DANAKALI

ASX Release **29th October 2015**

Quarterly Report

for the period ending 30 September 2015

HIGHLIGHTS

COLLULI POTASH PROJECT

- **Definitive Feasibility Study well advanced and on track for Q4 2015 release**
- **Completion of the piloting and variability trials confirm robustness of the process plant design**
- **Generation of 300 kg of Colluli SOP product in Soluble, Standard and Granular form**
- **347 million tonne rock salt resource estimate announced**
- **60% reduction in process plant water requirements**
- **High potassium process water identified on site**
- **Large subsurface aquifer identified at the Colluli site – has the potential to completely eliminate the 75km seawater delivery pipeline from Anfile Bay**
- **Detailed mine scheduling well advanced**
- **Successful completion of compaction trials**
- **Colluli Exploration License renewal complete**
- **Danakali represented at The Fertiliser Institute (TFI) World Fertiliser Conference in Boston**

PLANNED FOR DECEMBER QUARTER

- **Completion of Colluli Definitive Feasibility Study**
- **Completion of Social and Environmental Impact Assessments and Management Plans**
- **Initiation of Mining Agreement submission**
- **Continuation of dialogue with potential customers, progressing towards offtake agreements**
- **Continuation of project debt funding dialogue**

CORPORATE

- **Cash position of A$5.108M at end September**
- **Board & Management continue to grow shareholding**
- **New website and project video launched**
- **Share registry changed to Computershare**

COLLULI POTASH PROJECT

OVERVIEW

Danakali Ltd (ASX: DNK) ("Danakali" or "the Company") is pleased to provide the following quarterly update on its Colluli Potash Project ("Colluli" or "the Project"), which is located in the Danakil region of Eritrea, East Africa. Colluli is approximately 350km south-east of the capital, Asmara and 180km from the port of Massawa, which is Eritrea's key import/export facility.

The project is a joint venture between the Eritrean National Mining Company (ENAMCO) and Danakali with each having 50% ownership of the joint venture company, the Colluli Mining Share Company (CMSC). CMSC is responsible for the development of the project.

The Danakil region is an emerging potash province, and one of the largest unexploited potash basins in the world. To date, over 6 billion tonnes of potassium bearing salts suitable for the production of potash fertilisers have been identified in the region and the potash potential has attracted a number of major international potash producers, including both Yara International and ICL.

The Colluli resource is located approximately 75km from the Red Sea coast, and mineralisation commences at just 16m below surface, making it one of the most accessible potash deposits globally. The shallow mineralisation makes the resource amenable to open cut mining, a proven, high productivity mining method that gives higher resource recovery relative to underground and solution mining methods, and is generally safer than underground mining.

The resource comprises three potassium bearing salts: sylvinite, carnallitite and kainitite. These salts are suitable for high yield, low energy input production of potassium sulphate or sulphate of potash (SOP), which is a high quality potash fertiliser carrying a price premium over the more common potassium chloride (MOP). The salt composition of the Danakil region also provides the ability to produce a suite of potash products that not only includes potassium sulphate, but also potassium magnesium sulphate and potassium chloride. Such potash product diversification cannot be achieved by any other resource in the world.

Substantial upside for the project exists from the exploitation of other contained products within the resource such as high purity rock salt, kieserite (magnesium sulphate), gypsum and magnesium chloride.

The JORC-2012 compliant Mineral Resource Estimate for Colluli now stands at 1.289 billion tonnes @ 11% K_2O for 260Mt of contained SOP[1]. Table 1 provides a summary of the resource.

Within the above, the JORC-2012 compliant Mineral Reserve Estimate for Colluli is approximately 1.1 billion tonnes comprising 287 million tonnes of Proved and 820 million tonnes of Probable Ore Reserve and is shown below in Table 2. The estimate is based on the Mineral Resource estimate above.

Table 1: JORC-2012 Colluli Resource Estimate and Interpretation at 25 February 2015

Area	Rock Unit	Measured		Indicated		Inferred		Total	
		Mt	K_2O Equiv %	Mt	K_2O Equiv %	Mt	K_2O Equiv %	Mt	K_2O Equiv %
Area A	Sylvinite	66	12	38	11	10	8	115	11
	Carnallitite	55	7	190	9	6	16	251	9
	Kainitite	86	12	199	11	1	10	285	11
Area B	Sylvinite	24	15	12	13	5	12	150	13
	Carnallitite	25	6	114	7	8	7	147	7
	Kainitite	48	13	289	13	4	13	341	13
Total	Sylvinite	90	13	160	13	15	9	265	12
	Carnallitite	80	7	303	8	15	11	398	8
	Kainitite	133	12	488	12	5	11	626	12
Overall		**303**	**11**	**951**	**11**	**35**	**10**	**1289**	**11**

[1] Based on 83% by weight contained potassium in K_2O

Table 2: JORC-2012 Colluli Ore Reserve at 19 May 2015

Occurrence	Proved		Probable		Total			
	Mt	K_2O Equiv %	Mt	K_2O Equiv %	Mt	K_2O Equiv %	K_2SO_4 Equiv %	K_2SO_4 Equiv Mt[2]
Sylvinite (KCl.NaCl)	78	15	174	12	252	13		
Carnallitite ($KCl.MgCl_2.H_2O$)	79	7	283	8	362	8		
Kainitite (KCl.MgSO4.H2O)	130	12	363	11	493	11		
Total	**287**	**11**	**820**	**10**	**1107**	**10**	**18.5**	**205**

[2] Equivalent K_2SO_4 (SOP) calculated by multiplying $\%K_2O$ by 1.85.

The prefeasibility study results (PFS), announced on 4 March 2015, demonstrated highly favourable economic outcomes for Phase I as a standalone development (425ktpa of SOP) with improved outcomes through the development of a second phase, 5 years after the first (a further 425ktpa). A two phase development approach has been advanced to a definitive feasibility study (DFS), which is expected to be completed in Q4 2015.

Key outcomes from the prefeasibility study are summarised below:

Outcome	Unit	Phase I	Phase II[1]
Annualised SOP Production	Kt	425	850
Development Capital (including 15% contingency)	US$m	442	282[2]
Average SOP Price (FOB Anfile Bay)	US$/t SOP	588	588
Average Mine Gate Cash Costs	US$/t SOP	162	141
Average Total Cash Costs[3]	US$/t SOP	210	189
Post tax NPV (10%) – Project	US$m	462	846
After tax Internal Rate of Return - Project	%	22.3	24.7
Post tax NPV (10%) – DNK[4]	US$m	206	397
Post tax Internal Rate of Return - DNK	%	22.3	25.9

[1] Based on an additional 425ktpa Phase II commencing production in year 5

[2] Additional capital required for second production module

[3] Includes mine gate costs, logistics and royalties

[4] In accordance with the CMSC Shareholders' Agreement

PROJECT UPDATE

The Definitive Feasibility Study (DFS) for the production of potassium sulphate (SOP) via a two phased approach (Figure 1), has progressed rapidly and effectively during the September quarter with certain, prioritised opportunities investigated for inclusion in the study to enable a highly robust, optimised and construction ready report. Completion is expected for release in Q4 2015.

Concurrent with the DFS has been the finalisation of the baseline reports for the Social and Environmental Impact Assessment (SEIA) along with the engagement of a consortium of social, cultural, marine and wildlife experts to establish the Social and Environmental Management Plan (SEMP) to enable a rapid transition from DFS completion to mining licence application.

Danakali has also developed its understanding of the rock salt overburden material and reported a large JORC-2012 compliant resource estimate with the potential to commercialise some of the mine waste.

Figure 1 – DFS will evaluate a two module project

347 million tonne Rock Salt Resource

In addition to Colluli's 1.3 billion tonne potash mineral resource (converting to 1.1 billion tonne Ore Reserve Estimate), during the quarter Danakali released a JORC-2012 compliant Mineral Resource estimate of 347 million tonnes of rock salt for Area A, which is the area of focus for the DFS mining schedules.

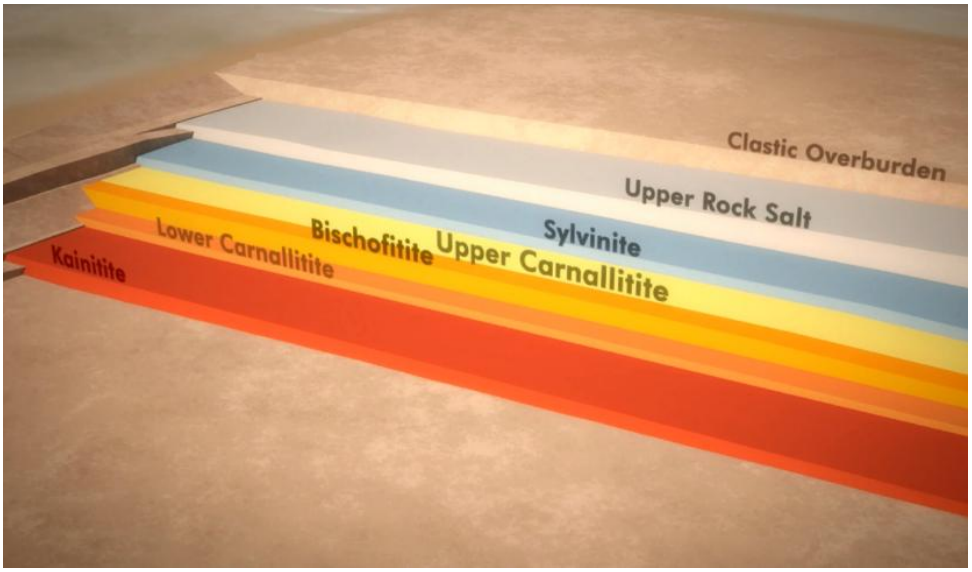

Figure 2 - Upper rock salt caps the potash salts

Commercialisation of this material, which sits directly above the primary potash deposit, has the potential to provide further economic benefits to the project.

Table 3: Rock Salt Mineral Resource – Overall Area A

Classification	Tonnes (Mt)	NaCl	K	Mg	$CaSO_4$	Insolubles
Measured	28	97.2	0.05	0.05	2.2	0.23
Indicated	180	96.6	0.07	0.06	2.3	0.24
Inferred	139	97.2	0.05	0.05	1.8	0.25
Total	**347**	**96.9**	**0.06**	**0.05**	**2.1**	**0.24**

Table 4: Rock Salt Mineral Resource – First 30 Years of Mining (from PFS)

Classification	Tonnes (Mt)	NaCl	K	Mg	$CaSO_4$	Insolubles
Measured	17	97.7	0.04	0.04	1.7	0.19
Indicated	34	96.9	0.07	0.05	2.2	0.30
Inferred	0					
Total	**52**	**97.2**	**0.06**	**0.05**	**2.0**	**0.26**

The rock salt resource, un-processed, is suitable for de-icing and other applications in nearby jurisdictions and has the potential to be a significant salt business in its own right.

Pilot plant test work confirms robustness and repeatability of process

During the September quarter, the pilot plant test programme was completed, further demonstrating the robustness of the process to input variations and ability to reliably produce high purity potassium sulphate.

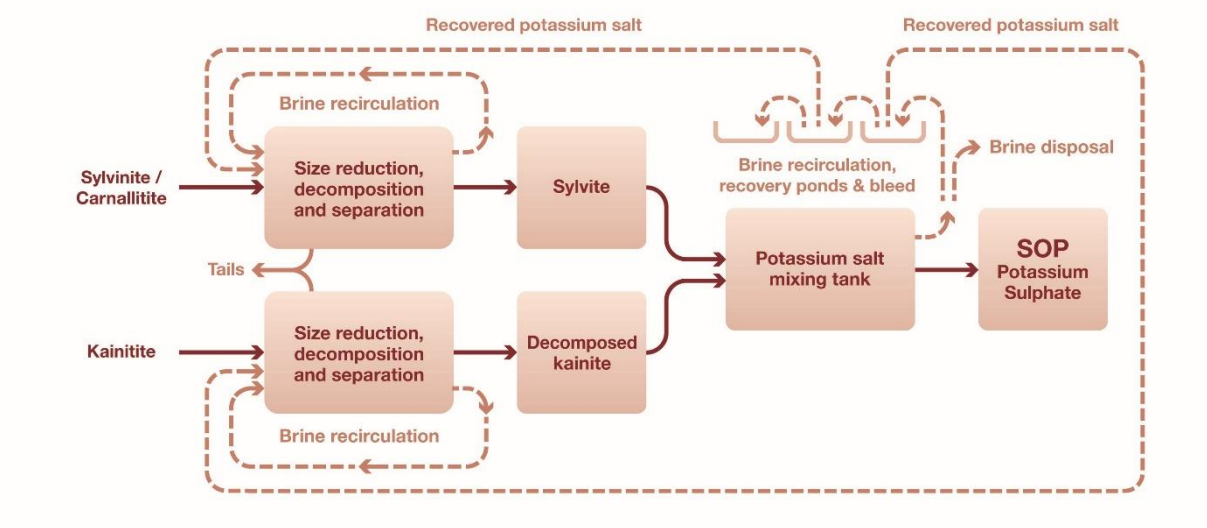

Figure 3 - The process design has been confirmed for reliability and repeatability

Approximately 4 tonnes of Colluli potash material from drill cores were sent to the Saskatchewan Research Council (SRC) in Canada for a series of specifically focussed bench tests and for 5 continuous pilot tests. The tests were used to confirm the reliability and repeatability of the process through varying temperatures, feed grades, and water qualities including synthesised Red Sea water and synthesised ground water identified and available from the Colluli project site. The pilot trials resulted in over 300kg of high purity Colluli product at over 98% SOP (greater than 52% K_2O equivalent).

Over 100kg of product was tested at Ludman Industries in the USA for compaction behaviour, confirming the compaction methodology proposed in the plant design to generate granular product. Materials handling trials have also been completed to determine the anti-caking requirements for the final product.

The product generated from the pilot runs, which was delivered in soluble, standard and granular forms, is being showcased around the world.

Figure 4 – SOP customer samples

Identification of process water on site

The hydrogeological test programme, completed on site in May 2015 and designed to determine the mine dewatering methodologies, identified both high potassium mine water, which will be captured from site dewatering activities, and high yield brackish water away from the mining area. The presence of the site water, has the potential to eliminate the planned 75km seawater delivery system.

The water model developed from the hydrogeological programme identified low rates of expected mine water inflow, easily managed though sump trenches and a small number of dewatering pumps. The identified water, as confirmed by the process test programme at the Saskatchewan Research Council (SRC), is suitable to complement the water demand of the plant, reduce the pumping volumes from the Red Sea and will provide additional potassium that will enhance the overall plant recoveries.

Table 5 shows the high levels of potassium identified in the hydrogeological test programme.

Table 5 - High potassium levels in mine water will aid recoveries in the processing plant

Sample	K_2SO_4 [1,2]	K^2	Ca^2	Mg^2	Na^2	Cl^2	TDS [2,3]
CB-07	13.65	6.12	8.83	8.97	90.2	200	322
CB-08	11.46	5.14	5.65	8.02	98.4	177	269
D-05	9.86	4.42	1.52	4.21	104	182	292

[1] K_2SO_4 = potassium sulphate = sulphate of potash (SOP)

[1] Potassium converted to potassium sulphate by multiplying K by 2.23

[1] SO_4 for conversion to SOP is available from both the surface brines and feed salts to the process plant

[2] Measurements in grams per litre = kilograms per m^3 of brine

[3] TDS = Brine total dissolved salts

The pumping tests also identified high yielding brackish water on site, which is thought to be from a large saline aquifer. The water is of suitable quality to be used directly in the plant for feed salt decomposition. Further definition work is required to increase the confidence level of the aquifer size and recharge rate. The presence of a large aquifer with adequate recharge carries the potential to negate the requirement for any pipeline link from the Red Sea.

Completion of all infrastructure test work

During the September quarter, CMSC completed all geotechnical test work related to on-site and off-site infrastructure including foundations, borrow locations and pond construction materials. This follows successful completion of all geotechnical test work related to mine design. The infrastructure test work has confirmed the suitability of the on-site base material on which the processing plant, the camp and supporting infrastructure will be built, the suitability and locality of structural fill aggregate and the suitability and low permeability of site materials for pond base construction.

60% reduction in plant water requirements

Process optimisation test work, completed in July 2015, specifically focused on reducing the water demand of the processing plant. Following successful test work, the mass balance modelling identified a reduction in water requirements of over 60% from 11 tonnes of water per tonne of product, as shown in the prefeasibility study, to only 3.5 tonnes of water.

Detailed mining scheduling well advanced

Detailed scheduling is well advanced and balances plant feed requirements with even mining face development. The scheduling is designed to maintain efficient benches on which the surface miners can operate, produce low stockpile volumes, deliver a low and consistent strip ratio and also prepare the pit for early back-filling. Waste dumping within the pit void (back-filling) coupled with localised rock salt stockpiling for potential commercialisation will help maintain low mining costs by keeping haulage distances short.

Surface miners (Figure 5) remain the preferred mining method due to their proven performance in salt mining and their selectivity of the sub-horizontal layers of potash materials. The physical properties of the salts are suitable to the surface mining machine, and the crushing capability of the surface miners negates the need for primary crushers at the processing plant. The ability to run the Colluli mine without the need for explosives will result in a safer and simpler operation.

Figure 5 – The DFS is focussing on Wirtgen surface miners that are used extensively in salt mining – Shown here in Botash, Botswana. (Note: not a Danakali project)

Submission of all baselines and development of the Impact Assessments and Management Plans

The Department of Environment (DoE) of the Ministry of Land, Water and Environment of the State of Eritrea have provided feedback on the baseline assessments submitted during the June quarter. Colluli's Eritrean team have continued with the project stakeholder engagement plan, resulting in continued support for the project and allowing the development of an effective and consultative social and environment management plan.

Figure 6- Continuous consultation with stakeholders in the regional area realises highly positive community support and assists in the development of social impact management plans

Modelling of the ocean currents and mixing capabilities of the coastal waters of Anfile Bay have been completed and compared to ocean floor fauna and flora mapping from dive expeditions. This has shown sufficient mixing of the desalination plant discharge water (higher salinity seawater) and, coupled with an absence of sensitive species, has demonstrated the insignificant impact of the seawater abstraction and water treatment facility proposed at Anfile Bay - currently required to support the site's water requirements.

PLANNED FOR DECEMBER QUARTER

- **Delivery of Definitive Feasibility Study**
- **Delivery of Social and Environmental Impact Assessment**
- **Initiation of mining agreement submission**
- **Continue dialogue with potential customers, progressing towards offtake agreements**

CORPORATE

Cash

Consolidated cash on hand as at 30 September 2015 was A$5.108M.

Equity

Share Capital

There were no ordinary fully paid shares issued during the quarter.

Total issued capital at the end of the quarter was 174,202,167 ordinary fully paid shares.

Options

No options were issued during the quarter to 30 September 2015.

During the quarter, 3,800,000 options at an exercise price of $0.699 and 8,000,000 options at an exercise price of $0.350 expired.

The balance of unlisted options as at 30 September 2015 was as follows:

Option Expiry Date	Number of Options	Exercise Price
30 November 2015	500,000	$1.449
30 November 2015	500,000	$1.949
31 January 2016	700,000	$0.599
31 January 2016	1,000,000	$0.649
31 January 2016	1,300,000	$0.949
29 November 2016	6,000,000	$0.340
17 November 2017	5,000,000	$0.278
29 May 2018	750,000	$0.527

Performance Rights

No performance rights were issued during the quarter to 30 September 2015.

The balance of Performance Rights as at 30 September 2015 was as follows:

Class	Number of Performance Rights
1	377,000
2	150,000
3	450,000
4	2,150,000

Performance Rights are granted subject to the following vesting conditions:

Class 1:

- 50% upon completion of a Feasibility Study for the Colluli Potash Project; and
- 50% upon completion of securing finance for the development of the Colluli Potash Project

Class 2:

- 50% upon granting of a Mining License for the Colluli Potash Project; and
- 50% upon completion of securing finance for the development of the Colluli Potash Project

Class 3:

- 33% upon completion of a DFS pilot study for the Colluli Potash Project processing plant; and
- 67% upon completion of a DFS for the Colluli Potash Project.

Class 4:

- 30% upon completion of a Definitive Feasibility Study and release of study results to market;
- 33% upon awarding of the Colluli mining licence; and
- 37% upon commencement of construction of the production facility for the Colluli Potash Project.

Funding

During the quarter, the Colluli funding options analysis was received from Endeavour Financial, a UK based Financial Advisor with Eritrean experience. This report has assisted in the funding strategy, which continues to develop. Discussions continue with potential strategic investors for the Colluli Project.

Offtake

Discussions continue with potential strategic offtake partners for Sulphate of Potash (SOP). Discussions have also commenced with parties with regards to commercialisation of the rock salt resource.

Improvement of Investor Information

Recently, Danakali launched a new website, Investor Pack and Project Video.

The website improves navigation and provides our current and future investors with up to date information on the progress of the development of the Colluli Potash Project.

Included on the website are the recent investor pack and new project video. The video presents a detailed overview of the Colluli project and a glimpse of the processing plant design and overall site layout from our prefeasibility study plant designs.

Please find below the addresses for our new website, our new video and our recently released investor pack:

Website: www.danakali.com.au

Video: www.youtube.com/watch?v=vdIqmf6ZQ_0&feature=youtu.be

Investor Pack: www.danakali.com.au/images/stories/pdf/Danakali-DNK-Investor-Pack-Aug2015.pdf

Interests in Mining Tenements

During the quarter, Danakali completed the annual exploration license extension for the Colluli Potash Project.

The exploration license for the Colluli Potash Project covers over 200km^2 and further details are provided below. There was no change in tenement holding during the quarter.

Tenement:	Colluli, Eritrea
License Type:	Exploration License
Nature of Interest:	Owned
Current Equity:	50%

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-ENDS-

About Danakali Limited

Danakali is an ASX listed company and 50% owner of the Colluli Potash Project in Eritrea, East Africa. The company is currently developing the Colluli Project in partnership with the Eritrean National Mining Company (ENAMCO).

The project is located in the Danakil Depression region of Eritrea, 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 amendable 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 prefeasibility study 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. 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.

Our vision is to bring the Colluli project into production using the principles of risk management, resource utilisation and modularity, using the starting module as a growth platform to develop the resource to its full potential.

Competent Persons Statement (Sulphate of Potash Resource)

Colluli has a JORC 2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K_20. The resource contains 303Mt @ 10.98% K_20 of Measured Resources, 951Mt @ 10.89% K_20 of Indicated Resources and 35Mt @ 10.28% K_20 of Inferred Resources.

The information relating to the Colluli Mineral Resource was compiled by Mr. John Tyrell, under the supervision of Mr. Stephen Halabura M. Sc. P. Geo. Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and as a geologist with over 25 years' experience in the potash mining industry. Mr. Tyrell is a member of the Australian Institute of Mining and Metallurgy and a full time employee of AMC. Mr. Tyrell has more than 25 years' experience in the field of Mineral Resource estimation.

Mr. Halabura is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan, a Recognised Professional Organisation (RPO) under the JORC Code and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

Mr. Tyrell & Mr. Halabura consent to the inclusion of information relating to the Resource Statement in the form and context in which it appears.

Competent Persons Statement (Rock Salt Resource)

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

The information relating to the Colluli Rock Salt Mineral Resource estimate was compiled by Mr. John Tyrrell. Mr. Tyrrell is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a full time employee of AMC. Mr. Tyrrell has more than 25 years' experience in the field of Mineral Resource estimation. He has sufficient experience relevant to the style of mineralisation and type of the deposit under consideration, and in resource model development, to qualify as a Competent Person as defined in the JORC Code.

Mr Tyrrell consents to the inclusion of this information in the form and context in which it appears. In undertaking the assignments referred to in this update, AMC Consultants Pty Ltd acted as an independent party, has no interest in the outcome of the Colluli project and has no business relationship with Danakali Ltd 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 Consultants Pty Ltd and the Competent Person believe that there is no conflict of interest in undertaking the assignments which are the subject of this update.

Competent Persons Statement (Sulphate of Potash Reserve)

The JORC 2012 compliant Ore Reserve estimate for Colluli is 1,107Mt @ 10% K_20 comprising 287Mt Proved and 820Mt Probable Ore Reserve.

Mark Chesher is the Competent Person for the 2015 Colluli Ore Reserve estimate, and supervised preparation of the Ore Reserve estimate with assistance from specialists in each area of the study.

Mr. Chesher is a Fellow of the Australasian Institute of Mining and Metallurgy, a Chartered Professional, and is a full-time employee of AMC Consultants Pty Ltd. He has sufficient open pit mining activity experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code 2012. Mr Chesher consents to the inclusion of information relating to the Ore Reserve in the form and context in which it appears.

In undertaking the assignments referred to in this document, AMC Consultants Pty Ltd acted as an independent party, has no interest in the outcome of the Colluli Project and has no business relationship with Danakali Ltd 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 Consultants Pty Ltd and the Competent Person believe that there is no conflict of interest in undertaking the assignments which are the subject of this statement.

Forward Looking Statements and Disclaimer

The information in this document is published to inform you about Danakali Limited (the "Company" or "DNK") and its activities. DNK has endeavoured to ensure that the information 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 the Colluli Project will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been estimated using the Australian JORC (2012) Code ('JORC 2012'). 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.

Material resource and financial assumptions made in this document are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 4 March 2015, 19 May 2015 and 25 September 2015, 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.

Rule 5.3

Appendix 5B

Mining 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

Name of entity

Danakali Limited

ABN	Quarter ended ("current quarter")
57 097 904 302	30 September 2015

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (9 months)* $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) administration	(646)	(1,983)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	44	144
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other - research and development grant	-	177
	- sundry income	-	-
	Net Operating Cash Flows	(602)	(1,662)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – Funding of Joint Venture	(2,934)	(8,255)
	Net investing cash flows	(2,934)	(8,255)
1.13	Total operating and investing cash flows (carried forward)	(3,536)	(9,917)

***Note:**
During the year, a change in disclosure relating to the company's 50% owned interest in Colluli Mining Share Company from controlled entity to equity method has resulted in an amendment to previously recorded cash flows.

The year to date figures presented in this Appendix 5B have been amended in line with the Consolidated Statement of Cash Flows for the Half Year ended 30 June 2015. Please refer to the 30 June 2015 Half Year Accounts for further details.

1.13	Total operating and investing cash flows (brought forward)	(3,536)	(9,917)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	8,144
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Equity raising costs paid	-	(232)
	Net financing cash flows	-	7,912
	Net increase (decrease) in cash held	(3,536)	(2,005)
1.20	Cash at beginning of quarter/year to date	8,644	7,113
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	5,108	5,108

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	173
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.2 includes aggregate amounts paid to directors including salary, directors' fees, and superannuation.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	2,955
4.2	Development	-
4.3	Production	-
4.4	Administration	763
	Total	3,718

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	5,108	8,644
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	5,108	8,644

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

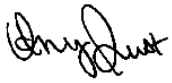
		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	174,202,167	174,202,167		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** (*description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	500,000 500,000 700,000 1,000,000 1,300,000 6,000,000 5,000,000 750,000 377,000 150,000 450,000 2,150,000		*Exercise price* $1.449 $1.949 $0.599 $0.649 $0.949 $0.34 $0.278 $0.527 Performance Rights – Class 1 Performance Rights – Class 2 Performance Rights – Class 3 Performance Rights – Class 4	*Expiry date* 30/11/2015 30/11/2015 31/01/2016 31/01/2016 31/01/2016 29/11/2016 17/11/2017 29/05/2018
7.8	Issued during quarter				
7.9	Exercised/vested during quarter				
7.10	Expired/ Cancelled during quarter	3,800,000 8,000,000		$0.699 $0.35	30/06/2015 04/09/2015
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

+ See chapter 19 for defined terms.

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).

2 This statement does /~~does not~~* *(delete one)* give a true and fair view of the matters disclosed.



Sign here: Date: 29 October 2015

(Company Secretary)

Print name: **Amy Just**

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 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.

5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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