



QUARTERLY REPORT

For the period ending 30 September 2019

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

Highlights

- **Credit approval received for US\$200M CMSC senior debt facility¹**
 - CMSC senior debt documentation well advanced through significant lender engagement
- **Credit approval received for Colluli Power Plant²**
 - Afreximbank has approved a US\$42M guarantee in support of ISI's Colluli power plant
- **Significant progress on remaining project financing requirements**
 - Strong engagement and detailed negotiations with potential strategic parties
- **Project execution readiness fully defined**
 - DRA Global's EPCM contract reviewed and ready for execution
 - Mining services contractor negotiations held with target date of March Quarter 2020 for contract execution
 - Owner's Team composition confirmed including personnel from Turner & Townsend
 - CMSC Notice of Mine Development prepared for submission to the Eritrean Ministry of Energy & Mines
 - Parties proceeding to definitive CMSC senior debt documentation and ultimately execution of the Facility

Key activities planned for the December 2019 Quarter

- **Finalise definitive CMSC senior debt documentation**
- **Continue discussions with investors to close remaining project financing requirements**
- **Pending progress on project financing; commence project execution and other in-country activities**
 - CMSC to submit the Notice of Mine Development
 - EPCM commencement letter to DRA and Turner & Townsend to commence project execution (EPCM Phases 1 & 2)
 - Key hires and other in-country readiness activities

Financial position

- **Cash position of A\$4.9M as at 30 September 2019**
 - Considered sufficient working capital to take the Company through to commencement of project execution

¹ DNK announcement, 5-Aug-19

² DNK announcement, 8-Aug-19



Project

Project update – Owner’s Team and DRA Global are ready

Danakali and CMSC are working with EPCM provider DRA Global and Owner’s Team support Turner & Townsend (multinational professional services company) to ensure that an efficient start-up can be achieved once project financing is confirmed. Danakali Project Director, Tony Harrington, is based in Asmara to finalise preparations.

Once sufficient funding has been achieved, the Owner’s Team and DRA Global will commence project execution:

Phase 1

- FEED reviewed by DRA Global
- Activities undertaken by CMSC Owner’s Team to optimise the development path:
 - Hire of Owner’s Team (previously identified personnel)
 - Relocation of the Colluli exploration camp to facilitate early works

Phase 2

- FEED updated by DRA Global:
 - Capital re-estimated and schedule defined
 - Develop further information required to complete detailed engineering
- Activities undertaken by CMSC to optimise the development path:
 - Undertake geotechnical test work
 - Early purchasing of reverse osmosis equipment necessary for early work activities

Final Investment Decision will be confirmed after completion of EPCM Phases 1 & 2.

Logistics and other technical collaboration aspects with offtake partner EuroChem, finalisation of other required operational contracts and sub-contracts and corporate social responsibility initiatives build-up will continue in parallel.

Project financing – US\$200M credit approval received³

AFC and Afreximbank (the **Mandated Lead Arrangers**) obtained formal credit approval for a US\$200M senior debt facility (the **Facility**) to fund construction and project execution for Colluli.

The Facility, funded and underwritten equally by the Mandated Lead Arrangers, includes formal approval of export credit support from the Export Credit Insurance Corporation of South Africa SOC Limited (**ECIC**). ECIC is South Africa’s statutory export credit and foreign investment insurance provider. This milestone transaction will represent the first time they have provided export credit support to a non-South African bank, highlighting Colluli’s potential to encourage investment in Eritrea.

“The Colluli project is not only high quality and high purity but also shallow and easy to mine as well as easy to transport due to its proximity to the coast. We are very proud to be supporting Danakali.”

AFC’s Vice President of Investment, Begna Gebreyes⁴

³ DNK announcement, 4-Aug-19

⁴ Interview, Mining Review, 25-Sep-19, www.miningreview.com/event-news/africa-finance-corporation-proud-to-support-mining-industry-in-nigeria/



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The CMSC senior debt definitive documentation is materially complete following regular engagement between CMSC, the Mandated Lead Arrangers and respective legal counsel. The parties held productive meetings in London in September and expect to meet again in Asmara in the December 2019 Quarter.

The Company is currently pursuing a range of options for funding the balance of the capital required to bring Colluli into production, including advanced discussions with a number of potential strategic investors who have expressed interest in supporting the development of the Project. Standard Chartered is acting as corporate financial adviser to Danakali, including with respect to discussions with potential strategic investors.

The Company is aiming to commence project execution in 2019.

Power – Credit approval for Colluli Power Plant⁵

Afreximbank confirmed formal credit approval has been granted for a US\$42M guarantee in support of Inglett & Stubbs International's (ISI) Colluli power plant (**Guarantee**). This approval increases Afreximbank's participation in Colluli to US\$142M, demonstrating their confidence in the Project and comfort investing in Eritrea.

ISI will utilise a Build Own Operate Transfer model and the credit approval from Afreximbank is a significant step forward towards ISI closing their project financing requirements.

The Guarantee is separate from CMSC's project financing requirements and does not represent an increased debt obligation for CMSC.

Mining Services – Negotiations continue towards contract execution

Danakali Chief Financial Officer, Stuart Tarrant, and Project Director, Tony Harrington, held multiple discussions with highly credible mining contractors in Perth. Bids have subsequently been received by the Company and are being assessed.

Execution of the Mining Services Contract is expected during the March 2020 Quarter.

⁵ DNK announcement, 8-Aug-19



Eritrea – Positive geopolitical momentum continues

Positive progress continues in Eritrea and the Horn of Africa following Eritrea-Ethiopia rapprochement and resumption of diplomatic ties in 2018. Most notably, in early October, Ethiopian Prime Minister, Abiy Ahmed, was awarded the 2019 Nobel Peace Prize for his pursuit of democratic reforms and regional peacemaking efforts. Mr. Ahmed was awarded the prize...

“...in particular, for his decisive initiative to resolve the border conflict with neighbouring Eritrea,”
Chair of the Norwegian Nobel Committee that awards the Peace Prize, Berit Reiss-Andersen⁶



Eritrea's President Isaias Afwerki, right, and Nobel Prize winner Ethiopian Prime Minister Abiy Ahmed; source: www.nbcnews.com/news/world/ethiopian-prime-minister-abiy-ahmed-awarded-nobel-peace-prize-n1064901

In a statement, Ahmed's office said that...

“...this victory and recognition is a collective win for Ethiopians, and a call to strengthen our resolve in making Ethiopia – the New Horizon of Hope – a prosperous nation for all...”

and

“...ending the two-decade stalemate between Ethiopia and Eritrea has opened up a new dimension of possibilities for cooperation between the two countries.”⁷

⁶ Nobel Peace Prize, 11-Oct-19, www.nobelpeaceprize.org/Announcements/The-Nobel-Peace-Prize-2019

⁷ Embassy Of the Federal Democratic Republic of Ethiopia, 11 October 2019, www.ethioembassy.org.uk/statement-from-the-prime-ministers-office-following-the-announcement-of-the-2019-nobel-peace-prize/

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Antonio Guterres, the UN Secretary-General, hailed Ahmed's leadership for setting a "wonderful example" for the international community⁸.

Eritrea-Ethiopia trade agreement under preparation⁹

- Ethiopian Prime Minister, Abiy Ahmed, visited Eritrea in July 2019 for the second time since the relation between the two countries returned to normalcy in 2018
- Legalisation of trade relations between the two countries will further strengthen the existing peaceful relations between the two countries as well as providing economic benefits
- Eritrea and Ethiopia have agreed to establish a joint committee to oversee a range of agreements to be signed including the trade agreement

"The Eritrean authorities have made considerable progress on some development goals, notably in the health and education sectors"

IMF Press Release¹⁰

Significant roadworks have commenced¹¹

- After the signing of the peace and friendship agreement with Ethiopia, the Eritrean government is upgrading roads and other basis infrastructure in the country
- Improving connectivity internally and with Ethiopia, and promoting trade



Roadworks in Eritrea; source: www.tesfanews.net/eritrea-road-expansion-modernization-integration/

New ambassador of India to Eritrea¹²

- Shri Subhash Chand, previously Deputy High Commissioner in the High Commission of India has been appointed as the next Ambassador of India to the State of Eritrea
- Continues increased foreign interest in Eritrea since rapprochement with Ethiopia

⁸ António Guterres Twitter, 11-Oct-19, [www.twitter.com/antonioguterres/status/1182593451201712129?lang=en](https://twitter.com/antonioguterres/status/1182593451201712129?lang=en)

⁹ Borkena, 26-Jul-19, www.borkena.com/2019/07/26/eritrea-ethiopian-trade-agreements-under-preparation/

¹⁰ Africa News, 26-Jul-19, www.africanews.com/2019/07/26/imf-dissects-eritrea-s-economy-the-successes-challenges-prospects/

¹¹ Tesfa News, 11-Sep-19, www.tesfanews.net/eritrea-road-expansion-modernization-integration/

¹² Ministry of External Affairs, Government of India, www.mea.gov.in/press-releases.htm?dtl/31242/Subhash_Chand_appointed_as_the_next_Ambassador_of_India_to_the_State_of_Eritrea



Corporate

Investor engagement

Presentations

Danakali's Chief Executive Officer, Niels Wage, presented at the Proactive One2One Investor Forum in London in September 2019. Presentation can be found here: www.danakali.com.au/investor-relations/corporate-presentations

Danakali's Head of Corporate Development & External Affairs, William Sandover, presented at the Proactive Investor Sessions in Sydney and Melbourne in July 2019. Associated article: www.proactiveinvestors.co.uk/companies/news/224178/danakali-primed-to-execute-world-class-colluli-sulphate-of-potash-project-224178.html

Videos

Mr. Wage provided a detailed company update to Proactive in their London studios, August 2019: youtu.be/xOd3XZFv6N8

Mr. Sandover provided a brief company overview to Hot Copper in Perth in line with the Africa Down Under conference, September 2019: youtu.be/YSorspFyEnA; and provided a detailed company update at the Bell Potter Emerging Leaders Conference in September 2019: www.belldirect.com.au/smarter/tv/video/danakali-bell-potter-emerging-leaders-conference/show/insights

Articles

Credit approval and Danakali's financing progress has been covered by several news sources including the following global media outlets:

- Mining Review Africa: www.miningreview.com/industrial-minerals/us200-million-secured-for-colluli-potash-project-in-eritrea/; and
- World Fertilizer Magazine: www.worldfertilizer.com/potash/05082019/danakalis-colluli-potash-project-receives-credit-approval-for-senior-debt-finance/

A Paydirt article highlighted that Danakali will benefit from optimal timing with respect to Horn of Africa geopolitical progress and the strong platform that the EuroChem offtake agreement¹³ provides to finalise project financing. The article can be accessed from the Company's website: www.danakali.com.au/images/stories/media/2019/20190828_Paydirt_Danakali_finds_timing_on_its_side.pdf

Capital

Cash

Consolidated cash on hand was A\$4.9M as at 30 September 2019. Danakali considers that this cash balance is sufficient to take the Company through to completion of Colluli project funding and the commencement of project execution.

¹³ DNK announcement, 12-Jun-18

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Securities

As at 30 September 2019, there were a total of 265,322,398 fully paid ordinary shares on issue. During the September Quarter 2019, the Company issued the following fully paid ordinary shares:

- 900,000 shares on exercise of unlisted options at A\$0.558 each

As at 30 September 2019, there were a total of 6,354,055 unlisted options on issue at various exercise prices and expiry dates. The following unlisted options were exercised during the September Quarter 2019:

- 900,000 unlisted options with an exercise price of A\$0.558 each expiring 8 August 2019

No unlisted options were issued or lapsed during the September Quarter 2019.

As at 30 September 2019, there were a total of 2,300,000 performance rights on issue. There were no new performance rights issued or cancelled during the September Quarter 2019.

Interests in mining tenements

The 7 Mining Licenses awarded to CMSC span over 60km² of the 100km² Mining Agreement area¹⁴.

Table 1: Tenement holdings

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

There was no change in tenement holding during the September Quarter 2019.



Bisha Mining Share Company loading Zinc and Copper for export at the Port of Massawa

¹⁴ DNK announcements, 1-Feb-17

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Danakali Limited

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

Danakali Limited

ABN

57 097 904 302

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(254)	(725)
(e) administration and corporate costs	(436)	(1,330)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	69
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(674)	(1,986)

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

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Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Funding of Joint Venture	(1,210)	(3,170)
2.6	Net cash from / (used in) investing activities	(1,210)	(3,170)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	502	502
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	502	502
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,279	9,551
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(674)	(1,986)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,210)	(3,170)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	502	502
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,897	4,897

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	4,897	6,279
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,897	6,279

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2 and 2.5	128
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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

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

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Mining exploration entity and oil and gas exploration entity quarterly report

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

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(175)
9.5 Administration and corporate costs	(209)
9.6 Other - Funding of Joint Venture	(1,394)
9.7 Total estimated cash outflows	(1,778)

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

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Compliance statement

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

Sign here:  (Joint Company Secretary) Date: 30 October 2019

Print name: Melissa Chapman

Notes

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



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About Danakali

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

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

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

The resource is favourably positioned to supply the world's fastest growing markets. A binding take-or-pay offtake agreement has been confirmed with EuroChem Trading GmbH (**EuroChem**) for up to 100% (minimum 87%) of Colluli Module 1 SOP production.

Development Finance Institutions, Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**, together the **Mandated Lead Arrangers**), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance.

The Company's vision is to bring Colluli into production using the principles of risk management, resource utilisation and modularity, using the starting module (**Module 1**) as a growth platform to develop the resource to its full potential.

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

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

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

Competent Persons Statement (Sulphate of Potash Ore Reserve)

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

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

Competent Persons Statement (Rock Salt Mineral Resource)

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

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

Danakali Limited

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AMC Consultants Pty Ltd (AMC) independence

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

Quality control and quality assurance

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

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

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

Forward looking statements and disclaimer

The information in this document is published to inform you about Danakali and its activities. Danakali has endeavoured to ensure that the information enclosed is accurate at the time of release, and that it accurately reflects the Company's intentions. All statements in this document, other than statements of historical facts, that address future production, project development, reserve or resource potential, exploration drilling, exploitation activities, corporate transactions and events or developments that the Company expects to occur, are forward looking statements. Although the Company believes the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include market prices of potash and, exploitation and exploration successes, capital and operating costs, changes in project parameters as plans continue to be evaluated, continued availability of capital and financing and general economic, market or business conditions, as well as those factors disclosed in the Company's filed documents.

There can be no assurance that the development of Colluli will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. To the extent permitted by law, the Company accepts no responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in this document. Recipients should make their own enquiries in relation to any investment decisions.

Mineral Resource, Ore Reserve, production target, forecast financial information and financial assumptions made in this announcement are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 23 September 2015, 15 August 2016, 1 February 2017, 29 January 2018, and 19 February 2018 which continue to apply and have not materially changed. The Company is not aware of any new information or data that materially affects assumptions made.

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