



ASX Release

29 April 2016

## Quarterly Report

for the period ending 31 March 2016

### HIGHLIGHTS

#### COLLULI POTASH PROJECT

- **8 sulphate of potash offtake MOUs signed** with multinational customers
- **Mining approvals prerequisites completed**
- **Definitive feasibility study submitted** to the Eritrean Ministry of Energy and Mines
- **Post DFS stakeholder engagements completed**
- **Social and Environmental Impact Assessments and Management Plans completed**
- **Premium chloride free, multi nutrient product suite expanded** following the production of sulphate of potash magnesia (SOP-M)

#### PLANNED FOR JUNE QUARTER

- Submission of **mining license application**
- Continued **discussions with offtake and project funding partners**

#### CORPORATE

- Cash position of **A\$6.1m at quarter end**
- Successfully completed a placement to sophisticated investors to raise **A\$5.5m**
- Appointment of Company Secretary

### COLLULI POTASH PROJECT

#### 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**”), located in the Danakil region of Eritrea, East Africa. Colluli is approximately 350km by road south-east of the capital, Asmara and 230km by road from the port of Massawa, Eritrea’s key import/export facility.



Colluli 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’s resource comprises almost 1.3 billion tonnes of potassium-bearing salts suitable for the production of potash fertilisers and over 350 million tonnes of high quality rock salt which overlays the potash mineralisation. Over 1.1 billion tonnes of the potassium bearing salts is included in the Ore Reserve, with the high resource conversion a direct result of the shallow mineralisation of potassium bearing salts. This uniquely shallow mineralisation is perfectly amenable to safe and productive open cut mining methods.

The proven large resource which is close to surface, demonstrates industry leading capital intensity, scalability, bottom quartile operating costs, unrivalled product diversification potential and ease of access to global markets. These attributes support a Tier 1 asset definition. An estimated mine life of over 200 years, at a production rate increasing to 850ktpa demonstrates project growth potential over decades.

A highly favourable Definitive Feasibility Study (**DFS**) for the production of sulphate of potash (**SOP**) fertiliser using a two phase modular development approach has been completed. For the purposes of the DFS, an economic modelling period of 60 years was selected. The project economics of the two phase development, demonstrate a highly attractive internal rate of return (**IRR**) of 29%. The first phase of the development requires initial development capital of only US\$298m and as a standalone project has an IRR of over 25%.

In addition to the resource capability of producing sulphate of potash (SOP), which is a high quality, chloride free potash fertiliser, Colluli has the capability of producing sulphate of potash magnesia (**SOP-M**) and potassium chloride (MOP). This unrivalled potash diversification potential, allows Colluli to produce three of the four key potash types traded within the global market.

The process for obtaining mining approvals has commenced with the submission of the DFS and the Social and Environmental Impact Assessment (SEIA) documents as well as continued stakeholder engagement.

## PROJECT UPDATE

The prerequisites for the mining license application were completed during the quarter. This included the submission of the DFS and the Social and Environmental Impact Assessments (“**SEIA**”) to the Ministry of Energy and Mines. Complementary to the study work on the DFS was the production of SOP-M. SOP-M is a chloride free, multi-nutrient potash type with limited production centres globally and ideal for magnesium deficient soil. It achieves a price premium over the more common potash type; potassium chloride (Muriate of potash or “**MOP**”). The production of SOP-M demonstrates both the growth potential of the project beyond the production of SOP, and the versatility of the resource in diversification



of premium, chloride free potash types. Engagement of the regional communities along with the completion of the SEIA documents and management plans demonstrate the highly sustainable nature of the project and associated operational philosophies. This sets a very solid foundation from which to grow Colluli.

### DFS STAKEHOLDER ENGAGEMENT

Throughout January and February 2016, an extensive stakeholder engagement programme was executed which shared the outcomes of the DFS with communities in the local and regional study areas around Colluli. Focus group discussion and key informant interviews provided an intimate knowledge sharing environment for key representatives of the communities allowing the project design, operational details,

employment opportunities and ongoing community engagement strategies to be shared. The feedback received during the session was integrated with the impact assessments and management plans.

In addition, town hall meetings were held at the administration centres of Ghelalo and Tio to allow interested parties to attend a presentation delivered by the project team. The feedback was exceptionally positive with clear recognition of the benefits to the region of a project the magnitude of Colluli.



*Figure 1 - Tio town hall meeting with 50% of the over 100 attendees being women*

Outcomes of the engagements have been integrated with the management plans and will be fed back to the communities during the SEIA disclosure period which is planned for the June quarter 2016.

### SUBMISSION OF DFS TO THE MINISTRY OF ENERGY AND MINES

On the 18<sup>th</sup> February 2016 the Colluli Potash Project Definitive Feasibility Study was formally submitted to Mr Alem Kibreab, the Director General of the Ministry of Energy and Mines (MoEM) as well as to the project Joint Venture Partner the Eritrean National Mining Corporation (ENAMCO). The submission of the



DFS report, following the release of the highly robust DFS economics on 30<sup>th</sup> November 2015, represents the consolidation of over 2 years of dedicated work from Scoping to pre-feasibility to definitive feasibility. The project focusses on an SOP production centre that balances fundability, risk and market penetration in preparation for extensive growth and diversification into a world leading multi agri-commodity business.

The DFS was completed and compiled by globally recognised engineering, mining and environmental services providers including Lycopodium, AMC, Global Potash Solutions, Ausenco, Knight Piesold and MBS Environmental. Process testwork was conducted at the Saskatchewan Research Council.

The submission triggered the commencement of an independent due diligence exercise on the project by the Ministry of Energy and Mines, which is a key component of the mining approvals process within the jurisdiction.



Figure 2 – Formal submission of the Colluli DFS

## COMPLETION OF SOCIAL AND ENVIRONMENTAL IMPACT ASSESSMENTS

The consolidation of the SEIA and the development of the social and environmental management plans in preparation for formal submission was completed. The SEIA documents build upon the detailed baseline studies completed in 2015 and are aligned with the DFS.

The social and environmental assessments are accompanied by Social and Environmental Management Plans, which provide details of the commitments for avoiding or reducing unwanted social and environmental impacts as well as plans for enhancing Colluli's benefits to the regional population.

The SEIA documents are consistent with international standards including the Equator Principles and were prepared by environmental consultants MBS Pty Ltd, with contributions from industry specialists.

The SEIA was submitted to the Ministry of Energy and Mines for an adequacy review on 1<sup>st</sup> April 2016. The adequacy assessment is a pre-cursor to a detailed review to support the mining license application.

Following the adequacy assessment stakeholder engagements will begin focussing on sharing the SEIA, with the public in population centres in the regional area.



## SOP-M PRODUCTION POTENTIAL

In February 2016 Danakali announced an expansion of the product range for the Colluli with the inclusion of SOP-M, another premium potash type: chloride free; containing highly favourable magnesium; and with limited production centres, compliments the Potassium Sulphate product on which the DFS was focused.

The processing plant design engineered for the DFS produces SOP-M as an intermediate salt before reacting to form SOP with the addition of Potassium Chloride (also generated from Colluli salts). During the DFS pilot trials, over 30 kgs of high quality SOP-M was produced. SOP-M product samples underwent successful compaction and glazing trials at Ludman Industries and were separated into granular and standard forms. The product samples have been distributed to a select group of potential customers. Feedback to date has been positive.

Scoping study work has commenced to integrate the production of SOP-M into Phase II of the Colluli development though a modification of the 2nd processing module. The scoping study is due for completion in Q2 2016 and is expected to demonstrate the potential for further improvement of the highly favourable economics delivered from the DFS.

Market engagement has commenced to determine the demand potential in South European, Middle East and Indian markets.

The production of SOP-M is the first of many alternate product opportunities available due the uniqueness of the Colluli deposit. It demonstrates Colluli's ability to easily and rapidly expand on the DFS product base to create a world class diversified agrichemical business in the medium term with potential products such as SOP, SOP-M, Rock Salt, Magnesium Sulphate, Potassium Chloride, Magnesium Chloride and Calcium Sulphate.



Figure 3 and Figure 4 – SOP-M Product samples in Granular, Standard and Soluble form with Spec Sheets

**RESERVE AND RESOURCE OVERVIEW**

Within the JORC-2012 compliant, 1.289 billion tonnes, Mineral Resource Estimate, the JORC-2012 compliant Ore Reserve Estimate for Colluli's potassium sulphate potash fertiliser is approximately 1.1 billion tonnes comprising 287 million tonnes of Proved and 827 million tonnes of Probable Ore Reserve and is shown below in Table 1. There were no changes to the Ore Reserve since 30 November 2015.

Table 1: JORC-2012 Colluli Potassium Sulphate Ore Reserve as at 30 November 2015

| Occurrence  | Proved     |                             | Probable   |                             | Total        |                             |   |  |
|---|------------|-----------------------------|------------|-----------------------------|--------------|-----------------------------|---|--|
|   | Mt         | K <sub>2</sub> O<br>Equiv % | Mt         | K <sub>2</sub> O<br>Equiv % | Mt           | K <sub>2</sub> O<br>Equiv % | K <sub>2</sub> SO <sub>4</sub><br>Equiv % | K <sub>2</sub> SO <sub>4</sub><br>Equiv<br>Mt <sup>2</sup> |
| Sylvinite<br>(KCl.NaCl)                                 | 78         | 15                          | 174        | 12                          | 253          | 13                          |   |  |
| Carnallite<br>(KCl.MgCl <sub>2</sub> .H <sub>2</sub> O) | 79         | 7                           | 284        | 8                           | 363          | 8                           |   |  |
| Kainite<br>(KCl.MgSO <sub>4</sub> .H <sub>2</sub> O)    | 130        | 12                          | 368        | 11                          | 497          | 11                          |   |  |
| <b>Total</b>  | <b>287</b> | <b>11</b>                   | <b>827</b> | <b>10</b>                   | <b>1,113</b> | <b>10</b>                   | <b>18.5</b>                               | <b>205</b>   |

<sup>2</sup> Equivalent K<sub>2</sub>SO<sub>4</sub> (SOP) calculated by multiplying %K<sub>2</sub>O by 1.85.

In addition to the potassium sulphate resource exists substantial quantities of rock salt that will be mined at a rate of approximately 2 million tonnes per year. This presents the opportunity for commercialisation to offset a proportion of the mining costs as well as other potential benefits. A JORC-2012 compliant Rock Salt Mineral Resource Estimate of over 300 million tonnes has been completed for the area considered for mining in the DFS (Table2). There were no changes to the Mineral Resource estimate since 23 September 2015.

Table 2: JORC 2012 Colluli Rock Salt Mineral Resource as at 23 September 2015

| Classification | Tonnes (Mt) | NaCl        | K           | Mg          | CaSO <sub>4</sub> | 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        |
| <b>Total</b>   | <b>347</b>  | <b>96.9</b> | <b>0.06</b> | <b>0.05</b> | <b>2.1</b>        | <b>0.24</b> |



## CORPORATE

### CASH

Consolidated cash on hand as at 31 March 2016 was A\$6.1m.

### CORPORATE APPOINTMENT

Mr. Chris Els was appointed Company Secretary on 1 February 2016 replacing Ms Amy Just from Grange Consulting Pty Ltd. The Board thanked Ms Just for her service to the Company and wished her well for the future.

Mr. Els is the Chief Financial Officer of the Company, and will continue to serve in that role.

### FUNDRAISING ACTIVITY

On 31 March 2016 Danakali Ltd ("**Danakali**" or "**Company**") announced that the first tranche of the placement announced by the Company on 21 March 2016 of up to approximately 25 million shares ("**Placement Shares**"), with one free attaching unlisted option ("**Option**") to subscribe for one fully paid ordinary share for every two Placement Shares issued to sophisticated and professional investors to raise approximately AU\$5.5million at \$0.22 per share ("**Placement**"), had completed.

Danakali issued the first tranche of the Placement, consisting of 23,270,464 Placement Shares and 11,635,232 Options. The second tranche of the Placement, made to the directors, for up to approximately 1.6 million Placement Shares and 0.8 million Options, is subject to Danakali shareholder approval, to be sought at the Company's AGM scheduled to take place on 13 May 2016.

The Company is delighted to have the continued support of its largest shareholder, Well Efficient Limited, a Hong Kong based investment vehicle.

Funds raised from the Placement will be used for the commencement of front end engineering design (FEED) work; initiating the mine contract tendering process; completion of mining approvals process; securing offtake agreements and further strategic relationships, securing project funding (debt/equity), transaction costs and working capital.

**EQUITY***Share Capital*

23,270,464 ordinary fully paid shares were issued during the quarter pursuant to the Placement discussed above.

Total issued capital at the end of the quarter was 199,042,631 ordinary fully paid shares.

*Options*

11,635,232 unlisted options were issued during the quarter for nil consideration as part of the placement.

During the quarter the following options expired:

| <b>Option Expiry Date</b> | <b>Number of Options</b> | <b>Exercise Price</b> |
|---------------------------|--------------------------|-----------------------|
| 31 January 2016           | 700,000                  | \$0.599               |
| 31 January 2016           | 1,000,000                | \$0.649               |
| 31 January 2016           | 1,300,000                | \$0.949               |

The balance of unlisted options as at 31 March 2016 was as follows:

| <b>Option Expiry Date</b> | <b>Number of Options</b> | <b>Exercise Price</b> |
|---------------------------|--------------------------|-----------------------|
| 29 November 2016          | 6,000,000                | \$0.340               |
| 17 November 2017          | 5,000,000                | \$0.278               |
| 30 March 2018             | 11,635,232               | \$0.35                |
| 29 May 2018               | 750,000                  | \$0.527               |
| 31 May 2018               | 600,000                  | \$0.550               |
| 04 November 2018          | 1,000,000                | \$0.408               |

*Performance Rights*

There was no change to performance rights during the quarter.

The balance of performance rights as at 31 March 2016 was as follows:

| <b>Class</b> | <b>Number of Performance Rights</b> |
|--------------|-------------------------------------|
| 1            | 308,000                             |
| 2            | 150,000                             |
| 4            | 1,500,000                           |



Performance rights on issue at 31 March 2016 are subject to the following vesting conditions:

Class 1:

- 308,000 upon completion of securing finance for the development of Colluli.

Class 2:

- 75,000 upon granting of a Mining License for Colluli; and
- 75,000 upon completion of securing finance for the development of Colluli.

Class 4:

- 700,000 upon awarding of the Colluli mining licence; and
- 800,000 upon commencement of construction of the production facility for Colluli.

#### PROJECT FINANCE

As announced on 19 April 2016, Danakali has signed non-binding MOUs with 8 multinational parties throughout Northern Africa, Europe, Middle East and North America for the offtake of SOP from Colluli. High quality representative samples produced from the Colluli resource were provided for quality control assessment by prospective customers.

The combined offtake volumes in the MOUs exceed 800ktpa in both standard and granular form, which compares to Colluli's design production capacity of 425ktpa (Module I only). Engagement with potential Asian customers has yet to commence, and represents strong potential for additional product volume interest.

#### INTERESTS IN MINING TENEMENTS

The exploration license for the Colluli Potash Project covers over 200km<sup>2</sup> 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%                 |



**For more information, please contact:**

Paul Donaldson  
Managing Director  
+61 8 6315 1444

**For Media and Broker Enquiries:**

Warrick Hazeldine  
Cannings Purple  
+61 417 944 616

-ENDS-

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## About Danakali Limited

Danakali is an ASX listed company and 50% owner of the Colluli Potash Project (Colluli) in Eritrea, East Africa. The company is currently developing Colluli in partnership with the Eritrean National Mining Corporation (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 amenable to open pit mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining and is highly advantageous for modular growth.

The company has completed a Definitive Feasibility Study (DFS) 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 Colluli 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.

## Mineral Resource Statements

The 2015 Colluli Potash Mineral Resource is reported according to the JORC Code and estimated at 1,289Mt @11% K<sub>2</sub>O Equiv. The Mineral Resource is classed as 303Mt @ 11% K<sub>2</sub>O Equiv Measured, 951Mt @ 11% K<sub>2</sub>O Equiv Indicated and 35Mt @ 10% K<sub>2</sub>O Equiv Inferred. The Competent Person for this estimate is Mr. Stephen Halabura, M. Sc., P. Geo., Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and a geologist with over 25 years' experience in the potash mining industry. 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 JORC Code.

The 2015 Colluli Rock Salt Mineral Resource is reported according to the JORC Code and estimated at 347Mt @96.9% NaCl. The Mineral Resource is classed as 28Mt @ 97.2% NaCl Measured, 180Mt @ 96.6% NaCl Indicated and 139Mt @ 97.2% NaCl Inferred. The Competent Person for this estimate is Mr. John Tyrrell, a geologist with more than 25 years' experience in the field of Mineral Resource estimation. Mr Tyrrell is a member of the AusIMM, is a full time employee of AMC Consultants Pty Ltd 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 JORC Code.

Mr. Tyrrell & Mr. Halabura consent to the inclusion of information relating to the Mineral Resource Statements in the form and context in which they appear.

## Ore Reserve Statement

The November 2015 Colluli Ore Reserve is reported according to the JORC Code and estimated at 1,113Mt @10% K<sub>2</sub>O Equiv. The Ore Reserve is classed as 286Mt @ 11% K<sub>2</sub>O Equiv Proved and 827Mt @ 10% K<sub>2</sub>O Equiv Probable. The Competent Person for the estimate is Mr Mark Chesher, a mining engineer with more than 30 years' experience in the mining industry. Mr. Chesher is a Fellow of the AusIMM, a Chartered Professional, a full-time employee of AMC Consultants Pty Ltd, and 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. Mr Chesher consents to the inclusion of information relating to the Ore Reserve in the form and context in which it appears.

In reporting the Mineral Resources and Ore Reserves referred to in this public release, 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 Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

## 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 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 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 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 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, 23 September 2015 and 30 November 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.

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# 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")

31 March 2016

### Consolidated statement of cash flows

|   | Current quarter<br>\$A'000 | Year to date<br>(3 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| <b>Cash flows related to operating activities</b>               |                            |                                       |
| 1.1 Receipts from product sales and related debtors             | -                          | -                                     |
| 1.2 Payments for (a) exploration & evaluation                   | -                          | -                                     |
| (b) development   | -                          | -                                     |
| (c) production  | -                          | -                                     |
| (d) administration  | (631)                      | (631)                                 |
| 1.3 Dividends received  | -                          | -                                     |
| 1.4 Interest and other items of a similar nature received       | 13                         | 13                                    |
| 1.5 Interest and other costs of finance paid                    | -                          | -                                     |
| 1.6 Income taxes paid   | -                          | -                                     |
| 1.7 Other - research and development grant                      | -                          | -                                     |
| - sundry income   | -                          | -                                     |
| <b>Net Operating Cash Flows</b>                                 | <b>(618)</b>               | <b>(618)</b>                          |
| <b>Cash flows related to investing activities</b>               |                            |                                       |
| 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                           | (1,072)                    | (1,072)                               |
| <b>Net investing cash flows</b>                                 | <b>(1,072)</b>             | <b>(1,072)</b>                        |
| 1.13 Total operating and investing cash flows (carried forward) | (1,690)                    | (1,690)                               |

+ See chapter 19 for defined terms.

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**Appendix 5B**  
**Mining exploration entity quarterly report**

|   |  |              |              |
|---|--|--------------|--------------|
| 1.13  | Total operating and investing cash flows (brought forward) | (1,690)      | (1,690)      |
| <b>Cash flows related to financing activities</b> |  |              |              |
| 1.14  | Proceeds from issues of shares, options, etc.              | 5,052        | 5,052        |
| 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                          | -            | -            |
|   | <b>Net financing cash flows</b>                            | <b>5,052</b> | <b>5,052</b> |
|   | <b>Net increase (decrease) in cash held</b>                | <b>3,362</b> | <b>3,362</b> |
| 1.20  | Cash at beginning of quarter/year to date                  | 2,756        | 2,756        |
| 1.21  | Exchange rate adjustments to item 1.20                     | -            | -            |
| 1.22  | <b>Cash at end of quarter</b>                              | <b>6,118</b> | <b>6,118</b> |

**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<br>\$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2   | 130                        |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10   | -                          |
| 1.25 | Explanation necessary for an understanding of the transactions<br>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<br>\$A'000 | Amount used<br>\$A'000 |
|-----|-----------------------------|-----------------------------|------------------------|
| 3.1 | Loan facilities             | Nil                         | Nil                    |
| 3.2 | Credit standby arrangements | Nil                         | Nil                    |

+ See chapter 19 for defined terms.

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**Estimated cash outflows for next quarter**

|                                | \$A'000      |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | 399          |
| 4.2 Development                | -            |
| 4.3 Production                 | -            |
| 4.4 Administration             | 1,137        |
| <b>Total</b>                   | <b>1,536</b> |

**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<br>\$A'000 | Previous quarter<br>\$A'000 |
|---|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank  | 6,118                      | 2,756                       |
| 5.2 Deposits at call  | -                          | -                           |
| 5.3 Bank overdraft  | -                          | -                           |
| 5.4 Other (provide details)   | -                          | -                           |
| <b>Total: cash at end of quarter (item 1.22)</b>  | <b>6,118</b>               | <b>2,756</b>                |

**Changes in interests in mining tenements**

|     | Tenement<br>reference | Nature of interest<br>(note (2))                              | Interest at<br>beginning<br>of quarter | Interest at<br>end of<br>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.

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**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 <b>Preference + securities</b><br><i>(description)</i>   |              |               |   |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions |              |               |   |  |
| 7.3 <b>+Ordinary securities</b>  | 199,042,631  | 199,042,631   |   |  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs              | 23,270,464   | 23,270,464    | Nil   |  |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>  |              |               |   |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              |              |               |   |  |
| 7.7 <b>Options</b> <i>(description and conversion factor)</i>  |              |               | <i>Exercise price</i>                         | <i>Expiry date</i>                               |
|  | 6,000,000    |               | \$0.34  | 29/11/2016                                       |
|  | 5,000,000    |               | \$0.278                                       | 17/11/2017                                       |
|  | 11,635,232   |               | \$0.35  | 30/03/2018                                       |
|  | 750,000      |               | \$0.527                                       | 29/05/2018                                       |
|  | 600,000      |               | \$0.55  | 31/05/2018                                       |
|  | 1,000,000    |               | \$0.408                                       | 04/11/2018                                       |
|  | 308,000      |               | Performance Rights – Class 1                  |  |
|  | 150,000      |               | Performance Rights – Class 2                  |  |
|  | 1,500,000    |               | Performance Rights – Class 4                  |  |
| 7.8 Issued during quarter  | 11,635,232   |               | \$0.35  | 30/03/2018                                       |
| 7.9 Exercised/vested during quarter  |              |               |   |  |
| 7.10 Expired/ Cancelled during quarter   | 700,000      |               | \$0.599                                       | 31/01/2016                                       |
|  | 1,000,000    |               | \$0.649                                       | 31/01/2016                                       |
|  | 1,300,000    |               | \$0.949                                       | 31/01/2016                                       |
| 7.11 <b>Debentures</b><br><i>(totals only)</i>   |              |               |   |  |
| 7.12 <b>Unsecured notes</b><br><i>(totals only)</i>  |              |               |   |  |

+ See chapter 19 for defined terms.

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**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: 29 April 2016

Print name: **Chris Els**

**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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