 2020](#)
- Mining Review Deep Insights Podcast series #4 – [The role of potash in food security 22 June 2020](#)
- Mining Weekly – [Danakali bullish about sulphate of potash demand growth beyond Covid-19 15 June 2020](#)
- SA Mining May/June – [Colluli Potash investigates optimization opportunities, p.25](#)
- Proactive Investors – [Danakali Limited in final stages of EPCM Phase 2 for Colluli potash project in Eritrea 22 May 2020](#)
- Proactive Investors – [Danakali Limited reveals its first sustainability report 16 June 2020](#)

## Capital

### Cash

Consolidated cash on hand was A\$15.8m as at 30 June 2020. Please refer to the Appendix 5B for the quarter which estimates that funding is sufficient for more than 7 quarters.

### Securities

As at 30 June 2020, there were a total of 318,741,306 fully paid ordinary shares on issue. During the June 2020 Quarter, the Company issued the following fully paid ordinary shares:

- 20,000 shares issued upon vesting of performance rights

As at 30 June 2020, there were a total of 4,064,112 unlisted options on issue at various exercise prices and expiry dates. A total of 1,940,000 unlisted options lapsed during the June 2020 Quarter. No unlisted options were issued or exercised during the June 2020 Quarter.

As at 30 June 2020, there were a total of 2,060,000 performance rights on issue. 20,000 performance rights (class 5) were converted to shares during the period. No performance rights were issued or lapsed during the period.

## Related Party Transactions

In accordance with ASX Listing Rule 5.3.5, payments to related parties of the Company and their associates during the quarter totalled A\$0.107m. The Company advises that this relates to Non-executive Director fees. Refer to the Remuneration Report in the Annual Report for further details on director remuneration.

## Interests in mining tenements

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

### Tenement holdings

<b>Tenement</b>	<b>Colluli, Eritrea</b>
<b>Nature of interest</b>	Owned
<b>License type</b>	Mining Licenses
<b>Current equity</b>	50%

There was no change in tenement holding during the June 2020 Quarter.

For more information, please contact:

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[Access Danakali's 2019 Annual Report](#)

Announcement authorised for release by the Chief Executive Officer of Danakali.

## Appendix 5B

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

Name of entity

Danakali Limited

ABN

57 097 904 302

Quarter ended ("current quarter")

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(305)	(496)
(e) administration and corporate costs	(540)	(1,297)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	62
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	50	50
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(792)</b>	<b>(1,681)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (funding of joint venture)	(3,947)*	(13,958)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3,947)</b>	<b>(13,958)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(229)	(3,326)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(229)</b>	<b>(3,326)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	22,720	33,800
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(792)	(1,681)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,947)	(13,958)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(229)	(3,326)

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(1,981)	936
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>15,771</b>	<b>15,771</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	8,501	22,720
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (term deposit)	7,270	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>15,771</b>	<b>22,720</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	107
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

Payments included in item 6.1 relates to payment of director fees (\$107k)



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

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

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(792)
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	-
8.2a Other (funding of joint venture) (item 2.5)	(3,947)*
8.3 Total relevant outgoings (item 8.1 + item 8.2 + item 8.2a)	(4,739)
8.4 Cash and cash equivalents at quarter end (item 4.6)	15,771
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	15,771
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	3.3**
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
* The Company considers it appropriate to include cash outflows related to the funding of joint venture (investing activities) in this table given its ongoing obligation to fund these activities.	
** Outgoings for the quarter ended June 2020 include approximately \$2.0m of non-recurring expenditure related to one off taxation for lender and advisors' fees associated with successful debt financing activities in December 2019 and capital expenditure related to the Project RO Plant.	
Removal of the \$2.0m non-recurring costs from the Total Relevant Outgoings (Item 8.3) would have resulted in an Estimated quarters of funding available (Item 8.7) of 7.95 quarters, which is a more representative estimate.	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	

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

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

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

Answer:

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

### Compliance statement

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

Date: 24 July 2020.....

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

### Notes

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



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## About Danakali

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

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

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

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

Development Finance Institutions, Africa Finance Corporation (AFC) and African Export Import Bank (Afreximbank), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance. The credit documentation was executed in December 2019, allowing drawdown of CMSC senior debt on satisfaction of customary conditions precedent. This represents the majority of funding required for the development and construction of the Colluli. AFC has also executed a Subscription Agreement to make a US\$50M strategic equity investment in Danakali. The receipt of the first tranche of US\$21.6M (A\$31.8M) allowed commencement of development.

Project execution has commenced, and SOP production is currently expected to start in 2022. The Company's vision is to bring Colluli into production using the principles of risk management, resource utilisation and modularity, using the starting module (Module I) as a platform to develop the resource to its full potential.

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

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% 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](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## Competent Persons Statement (Sulphate of Potash Ore Reserve)

Colluli Proved and Probable Ore Reserve is reported according to the JORC Code and estimated at 1,100Mt @ 10.5% 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](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## Competent Persons Statement (Rock Salt Mineral Resource)

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

The information relating to the Colluli Rock Salt Mineral Resource estimate is extracted from the report entitled "+300M Tonne Rock Salt Mineral Resource Estimate Completed for Colluli" disclosed on 23 September 2015 and is available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms

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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 (KUTECH) 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+, 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.

#### 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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