



ASX Release

28 July 2015

ASX Code: DNK

Issued Capital

Share Price	\$0.38
Market Capitalisation	\$66.2M
Shares on issue	174M
Company options	24M
Cash	\$7.9M

Board of Directors

Mr Seamus Cornelius
Non-executive Chairman

Mr Paul Donaldson
Managing Director

Mr Anthony Kiernan
Non-Executive Director

Mr John Fitzgerald
Non-Executive Director

Mr Liam Cornelius
Non-Executive Director

Ms Amy Just
Company Secretary

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Quarterly Report

for the period ending 30 June 2015

HIGHLIGHTS

COLLULI POTASH PROJECT

- Delivery of 1.1Bt Maiden Ore Reserve
- Demonstrated ability to produce high purity SOP from Colluli salts in standard, soluble and granular form
- SOP samples distributed for marketing purposes
- Three process pilot test programs successfully completed with the remaining two to be completed in the next quarter
- Optimisation metallurgical testwork completed
- DFS process flow diagrams finalised
- Plant design criteria and DFS mass balance modelling finalised
- Third and final tranche of environmental baselines submitted
- Ground water and geotechnical drilling at site completed
- On-site evaporation trials commenced

PLANNED FOR SEPTEMBER QUARTER

- Delivery of JORC compliant rock salt resource
- Completion of pilot plant testing
- Completion of water reduction testwork
- Preparation work for Colluli mining agreement

CORPORATE

- Cash position of \$9.1M at quarter-end
- Appointment of Endeavour Financial to conduct debt funding options study
- \$2.74M raised in April 2015 with the placement of 10,974,174 at 25c per share
- \$3.35M raised in May 2015 from the issue of 13,400,167 ordinary shares through a pro-rata 1 for 12 rights issue at 25c per share
- Appointment of Head of Market Development
- Company name changed from South Boulder Mines (ASX:STB) Limited to Danakali Limited (ASX:DNK)



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 DNK. Each company has equal 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 and the potash potential has attracted a number of major international potash producers including both Yara International and ICL who are advancing projects in the region.

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, carnallite and kainite. 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 which 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 2012 JORC compliant Mineral Resource Estimate for Colluli now stands at 1.289 billion tonnes @ 11% K₂O for 260Mt of contained SOP¹. Table 1 provides a summary of the resource.



Table 1: JORC 2012 Colluli Resource Estimate and Interpretation

Area	Rock Unit	Measured		Indicated		Inferred		Total	
		Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %
Area A	Sylvinitite	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	Sylvinitite	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	Sylvinitite	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 K₂O

PROJECT UPDATE

Substantial positive progress has been made on the Colluli Potash Project definitive feasibility study throughout the June quarter including completion of the Maiden Ore Reserve, production of high quality SOP from piloting tests, continuation of process optimisation testwork, site visits by project engineering and environmental teams, completion and submission of environmental baseline assessments and commencement of site evaporation trials.

1.1Bt Maiden Ore Reserve

In May 2015, AMC Consultants as the competent person assigned a 1.1 billion tonne Ore Reserve Estimate to Colluli, comprising 287 million tonnes of Proved and 820 million tonnes of Probable Ore Reserve. The estimate is based on the JORC 2012 compliant Mineral Resource estimate shown in Table 1 Grade and tonnage for each potash mineralisation are shown in Table 2.

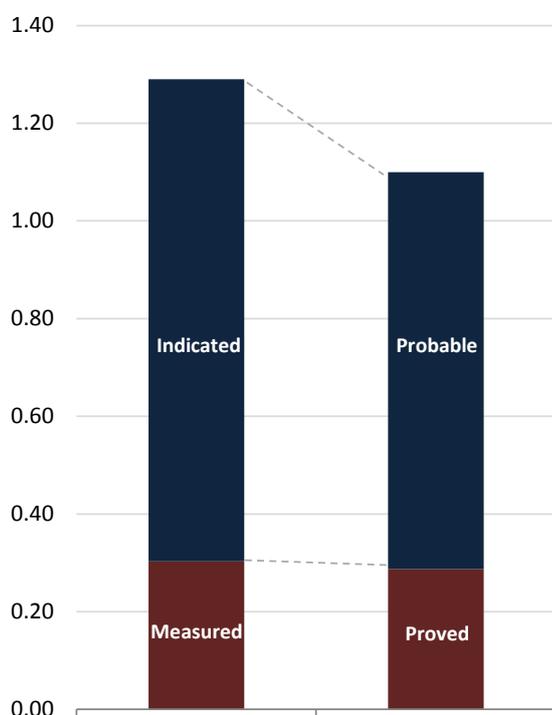


Table 2: JORC 2012 Colluli Ore Reserve

Occurrence	Proved		Probable		Total			
	Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %	K ₂ SO ₄ Equiv %	K ₂ SO ₄ Equiv Mt
Sylvinite (KCl.NaCl)	78	15	174	12	252	13		
Carnallite (KCl.MgCl ₂ .H ₂ O)	79	7	283	8	362	8		
Kainitite (KCl.MgSO ₄ .H ₂ O)	130	12	363	11	493	11		
Total	287	11	820	10	1107	10	18.5	205

¹ Equivalent K₂SO₄ (SOP) calculated by multiplying %K₂O by 1.85.

Colluli Mineral Resource and Ore Reserve estimate
Billion tonnes



88% conversion of Colluli Measured and Indicated Mineral Resource Estimate to Ore Reserve Estimate

In addition to safer operations and higher productivity, open cut mining gives the advantage of higher resource recovery relative to alternate potash mining methods.

- 97% of Measured Resource converted to Proved
- Approximately 205 million tonnes of SOP contained in Ore Reserve
- Largest SOP resource and reserve of advanced projects

Figure 1: Conversion of Colluli Mineral Resource Estimate to Ore Reserve Estimate



Clear benefits of open pit mining relative to alternate methods

Comparisons made with both underground and solution mining methods for potash show that resources would need to be almost:

- a. twice as large for underground mining*
- b. four times as large for solution mining*

to produce the same amount of recoverable ore

Source: Danakali Mineral Reserve, Allana Potash, IC Ochoa

Conversion of Mineral Resource to Ore Reserve estimates for selected potash (MOP and SOP) projects %

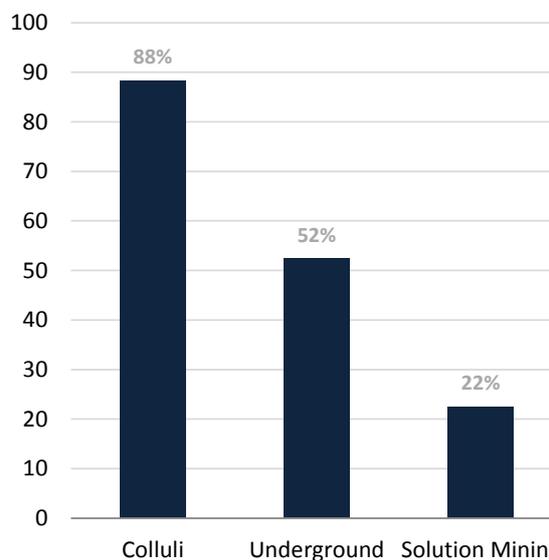


Figure 2: Conversion of resource for different mining methods

The Maiden Reserve assigned for Colluli demonstrates a resource comparable to a number of established world class operations and is significantly larger than all of the other advanced SOP projects. The large resource will support production growth extending well beyond the two module development approach assigned to the feasibility study case. Figure 3 shows Ore Reserve Estimates for selected potash (MOP and SOP) projects.



Ore Reserve estimates for selected potash (MOP and SOP) projects

Million tonnes

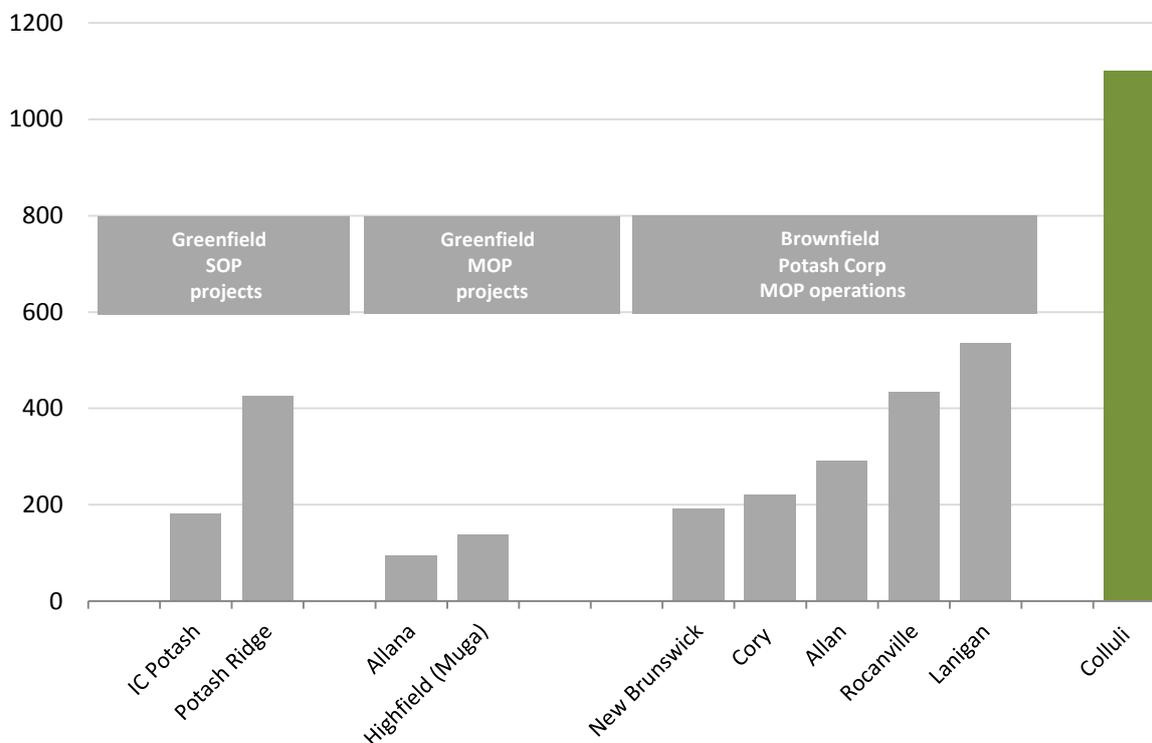


Figure 3: Ore Reserve Estimate for selected potash projects

Production of high purity SOP from Colluli salts in standard, soluble and granular form



Three pilot tests have been completed at the Saskatchewan Research Council (SRC) throughout the quarter, generating high quality potassium sulphate from Colluli potassium bearing salts.

The overall test program was designed and executed under the supervision of Global Potash Solutions.

Two further tests are planned for the September quarter which will finalise the pilot testing and overall metallurgical testwork program.



In April 2015, Danakali announced the results of the processing pilot tests product quality (ASX 14th April 2015).

The tests proved that the Colluli production process **consistently achieves ultra-high purity potassium sulphate (SOP) with 98% K₂SO₄ achieved in final Colluli product vs typical industry product of 94% K₂SO₄.**

In conventional potash K₂O reporting terms a 52.9% K₂O average grade SOP product from Colluli was achieved against a typical industry product of 50.8% K₂O.

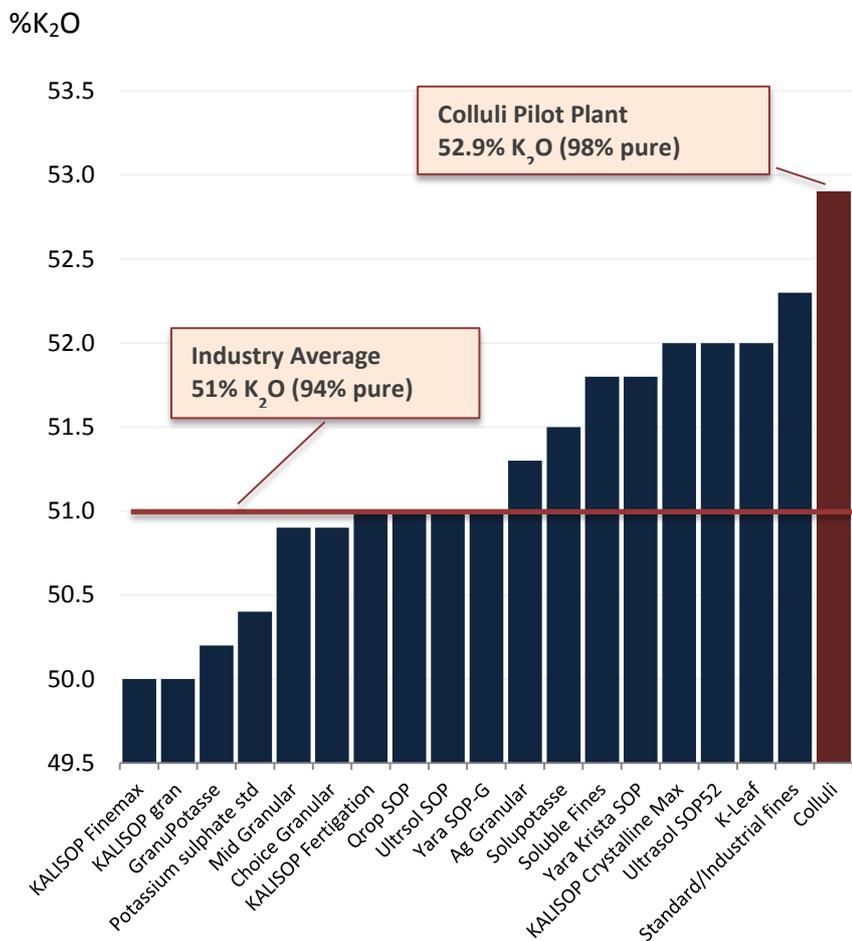
The range of results was:

- Maximum Colluli K₂O 53.2%
- Minimum Colluli K₂O 52.4%

Ultra-low levels of Chlorine (< 0.1%) were achieved through repeatable results over a range of feed material and feed grade.



Colluli Process and Salts at the top of the quality spectrum



Pilot tests indicate that Colluli will be at the top of the quality spectrum

- Ultra low levels of Chlorine (<0.1%)
- Comparable to highest grades currently available
- 98% pure K₂SO₄

Figure 4: % K₂O versus SOP brand

Completion of Engineering and Environmental Team Site Visits



Engineering and Environmental teams visited Eritrea and the Colluli site throughout the month of June.

Visiting teams inspected the site, viewed proposed infrastructure locations, assessed delivery logistics for construction activities and engaged in country service providers to understand the in country construction support capabilities.

Environmental teams met with the Ministry of Land and Environment to discuss the Social Environmental Impact Assessment (SEIA), Environmental Management Plan (EMP) and the overall submission and approval process.



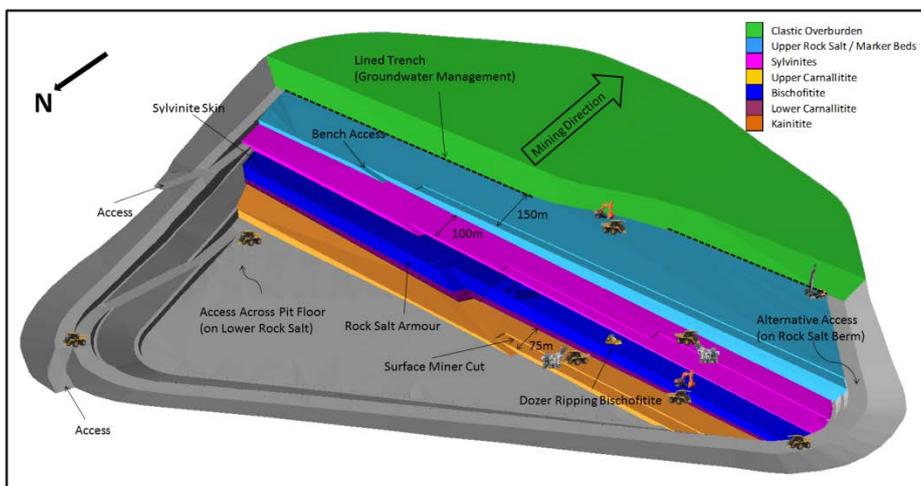
Mine Planning and Geotechnical Engineering



DFS mine planning and geotechnical assessments are well progressed.

High level mine scheduling has been completed producing grade profiles which have been used to optimise plant inputs for commissioning.

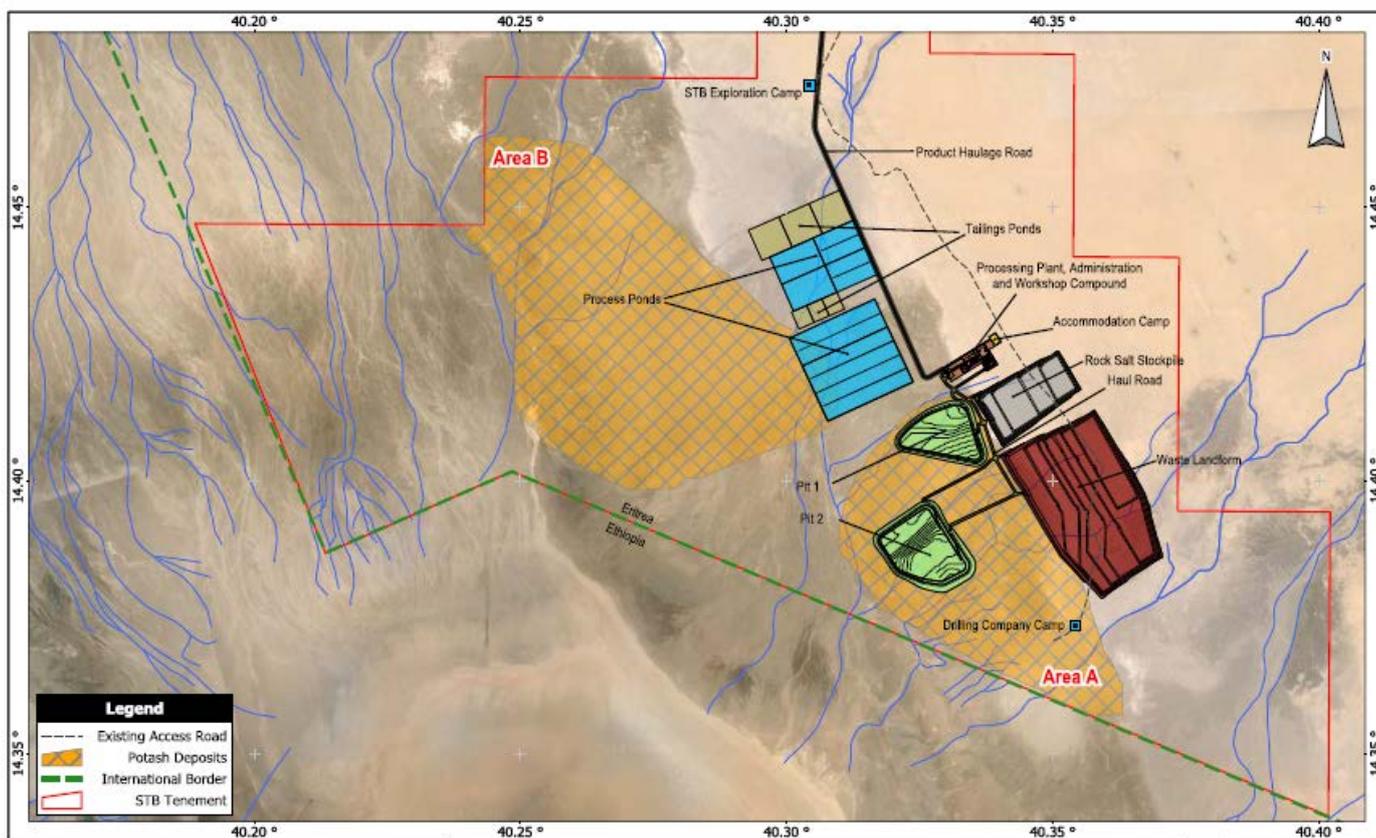
With the completion of the geotechnical drilling and test pit programme, and the laboratory analysis of the collected samples, detailed pit, waste dump and ramp designs are underway in readiness for detailed scheduling.



DFS mine planning and geotechnical assessments are well progressed.

On Site Infrastructure

The foundation geotechnical drilling and test pit programmes have been completed for the plant site, ROM pad, pond and tailings areas. Samples have been sent to laboratories for analysis and the majority of the testing is completed. Pond and tailings sizes and layouts have been completed.





Off Site Infrastructure



The drilling and sampling programme for the product haulage road and on-shore at the nominated product export terminal (PET) site has been completed. Feasibility work has progressed well for all post mine gate activities including the desalinated and seawater pipelines, product haulage road and PET.

Social and Environmental Impact Assessment



Social and environmental impact assessment (SEIA) is well advanced and the third and final tranche of environmental baselines have been submitted along with the revised Terms of Reference for the project.

With the completion of environmental baseline submissions, focus is now purely on the impact assessments and management plans.



PLANNED FOR SEPTEMBER QUARTER

Delivery of JORC compliant rock salt resource



Analyses of rock salt cores have been received to develop a JORC compliant rock salt resource within the 30 year pit shells.

Rock salt sits directly above the potassium bearing salts within the Colluli resource and is currently treated as waste in the mine plan.

Completion of pilot plant testing

Two further pilot test runs are scheduled to be complete in the September quarter. Grade variation testing will also be completed to prove the robustness of the process plant design.

Completion of water reduction testwork

Metallurgical testwork has commenced to reduce the overall process water consumption which will benefit water supply infrastructure and recovery evaporation footprint size.

Preparation for Mining agreement

Preparation work will begin next quarter for the mining agreement which accompanies the mining license application.



CORPORATE

Cash

Consolidated cash on hand as at 30 June 2015 was \$9.1M.

Change of Company Name

On 2 June 2015, following shareholder approval, the Company announced a name change from South Boulder Mines Limited to Danakali Limited (ASX:DNK).

Management Appointment

On 21 May 2015, the Company announced the appointment of Mr. Gordon Tainton as the Head of Market Development. Mr. Tainton has over 25 years industry experience and knowledge in the areas of fertilisers, bulk commodities and logistics, marketing, sales and commercial.

Equity

Share Capital - Placement

On 30 April 2015, the Company announced the completion of a \$2.74M capital raise through an additional 10,000,000 share placement to Hong Kong based, Well Efficient Limited ("WEL") and a further placement of 974,174 shares with a new strategic investor, Arlington Group Asset Management (AGAM) of London. The shares were issued at 25c per share.

After the placement WEL now hold more than 10% of the voting rights of Danakali as announced on 12 June 2015.

Share Capital – Rights Issue

On 22 May 2015, the company announced the Closure and Shortfall Notice for a 1 for 12 pro-rata rights issue at an offer price of \$0.25 per new share.

Applications for 7,336,337 ordinary Shares raising gross proceeds of \$1,834,084.25 were received, representing a 54.75% take-up by shareholders of the Company. The Directors took up their entitlements in full.



The shortfall of the Rights Issue of 6,063,830 ordinary Shares were allocated equally to the Company's underwriters. As announced on 29 May 2015 the underwriting was completed providing an additional \$1,515,957.50 before costs.

The net proceeds raised from the placement and rights issues will be used by the Company to complete the Definitive Feasibility Study for Colluli, build in house capability to support the development of the Project, advance funding discussions for the Project and provide working capital.

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

Options

During the quarter to 30 June 2015 the company issued 750,000 unlisted options to Mr. John Fitzgerald, a Non-Executive Director, exercisable at \$0.527 each, expiring on 29 May 2018.

The balance of unlisted options as at 30 June 2015 is as follows:

Option Expiry Date	Number of Options	Exercise Price
30 June 2015	3,800,000	\$0.699
04 September 2015	8,000,000	\$0.350
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 issues or awards of performance rights occurred during the quarter to 30 June 2015.

The balance of Performance Rights as at 30 June 2015 is 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:

- 33% upon signing of the ENAMCO agreements for the Colluli Potash Project;
- 33% upon granting of a Mining License for the Colluli Potash Project; and
- Balance 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
- 66% 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

On 9 June 2015, the company announced the appointment of Endeavour Financial, a UK based, Eritrea experienced Financial Advisor, to evaluate the Colluli funding options to assist Danakali to develop a funding strategy for the Colluli Project. This evaluation is progressing currently.

Discussions continue with potential strategic investors for the Colluli Project.

Interests in Mining Tenements

The exploration license covering the Colluli Potash Project covers over 200km² 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%

-ENDS-

About Danakali Ltd

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) with 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.

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

57 097 904 302

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(2,380)	(5,221)
(b) development	-	-
(c) production	-	-
(d) administration	(784)	(1,404)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	44	100
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - research and development grant - sundry income	-	-
Net Operating Cash Flows	(2,942)	(6,347)
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 (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(2,942)	(6,347)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(2,942)	(6,347)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	6,094	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	(200)	(200)
Net financing cash flows		5,893	7,943
Net increase (decrease) in cash held		2,951	1,596
1.20	Cash at beginning of quarter/year to date	6,170	7,525
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	9,121	9,121

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	129
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
<div style="border: 1px solid black; padding: 5px;"> Item 1.2 includes aggregate amounts paid to directors including salary, directors' fees, and superannuation. </div>		

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	3,718
4.2	Development	-
4.3	Production	-
4.4	Administration	1,025
Total		4,743

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	9,121	3,270
5.2	Deposits at call	-	2,900
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		9,121	6,170

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.

Appendix 5B
Mining exploration entity quarterly report

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				
<i>(description)</i>				
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	24,374,341	24,374,341	\$0.25	\$0.25
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities				
<i>(description)</i>				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	3,800,000		\$0.699	30/06/2015
	8,000,000		\$0.35	04/09/2015
	500,000		\$1.449	30/11/2015
	500,000		\$1.949	30/11/2015
	700,000		\$0.599	31/01/2016
	1,000,000		\$0.649	31/01/2016
	1,300,000		\$0.949	31/01/2016
	6,000,000		\$0.34	29/11/2016
	5,000,000		\$0.278	17/11/2017
	750,000		\$0.527	29/05/2018
	377,000		Performance Rights – Class 1	
	150,000		Performance Rights – Class 2	
	450,000		Performance Rights – Class 3	
	2,150,000		Performance Rights – Class 4	
7.8 Issued during quarter	750,000		\$0.527	29/05/2018
7.9 Exercised/vested during quarter				
7.10 Expired/ Cancelled during quarter	1,250,000		\$1.949	31/03/2015
7.11 Debentures				
<i>(totals only)</i>				
7.12 Unsecured notes				
<i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 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: (Company Secretary)

Date: 28 July 2015

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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+ See chapter 19 for defined terms.