2019 INVESTOR PACK

DANAKALI
create. nurture. grow.
“Danakali presents an attractive investment opportunity, providing exposure to one of the world’s most advanced and economically attractive SOP projects with a post-tax valuation of US$902M and IRR of 29.9% for Modules I and II, expected first quartile operating costs, industry leading capital intensity, and an almost 200-year mine life. The Colluli deposit is unrivalled in the SOP industry.

We, and our partner ENAMCO, are excited to be progressing the development of this world-class project, and delivering a long-term and stable supply of premium fertiliser for years to come.

First we will ensure the successful development of Modules I and II, before looking to unlock the significant expansion and multi-commodity potential of the resource.

As recognised by the UNDP, Colluli promises to be a major contributor to Eritrean economic development and positive social outcomes through exports, the emergence of adjacent industries, training and employment. We look forward to bringing Colluli into production and building value for all shareholders and stakeholders.”

Niels Wage, Chief Executive Officer

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"The size and quality of the Colluli Reserve give it significant strategic value. Open pit mining of solid minerals rather than a brine allows for an easier and lower cost processing and mining path than peers ... the project has the lowest capital intensity of SOP developers globally. The project is located close to an operating port with capacity and access to the world’s growing SOP markets. Danakali is expected to produce the world’s lowest cost SOP on an FOB basis. The end product is a high grade (52% K₂O), pure product (96% K₂SO₄) likely to fetch a premium to peers. We are confident that there will be significant demand for the high quality and flexible (SOP, SOP-M and MOP) product from Colluli”

Bell Potter research note, January 2018

1 Please note that research reports are solely written by third parties and are not produced or verified by Danakali.
Danakali is developing the Colluli Potash Project (Colluli, or the Project), an advanced and economically attractive Sulphate of Potash (SOP) development project. Colluli is ‘shovel ready’; all material permits are in place, binding take-or-pay offtake has been achieved and Front End Engineering Design (FEED) has firmly established Colluli as an advanced and attractive SOP greenfield development project.

Fundamentals

World class Resource and Reserve

The Colluli deposit, located in the Danakil Depression in Eritrea, comprises a massive JORC-2012 compliant Ore Reserve estimate of 1,100Mt @ 10.5% K₂O for 203Mt of contained SOP equivalent. The Danakil Depression is the only known potash basin in the world with the most favourable combination of potassium salts for low cost, high yield production of SOP using simple commercially proven processing techniques.

Shallow mineralisation

Colluli is the shallowest known evaporite deposit in the world with mineralisation starting at just 16m allowing simple, safe, low cost, open-cut mining.

Salts extracted in solid form

Colluli is the only known SOP resource that allows extraction of potassium salts in solid form. Primary production of SOP typically comes from potassium rich brines, which require considerable evaporation. Extracting the salts in solid form allows the salts to be processed immediately, significantly reducing the time between mining and revenue generation, and it reduces the evaporation pond footprint which contributes to a lower overall capital intensity.

Close proximity to coast and established infrastructure

Colluli is the closest known SOP deposit to a coastline anywhere in the world, only 75km from the Red Sea. An existing coastal road to the established port of Massawa runs proximate to Colluli. The port of Massawa is equipped with bulk and container loading facilities.

Continued emergence of Eritrea amid rapid diplomatic progress in the Horn of Africa

Restoration of diplomatic relations among Horn of Africa countries including Eritrea, Ethiopia, Djibouti and Somalia has signalled an end to tensions in the region. Rapid diplomatic progress has enabled the opening of borders between Eritrea and Ethiopia for the first time in 20 years, established trade between Eritrea and Ethiopia, and the lifting of UN sanctions on Eritrea. Eritrea was the only sub-Saharan African country to meet its Millenium Development Goals by 2015.
Execution

**FEED study provides stakeholders with detail, accuracy and confidence**

FEED confirmed Colluli as an advanced stage and economically attractive project relative to other SOP greenfield development projects.

FEED articulates a modular development approach underpinning a highly scalable, long life project:

- Module I is expected to produce 472ktpa of premium SOP product; and
- Module II will increase total SOP production to 944ktpa.

**Binding offtake agreement with EuroChem**

EuroChem will take, pay, market and distribute up to 100% (minimum 87% at CMSC’s option) of Colluli Module I SOP production for at least 10 years.

Danakali is the only known greenfield SOP developer with a take-or-pay offtake agreement; instrumental in providing cash flow certainty to unlock project funding.

**Execution of US$200M senior debt mandate and term sheet with esteemed African DFIs**

CMSC has successfully executed a US$200M senior debt mandate and term sheet, which will provide a large proportion of the funding required for construction and development of the Project. The funding is supported by two leading African development finance institutions (DFIs): the African Export-Import Bank (Afreximbank) and the Africa Finance Corporation (AFC), who are acting as Mandated Lead Arrangers.

**Fully permitted**

Colluli is fully permitted following the signing of the Mining Agreement in February 2017; and the subsequent awarding of the requisite Mining Licenses.

Outcomes

**Attractive returns to shareholders**

Industry leading capital intensity and expected first quartile operating costs facilitate a project post tax NPV of US$902M and post-tax IRR of 29.9%\(^3\), with a post financing NPV of US$439M and post-finance IRR of 31.3% attributable to Danakali\(^4\). Such returns set Danakali apart from SOP development peers.

**High return expansion potential**

Significant incremental growth potential through further SOP or other potash type modules, and multi-commodity opportunities. Appreciable amounts of Rock Salt (mined as overburden), Gypsum, Kieserite and Magnesium Chloride are present and could enhance project economics. Sulphate of Potash Magnesia (SOP-M) and Rock Salt product specifications have been developed.

There is a potential site for port development only 87km (by road) away from Colluli.

**An outstanding economic, social and community dividend**

Danakali is committed to improving the lives of the local communities in which it operates and Colluli will play a significant part in the economic development of Eritrea.

FEED, the Social & Environmental Impact Assessment (SEIA) and Social & Environmental Management Plans (SEMPs) confirm Colluli’s positive impact through infrastructure, job creation, taxes, royalties, and associated economic development. Hundreds of direct permanent jobs for Eritrean nationals will be created. Long term training for trades and professionals will be developed.

**UNDP report outlines potential for Colluli to boost the Eritrean economy and support the country’s SDGs**

The release of a report on Colluli commissioned by the United Nations Development Programme (UNDP) highlights the potential for Colluli to boost the Eritrean economy and support the country’s UN Sustainable Development Goals (SDGs)\(^5\).
Investment highlights

World class Reserve
1.1Bt @ 10.5% K₂O¹
203Mt contained SOP¹

Simple mining and processing
Open-cut mining
Commercially-proven processing

Closest known SOP deposit to coast
Only 75km from Red Sea coast

Stable, supportive mining jurisdiction
Strong Eritrean government relationship

’Sovel ready’ SOP project
FEED complete, fully permitted, EPCM selected

Bounding offtake agreement
Up to 100% of Module I production

US$200M senior debt
Mandate and term sheet executed

Industry leading capital intensity
US$534/t

First quartile operating costs
US$242/t²

Exceptional returns
Project NPV US$902M
Project IRR 29.9%

Potential for growth
Expansion, diversification and multi-commodity potential

Community and social dividends
>650 operational jobs
Strong community engagement

¹ DNK announcement, 19 February 2019
² FOB Port of Massawa
Introduction to potash

Danakali is concentrating on SOP, the premium potash type

NITROGEN
Adds crop volume through enhancing protein and chlorophyll production

PHOSPHATE
Helps transfer energy and is the key to photosynthesis

POTASSIUM
Improves crop strength and quality, increases nitrogen uptake, increases water use efficiencies, and raises resistance to infection and parasites

2 highest volume potash types: MOP and SOP

MOP
The bulk potash
- 66.6 Mtpa demand in 2017
- Low value chloride tolerant crops
- Demand is elastic (easy to substitute)
- Market is well supplied by global potash majors
- Generally higher development costs

SOP
The premium potash and Danakali focus
- 7.3 Mtpa demand in 2017
- High value chloride sensitive crops
- Demand is inelastic (difficult to substitute)
- Global supply shortage of primary resources
- High margin

SOP market dynamics
- Over 50% of SOP supply produced through costly Mannheim Process (secondary production)
- Generates price floor to advantage of primary SOP producers
- Limited supply growth outside of China
- China consumes the majority of what it produces and exports are limited
- Significant demand upside if application rates in developing countries rise to USA and Chinese levels
- Demand increases expected to be driven by Latin America, South Asia, Africa and Western Europe

SOP historical prices and premium to MOP

1. CRU
2. Integer Research
3. Danakali analysis
The SOP market is profitable, growing and increasingly undersupplied

SOP is generated by either primary or secondary production processes. Primary production occurs directly from suitable economically exploitable resources, such as solid salts or brines. These resources are geologically scarce and currently insufficient to meet demand outside of China. The supply shortfall is supplemented by secondary production which involves the conversion of MOP to SOP by adding sulphuric acid in a high cost thermal conversion process (the Mannheim Process). Over 50% of the world’s SOP supply is produced this way, providing a price floor to the advantage of primary producers who tend to have significantly lower production costs. SOP commands a price premium over MOP because of its suitability for application on high-value chloride sensitive crops, lack of primary supply and a need for secondary production at higher production costs (MOP price + sulphur price + energy costs + waste costs). The SOP price premium over MOP has maintained a premium of more than US$205/t for more than 5 years (and above US$250/t for the majority of that period).

There has been limited SOP supply growth outside of China. Expandability of existing operations outside of China is constrained and there are few greenfield developments for primary production of SOP at an advanced stage. The SOP market outside of China is likely to become increasingly undersupplied in the coming years without significant capacity investment.
There is also a limit in the extent to which existing secondary producers can increase output to service growing demand. Due to environmental issues and waste management secondary producers can only produce as much SOP as the by-product hydrochloric acid (HCl) they can dispose of. For every 1t of SOP produced via the Mannheim Process, 1.2t of HCl is produced.

SOP’s growth fundamentals are underpinned by five key drivers:

1. Global population growth
2. Reduction in arable land per capita
3. Changing dietary preferences
4. Under-application in developing countries
5. Water availability

Global demand outside of China is expected to be driven particularly from Latin America, South Asia, Africa, and the fertiliser producing countries in Western Europe.

Integer Research forecasts global demand to grow from 7.3Mt in 2017 to 9.1Mt in 2040. While demand in China is predicted to slow down, Integer Research expects growth around the rest of the globe to gain momentum, growing by an average 2.9% p.a. between 2016 and 2040.

There is significant upside potential in the SOP market if India changes its fertiliser pricing policy. India is the second largest SOP crop growing country in the world after China, but currently utilises very little SOP due to the fertiliser subsidy scheme which applies to MOP and drives irrational purchasing behaviour (currently MOP in India is heavily subsidised). The global SOP market has a potential size far greater than current consumption if application rates increase to levels comparable to those applied in the in the USA and Chinese markets.

The expected demand and supply dynamics provide foundation for the assertion that the SOP industry will tighten throughout the next 10 years, supporting a robust pricing environment.

SOP is currently underapplied in the areas expecting the highest rate of population growth, the majority of which are proximate to Colluli.

Note: The content on this page was generated utilizing industry insights from Integer Research and CRU, the data in the infographic is sourced from Integer Research and United Nations world population prospects.
Project overview and logistics

Standout ‘shovel ready’ development opportunity

Danakali is focused on the development of the world class Colluli Potash Project located in the Danakil region of Eritrea, East Africa. 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).

Colluli is located in the Danakil Depression region of Eritrea and is approximately 230km by road south-east of the port of Massawa, which is Eritrea’s key import/export facility. The Danakil Depression is an emerging potash province, which commences in Eritrea and extends south across the border into Ethiopia.

Colluli boasts the shallowest known evaporite mineralisation globally and has significant mining, logistics and, in turn, capital and operating cost benefits over other potash development projects in the Danakil Depression and elsewhere.

The resource is amenable to open-cut mining: a proven, high productivity mining method. Open-cut mining provides higher resource recoveries relative to underground and solution mining methods, and is generally safer and more easily expanded.

The Project carries a low level of complexity due to predictable processing plant feed grade, predictable production rates – given low reliance on weather conditions – and simple, commercially proven mineral processing technology.

Colluli is fully permitted following the signing of the Mining Agreement in February 2017; and the subsequent awarding of the requisite Mining Licenses. The project is ‘shovel ready’.

Strategic location

The north-eastern and eastern parts of Eritrea have an extensive coastline along the Red Sea, a strategic location along the Maritime Silk Road. Colluli is located approximately 75km from the Red Sea coast (87km by road from a potential port export terminal at Anfile Bay), providing unrivalled future logistics potential and making it the closest known SOP deposit to a coastline.

Once processed, SOP precipitate will be dried and compacted before being loaded onto containers for export. Loaded containers will be transported by truck on the established coastal road to the Port of Massawa.

Massawa is an existing, well established port providing the necessary infrastructure and skills required to satisfy the multi-commodity trade in and out of Eritrea including the exports of products from existing mines in Eritrea. Located on the major Red Sea shipping channel, one of the busiest trade routes in the world, with direct access to the key markets of India, Southeast Asia, the Middle East, Europe and the rest of Africa. Colluli has been assigned a lay down area at the Port of Massawa.

An alternative product exporting option at Anfile Bay will be subject to further review and has the potential to unlock significant value for Colluli, by enabling the low cost export of additional volumes resulting from (i) additional modules, and (ii) the expansion of the product suite (including non-potash materials).
Mining

Simple, low cost, open-cut mining
The mine will consist of a single open-cut pit, with a progressive working face that provides access to each of the mineralised layers simultaneously. Mining will be conducted by mining contractors using conventional mechanised equipment (including surface miners, excavators, bulldozers and haul trucks) and methods. No drill and blast is required. Colluli’s shallow mineralisation results in a low average strip ratio.
The overburden contains Rock Salt, which is extracted at a rate of more than 1.8Mtpa. Commercialisation of the Rock Salt has the potential to offset a portion of the mining costs in the future. This has not been reflected in the FEED results.

Processing

Simple, energy efficient, commercially-proven processing
The processing method to be utilised at Colluli is the most commonly used, low cost process for production of SOP. The ore body consists of three main members being Sylvinitite, Carnallite and Kainitite which are fed as ore feed into the processing plant, and from which the minerals Sylvite, Carnallite and Kainite are extracted and mixed to produce SOP. Colluli is one of the few known resources globally comprising these salts in an ideal ratio to combine using conventional flotation and mixing processes to produce SOP at ambient temperature.

Ambient temperature processing has a positive impact on process yield, and significantly reduces pond size requirements and allows lower energy inputs relative to Kainite brine conversion. Further, the availability of the salts in solid form means that no pre-evaporation ponds are necessary, reducing capital requirements and time to revenue.

Potassium yields are further improved using recovery ponds which collect brines exiting the processing plant. Highly favourable weather conditions within the Danakil Depression provide an environment with extremely high evaporation rates, which significantly reduce pond size requirements and allow rapid recovery of remnant potassium that is recirculated to the processing plant.

Processing plant water is planned to be pumped along an 87km pipeline from an abstraction and desalination facility on the Red Sea coast, and will be supplemented by a small number of water bores at the Colluli site.
FEED establishes Colluli as an advanced and economically attractive SOP greenfield development project

- Enhanced project economics with considerably higher level of accuracy
- Industry leading capital intensity and forecast first quartile operating costs
- Project level NPV of US$902M with IRR of 29.9% for Modules I and II
- Danakali share of NPV of US$439M with IRR of 31.3%
- Operating and capital cost accuracy level of ±10%
- Critical milestone for finalisation of offtake (binding agreement executed) and debt funding (term sheet and mandate executed) processes
Key Colluli FEED economic estimates and outcomes

### 100% of the Project (equity / pre-debt basis)

<table>
<thead>
<tr>
<th></th>
<th>Module I</th>
<th>Module I &amp; II 3,4</th>
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<tbody>
<tr>
<td>Annualised SOP production</td>
<td>472ktpa</td>
<td>944ktpa</td>
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<tr>
<td>Strip ratio (waste:ore)</td>
<td>1.9</td>
<td>2.1</td>
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<td><strong>Module I</strong> development capital</td>
<td>US$302M</td>
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<tr>
<td>Incremental <strong>Module II</strong> development capital</td>
<td>US$202M</td>
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<tr>
<td>Capital intensity 5</td>
<td>US$640/t</td>
<td>US$534/t</td>
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<tr>
<td>Incremental <strong>Module II</strong> capital intensity 5</td>
<td>US$427/t</td>
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<td>Average mine gate cash costs 6</td>
<td>US$165/t</td>
<td>US$149/t</td>
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<td>Average total cash costs 6,7</td>
<td>US$258/t</td>
<td>US$242/t</td>
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<tr>
<td>Average annual undiscounted free cash flows 6</td>
<td>US$88M</td>
<td>US$173M</td>
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<td>Post tax NPV (10% real)</td>
<td>US$505M</td>
<td>US$902M</td>
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<td>Post tax IRR</td>
<td>28.1%</td>
<td>29.9%</td>
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<tr>
<td><strong>Module 1</strong> payback period 8</td>
<td>3.25 years</td>
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### Danakali’s 50% share of the Project (post-finance basis)

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<th>Module I</th>
<th>Module I &amp; II 3,4</th>
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<td>Average annual undiscounted free cash flows 6</td>
<td>US$43M</td>
<td>US$85M</td>
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<td>Post finance NPV (10% real)</td>
<td>US$242M</td>
<td>US$439M</td>
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<tr>
<td>Post finance IRR</td>
<td>29.7%</td>
<td>31.3%</td>
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If operating in 2018, Danakali would have been one of the lowest cost SOP producers

### Mine gate production costs for global SOP producers in 2018 9

- **Colluli Module I & II**
  - Large distances to ports, majority of production consumed within China 10
- **Chinese primary production**
- **Mannheim Process production**
  - High energy, high cost and environmental issues 10

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1. Economic estimates and outcomes reported in US$ real
2. Assumed that Module I is 60% debt / 40% equity funded
3. Module II production expected to commence in year 6
4. Assumed that module is 100% funded from project cash flows and third-party debt
5. Including contingency, excluding sustaining and working capital
6. Average for first 60 years of production
7. Includes mine gate cash costs, product logistics, and royalties
8. Represents payback from date of first production
9. Greenmarkets and Danakali analysis; Colluli FEED results included to demonstrate illustrative comparison
10. Integer Research
SOP development peer comparison

Colluli’s proximity to established port infrastructure gives unrivalled access to the global export market

**Distance to port for Colluli and other SOP greenfield development projects**

Australian projects range from 700km to 1,500km away from the nearest established ports

1. Peer company announcements, Google Maps
Colluli has scale, capital intensity and returns advantages over peers\(^1,2\)

<table>
<thead>
<tr>
<th>Company</th>
<th>Method</th>
<th>Brine</th>
<th>Solid Salts</th>
<th>Brine</th>
<th>Playa Brine</th>
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<tr>
<td>Danakali Yara</td>
<td>Open-cut</td>
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<tr>
<td>Colluli</td>
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<td>Sevier Lakes</td>
<td>Trench &amp; well</td>
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<td>Beyondie</td>
<td>Trench &amp; bore</td>
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<td>Yara Dalhlo</td>
<td>Solution</td>
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<td>Mackay</td>
<td>Trench</td>
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<td>Lake Wells</td>
<td>Trench &amp; bore</td>
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<table>
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<tr>
<td>Feasibility Study (BFS)</td>
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<tr>
<td>Feasibility Study (DFS)</td>
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<td>Scoping Study (SCOPING)</td>
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<table>
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<th>Contained SOP Equivalent Reserve</th>
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<tr>
<td>203 Mt</td>
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<tr>
<td>7.7 Mt</td>
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<tr>
<td>5.1 Mt</td>
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<table>
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<td>944 ktpa</td>
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<tr>
<td>338 ktpa</td>
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<tr>
<td>180 ktpa</td>
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<tr>
<td>600 ktpa</td>
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<td>460 ktpa</td>
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<td>400 ktpa</td>
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<table>
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<th>Capital Intensity</th>
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<tr>
<td>US$534/t</td>
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<td>US$960/t</td>
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<th>Post-Tax IRR</th>
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<td>20%</td>
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<table>
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<td>Rock Salt</td>
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1 Peer company announcements
2 SOP development projects covered are a representative but non-exhaustive selection of SOP greenfield development projects
3 Colluli metrics shown for Modules I & II
4 Beyondie metrics shown for 180ktpa SOP production scenario (also have 90ktpa scenario)
5 Lake Wells metrics shown for 400ktpa SOP production scenario (also have a 200ktpa scenario)
6 Converted to US$ using exchange rate of US$0.72/A$
**Project execution and partnerships**

**Completion of FEED has transitioned Danakali and Colluli into project execution phase**

Colluli will be developed to its full potential by adopting the principles of risk management, resource utilisation and modularity. CMSC will develop the resource through a de-risked modular development approach, initially focussing on SOP production:

- Module I is expected to produce 472ktpa of premium SOP product; and
- Module II, commencing production in year 6 of the Project, will increase total SOP production to 944ktpa.

Expected mine life is almost 200 years at FEED production rates.

**Binding offtake agreement with EuroChem**

Danakali has signed a binding take-or-pay offtake agreement with EuroChem, who will take, pay, market and distribute up to 100% of Colluli Module I SOP production. CMSC has the option to retain and sell up to 13% through alternative sales channels. The agreement is a critical milestone for project funding processes and reinforces Colluli’s position as an advanced and economically attractive SOP greenfield development project. The term of the offtake agreement is 10 years from the date of commissioning of the Colluli SOP processing plant, with an option to extend for a further 3 years if agreed by EuroChem and CMSC.

EuroChem is an outstanding partner with global reach and extensive fertiliser expertise and experience. EuroChem will provide technical support to the Project.

“The offtake agreement represents another significant step towards reaching our goal of production at Colluli. Together with FEED, which provides outstanding technical and economic outcomes, the Agreement is a key enabler for CMSC and Danakali to achieve the required project funding. CMSC would like to welcome EuroChem as a new partner to the project. We look forward to the shared prosperity that the Agreement and Project will provide for all shareholders.”  

*Seamus Cornelius, CMSC Director and Danakali Executive Chairman*

EuroChem has noted that they are excited about participating in the Project with CMSC, as part of their growing global presence. EuroChem believes Colluli has the potential to be an industry leading fertiliser asset. The project’s proximity to the coast and solid salt processing capacity will significantly reduce the time between mining and revenue generation.

Danakali executives visited EuroChem’s Antwerp, Belgium fertiliser production facility in August 2018.
US$200M senior debt term sheet and mandate successfully executed

CMSC has executed a mandate to receive fully underwritten senior debt finance facilities of US$200M to fund the construction development of Colluli. African development finance institutions (DFIs), African Export-Import Bank (Afreximbank) and Africa Finance Corporation (AFC) are acting as the Mandated Lead Arrangers on the signed US$200M non-binding indicative term sheet1. Finalisation of the debt funding is a critical project financing and execution milestone. Afreximbank and AFC are highly reputable African DFIs with extensive experience in providing project financing to African projects across the continent, and were chosen due to their extensive African project finance experience and the strength of their investor reach.

In 2017 Afreximbank was lead / co-lead arranger on 11 syndicated debt transactions totalling over US$3Bn. In the same period AFC was mandated on over US$1Bn of transactions.

“The execution of the Mandate represents a significant milestone for the Colluli project funding. We are very pleased to be partnering with strong, experienced African financial institutions.”
Stuart Tarrant, CFO

DRA Global confirmed as preferred EPCM contractor

The Project’s execution phase will incorporate engineering design, procurement, construction, management and commissioning of facilities. Preferred EPCM provider DRA Global will be responsible for all aspects of design, procurement and construction, management and pre-commissioning of the complete process plant and associated infrastructure, including provision of all temporary construction facilities. The management workstream will include provision of all engineering, drafting, procurement, contracting, construction and project services to complete the project scope.

DRA will also be responsible for awarding major contracts such as early works, earthworks, structural, mechanical, piping, electrical and instrumentation works, laboratory and permanent camp (including life support, freight and logistics).

Overview of the Colluli EPCM phases

<table>
<thead>
<tr>
<th>PHASE 1</th>
<th>FEED review</th>
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<tbody>
<tr>
<td>Mobilise EPCM Owner’s Team</td>
<td>Complete updates to scope of work</td>
</tr>
<tr>
<td>Critical review of FEED in context of EPCM methodology</td>
<td>Investigate optimisation opportunities</td>
</tr>
<tr>
<td>Finalise geotechnical test work</td>
<td>Develop optimal execution strategy</td>
</tr>
<tr>
<td>Purchase critical equipment including reverse osmosis plant</td>
<td>Review and agree on capital estimate and schedule</td>
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<table>
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<tr>
<th>PHASE 2</th>
<th>Detailed engineering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mine road upgrade</td>
<td>Engineering design, development and drafting completed</td>
</tr>
<tr>
<td>Complete procurement</td>
<td>Develop vendor packages and purchase vendor data</td>
</tr>
<tr>
<td>Commenence and complete construction</td>
<td>Development and finalisation of site contracts</td>
</tr>
</tbody>
</table>

| PHASES 4-6 | Procurement, construction and project management |

1 CMSC senior debt financing remains subject to financier credit approval, negotiation and execution of definitive documentation and other conditions precedent, and CMSC senior debt financing is not guaranteed.
Eritrea

Danakali has been operating in Eritrea since 2009 and has found the country to be safe, stable and development focused

Eritrea has a stable government that promotes principles of self-reliance. Key economic drivers include mineral exports, agricultural output and infrastructure development.

Eritrea was the only sub-Saharan African country to meet its Millennium Development Goals by 2015, achieving large reductions in malaria, maternal mortality and HIV/AIDS prevalence, while improving access to potable water and almost doubling adult literacy rates.

The Eritrean government is focused on developing food security and agricultural production; infrastructure development; and human resources. Great emphasis is placed on community as well as social outcomes, such as access to education, health, food and equitable access to services.

Rapid diplomatic progress has been achieved in the Horn of Africa in 2018 and 2019.

Recent progress in Eritrea

Lundin Mining approached Nevsun, a base and precious metals miner operating in Eritrea, with 2 takeover proposals

An Eritrean government delegation arrived in Addis Ababa, Ethiopia, to hold peace talks addressing the countries’ long-running border dispute. The historic visit signified the 2 nations’ progress towards improving relations.

“The government is pragmatic in its approach to the development of the Eritrean mining industry. The Eritrean people are friendly, patriotic and exhibit no signs of corruption.”

Baillieu research note, July 2016

Eritrea and Ethiopia acted quickly to re-establish ties, with daily flights between the nations commencing for the first time in 2 decades and the reopening of phone lines.

Ethiopian Prime Minister Abiy Ahmed elected

Ethiopian Prime Minister Abiy Ahmed talked of repairing relations with Eritrea. Eritrea showed support for potential peace talks and welcomed the political changes in Ethiopia.

An Eritrean government delegation arrived in Addis Ababa, Ethiopia, to hold peace talks addressing the countries’ long-running border dispute. The historic visit signified the 2 nations’ progress towards improving relations.

The landmark talks were unprecedented and showed a commitment from both countries to restore ties. Eritrean Foreign Minister, Osman Saleh, stated: “We have opened the door of peace”. The talks set out to make up for lost opportunities and create new and better opportunities.
Mining and investment in Eritrea

Eritrea has supportive laws for mining investment including low import duties on capital development, accelerated tax depreciation and 10 year carrying forward of losses. Progression of the mining industry has seen Eritrea experience some of the highest economic growth rates in Africa2, primarily driven by the development of the Bisha Copper-Zinc Mine which has been operational since 2010 and has completed three subsequent expansions.

With a stable and maturing mining jurisdiction, a pipeline of mining projects has developed. The Zara (Koka) Gold Mine is commissioned and producing, the Asmara Copper-Zinc-Gold-Silver Project is in advanced stages of development and Colluli is set to be the fourth major mining project to be executed.

Prominent global institutional investors have made major investments in Nevsun (NSU.TSE)3 and Danakali. Eritrea has recently experienced increased investment interest with the removal of UN sanctions and the opening of neighbouring borders. Nevsun was acquired by Chinese miner Zijin, for US$1.4Bn in 2018.

The UNDP Report on Colluli concludes that the Project has the potential to significantly boost the Eritrean economy and meaningfully advance the Sustainable Development Agenda of Eritrea, in particular on 13 specific Sustainable Development Goals criteria.

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2 World Bank, the Economist
3 Nevsun disclosure
Resource and Reserve

Massive 1.1Bt Ore Reserve

The Danakil Depression is located in the Southern region of Eritrea and extends over 300km into Eastern Ethiopia. It hosts the youngest known evaportite deposit and the largest known unexploited potash basin in the world. Over 6Bt of potassium bearing salts suitable for production of potash fertilisers have been identified in the region to date. The deposit differentiates itself by its depth and composition. With mineralisation commencing at just 16m, Colluli is the shallowest known potash deposit in the world, making it amenable to open-cut mining. In contrast, other potash evaporite deposits typically sit hundreds of metres below the earth’s surface, sometimes at depths of up to 1km. Resource access costs of deep, underground potash deposits result in high development costs and exposure to cost and time overruns.

The Colluli resource comprises three potassium bearing salts in solid form: Sylvinite, Carnallitite and Kainitite. These salts are suitable for high yield, low energy production of SOP. The salt composition in the Danakil Depression provides the ability to produce a suite of potash products including SOP, SOP-M and MOP. Such potash product diversification cannot be achieved by any other known potash deposit region in the world.

Colluli is one of the highest grade primary SOP resources in the world, with the JORC-2012 compliant Mineral Resource for Colluli estimated at 1.289Bt @ 11% K₂O for 260Mt of contained SOP equivalent. The JORC-2012 compliant Ore Reserve estimate for Colluli is estimated at 1,100Mt @ 10.5% K₂O for 203Mt of contained SOP equivalent. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.

Colluli has significant diversification potential beyond potash, including the option to produce additional products such as Kieserite (MgSO₄), Gypsum (CaSO₄), Magnesium Chloride (MgCl₂) and Rock Salt (NaCl). Colluli contains a JORC-2012 compliant rock salt Mineral Resource of 347Mt @ 96.9% NaCl, and a JORC-2012 compliant Kieserite Mineral Resource of 87Mt @ 7% MgSO₄.

The massive Colluli Ore Reserve has significant capacity to underpin further expansions and support decades of growth beyond Modules I and II.

Products

While SOP will be the initial focus, Colluli has several defined products

Production at Colluli will initially focus on Standard and Granular SOP, with expansion potential to include defined Colluli products including Soluble SOP; Standard, Granular and Soluble SOP-M; and Rock Salt as the Project progresses. Product specifications for these CMSC products are available at danakali.com.au/products

Colluli samples have properties which place the products at the high end of the quality spectrum.

SOP-M is chloride free and contains Potassium, Sulphur and Magnesium. Colluli SOP-M samples demonstrate high solubility which is sought-after by end-markets.

Rock Salt is scheduled for stockpiling to enable commercialisation. Colluli Rock Salt has been found to be highly suitable for deicing across the varying cut-off grades modelled.

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1. DNK announcement, 19 February 2019
2. Includes Danakali resource and peers holding Ethiopian projects (the latter taken from peer announcements)
Potential product suite

High degree of expandability and multi-commodity potential

The modular development approach delivers low upfront development costs and a high degree of expandability, underpinning a scalable, long life project. SOP Module I will be utilised as a platform for growth.

The Project has significant multi-commodity potential presenting major additional value upside. Colluli can deliver greater and more diverse production through higher SOP production rates, by-products, and alternate products from within the resource and surrounding land on the Colluli tenement. The potassium salt composition in the resource provides the option to diversify the potash product suite as the project grows. Potash products including SOP, MOP\(^3\) and SOP-M\(^4\) provide Colluli with unrivalled potash product versatility. The production of other agri-commodity and salt products including Rock Salt\(^4\), Kieserite\(^4\), Gypsum\(^5\) and Magnesium Chloride\(^4\), is also possible, particularly with a port developed at Anfile Bay.

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3 SOP-M and MOP production is defined within FEED processing design where they are produced as feedstock for final conversion to SOP
4 Stockpiling volumes of potential by-products have been derived from FEED mass balance modeling and mine scheduling and are based on the Rock Salt Mineral Resource (DNK announcement, 23-Sep-15) and the SOP Ore Reserve (DNK announcement, 19-Feb-18). The disclosure of stockpiled volumes should not be considered as a Production Target.
5 Gypsum core samples have been analysed
Product export terminal

Initially, and as considered in FEED, SOP from Modules I & II, totalling 944ktpa, will be shipped via Massawa Port. The logistics costs from mine gate onto the ship amount to nearly US$73/t. By installing a product export terminal (PET) at Anfile Bay there is the potential for a significant drop in logistics costs.

There has been disclosure from the Eritrean Government with respect to building the Anfile Bay PET without requiring CMSC (or Danakali) capital.

In addition to FOB operating costs benefits, the port could unlock larger volumes of SOP as well as the lower value product potential. Rock Salt will be extracted as a by-product at an average rate of approximately 1.8Mtpa in SOP Modules I & II. Given minimal expected capital expenditure or mine gate operating costs required, with a PET at Anfile Bay, Rock Salt is a likely candidate as the second seaborne Colluli product.

Magnesium Chloride and Kieserite are other products that could potentially be produced as by-products of SOP processing (with simple further processing required for each).

Additional SOP

The Colluli SOP Reserve contains 203Mt of SOP which equates to 178Mt of recoverable SOP. Current FEED economic modelling (60 years) only places value on a little over 54Mt which leaves 70% (or ~124Mt) of the Reserve unaccounted for.

Potential by-products of SOP production

The production of SOP naturally generates Rock Salt direct shipping ore, and Magnesium Chloride and Kieserite processing feed material in significant volumes.

Rock Salt is used for de-icing. Magnesium Chloride has industrial, specialized de-icing and agricultural uses. Kieserite is a fertiliser that provides Magnesium and Sulphur.

2 January 2018 Ore Reserve Statement: “These three mineral species can be processed in the Colluli plant to produce 178 million tonnes of recovered sulphate of potash (K2SO4), at 97.2% purity.”
3 178Mt (total recoverable SOP Reserve) subtract 54Mt (SOP production modelled in FEED)
4 Stockpiling volumes of potential by-products have been derived from FEED mass balance modeling and mine scheduling and are based on the Rock Salt Mineral Resource (DNK announcement, 23-Sep-15) and the SOP Ore Reserve (DNK announcement, 19-Feb-18). The disclosure of stockpiled volumes should not be considered as a Production Target.
Table 4: FEED by-product stockpiling rates

<table>
<thead>
<tr>
<th>By-product</th>
<th>Stockpiled as</th>
<th>Average stockpiling rate per module</th>
<th>Supplier quoted FOB prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rock Salt</td>
<td>Direct shipping ore</td>
<td>~0.9Mtpa</td>
<td>US$20/t</td>
</tr>
<tr>
<td>Mag Chloride</td>
<td>Unprocessed feed material</td>
<td>~0.6Mtpa</td>
<td>US$100/t</td>
</tr>
<tr>
<td>Kieserite</td>
<td>Unprocessed feed material</td>
<td>~0.3Mtpa</td>
<td>US$110/t</td>
</tr>
</tbody>
</table>

Other potential products

**SOP-M**

The proposed processing plant generates a SOP-M intermediate salt before mixing with Potassium Chloride to form SOP. SOP-M can be produced by the conversion of Kainite (K\(\text{MgSO}_4\cdot3\text{H}_2\text{O}\)).

There is expected to be extensive Kainitite material available within the Colluli resource for the potential production of SOP-M.

**MOP**

The Colluli Ore Reserve contains 250Mt of Sylvinite at 13% K\(_2\)O, sitting as the top layer of the Resource. The proposed SOP processing plant will generate purified Potassium Chloride (effectively MOP) as an intermediate salt in ore stream 1. Should the market present favourable conditions, a MOP plant module, similar to ore stream 1 of the SOP plant module, could potentially be deployed to capitalise upon these conditions.

**Gypsum**

Vast quantities of surface expressing Gypsum (Ca\(\text{SO}_4\cdot\text{2H}_2\text{O}\)) exist around the Colluli resource. Gypsum as a source of calcium and sulphur is complementary to the agri-chemical suite of products available at Colluli, and also has various construction material applications.

“Colluli SOP FEED has strong economics on its own. It also has the potential of expanding its operations into other products, beginning with by-products and moving into alternative products complementary to the resource. Over time, the supply chain may be further optimised through cost savings in overland transport, bulk port solutions and optimised power and fuel arrangements.”

Niels Wage, Chief Executive Officer
Danakali Board

An experienced, multi-disciplinary and international board

Seamus Cornelius
Executive Chairman
Technical background
Corporate Lawyer (LLB, LLM)
Relevant experience
Corporate lawyer with over 20 years’ experience in the resource sector, including in complex cross-border commercial negotiations
Former partner of one of Australia’s leading law firms
Currently the Non-Executive Chairman of Buxton Resources, Element 25, and Duketon Mining

Robert Connachie
Non-Executive Director
Technical background
Civil Engineering (B.A. Sc.), MBA
Relevant experience
Potash and mining specialist with over 40 years of industry experience
Extensive senior line management experience in the potash industry, including corporate development, evaluations, marketing, financing and acquisitions
Previously held positions as Chairman of Canpotex (a world leading potash exporter for over 40 years) and Chairman of Behre Dolbear Capital
Chairman and CEO of Potash Company of America, CEO Asia Pacific Potash, Director of Athabasca Potash, Chairman of the Phosphate and Potash Institute, Director of the Fertiliser Institute, and Director of the Saskatchewan Potash Producers Association

John Fitzgerald
Non-Executive Director
Technical background
Chartered Accountant, Fellow of FINSIA
Relevant experience
Extensive project finance and corporate advisory experience in the resource sector
Previously held senior positions at NM Rothschild and Sons, Investec Bank Australia, Commonwealth Bank, HSBC Precious Metals and Optimum Capital
Non-Executive Director of Northern Star Resources and Non-Executive Chairman of Novo Litio

Andre Liebenberg
Non-Executive Director
Technical background
MBA, BSc (Elec) Eng.
Relevant experience
Mining industry professional with extensive investor, market, finance, business development and leadership experience
Over 25 years in private equity and investment banking, and senior roles at BHP Billiton and QKR Corporation
Senior executive roles within BHP included Head of Group Investor Relations, and CFO roles for the Energy Coal and Diamonds divisions
Currently the Executive Director and Chief Executive Officer of Yellow Cake

Paul Donaldson
Non-Executive Director
Technical background
Master’s Degree – Mining Engineering, Master’s Degree – Business and Technology, BEng Chemical (Honours, University Medal), Assoc Dip. Applied Science (Metallurgy)
Relevant experience
Extensive operational, technical marketing and supply chain management experience from senior management positions in almost 25 years at BHP
Previous CEO and Managing Director of Danakali; redefined the product and development path and process for the Project, overseeing PFS, DFS and FEED
Currently Chief Transformation Officer at Pacific National

Zhang Jing
Non-Executive Director
Technical background
Master’s Degree in International Consultancy and Accounting
Relevant experience
Extensive international trading and business development experience in China
Investment and project management roles held in public listed companies in China
Danakali senior management

<table>
<thead>
<tr>
<th>Niels Wage</th>
<th>Stuart Tarrant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>• Previously Vice President of Freight, Potash and Diamonds at BHP</td>
<td>• Extensive exposure in the mining industry</td>
</tr>
<tr>
<td>• Responsible for marketing, sales and supply chain for the Jansen Potash Project</td>
<td>• Financial modelling, financial systems deployment, procurement, budgeting, and cost analysis and optimisation experience and expertise</td>
</tr>
<tr>
<td>• Sat on the Board for International Plant Nutrition Institute (IPNI), a recognised fertiliser industry body</td>
<td>• Previously a finance manager at BHP and HWE Mining</td>
</tr>
<tr>
<td>• Currently a Director on the Board of Bahia Mineração, which is developing an integrated greenfield iron ore project</td>
<td>• Fellow of the Association of Chartered Certified Accountants (ACCA)</td>
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<table>
<thead>
<tr>
<th>Tony Harrington</th>
<th>William Sandover</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Director</td>
<td>Head of Corporate Development &amp; External Affairs</td>
</tr>
<tr>
<td>• Over 30 years’ experience across a range of mining projects in various African countries, China, Europe, UK and Australia</td>
<td>• Extensive investment banking and corporate advisory experience at UBS, Macquarie and Vesparum</td>
</tr>
<tr>
<td>• Project Manager for US$0.3Bn Kwale Minerals Sands Project in Kenya and US$0.3Bn Chimimwango expansion at the Lumwana Copper Mine in Zambia</td>
<td>• Has been involved in raising more than A$10Bn in equity and hybrid capital for listed companies</td>
</tr>
</tbody>
</table>

Danakali values

Our core values are our guiding principles that define our internal conduct and our relationships with the external operating environment and will not be compromised

**People**

Our employees, customers, local communities, business partners, shareholders and other stakeholders are vital to our business success and future growth.

**Integrity**

We conduct ourselves with uncompromising integrity and honesty as individuals and as a company.

**Simplicity**

We embrace the principle that everything should be as simple as possible.

**Planet**

We respect our operating environment at local, national and international levels and are focussed on continually reducing the environmental footprint of our business.

**Performance**

We are a performance driven organisation, and continually strive for improvement in the things that matter most to our business.
How to invest

In general, you should contact a broker who will be able to let you know the most appropriate method for investment in Danakali.

**ASX**

Danakali is listed on the Australian Stock Exchange (ASX) (ASX: DNK). Shares can be bought and sold on market. You can buy as little as A$500 worth of shares.

By investing in Danakali shares on the ASX you are buying part ownership of the company. You can buy and sell shares by using a licensed broker on your behalf. For more information on how to trade in ASX shares please visit ASX’s online resources via http://asx.com.au/education/shares-courses.htm

**LSE**

Danakali has been admitted to the Standard Segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange (LSE) Main Market with the ticker DNK. The Ordinary Shares trade through a Depositary Interest structure on the LSE.

For more information please see the LSE listing section of our website: http://www.danakali.com.au/investor-relations/lse-listing-documents

**ADRs**

Investors located in North America have access to the American Depository Receipts (ADR) Program. The Bank of New York Mellon sponsors Danakali’s Level 1 ADRs which are traded on the over-the-counter (OTC) securities market in the US under the symbol: DNKLY and CUSIP: 23585T101. One ADR represents one ordinary share in Danakali.

US OTC Market information is available here: http://www.otcmarkets.com/stock/DNKLY/quote

Danakali’s ADR information can also be viewed here: https://www.adrbnymellon.com/?cusip=23585T101

ADR Holders seeking information on their shareholding should contact:

**LONDON**

Mark Lewis  
+44 207 163 7407  
mark.lewis@bnymellon.com

**NEW YORK**

Rick Maehr  
+1 212 815 2275  
richard.maehr@bnymellon.com

Further information may be obtained from the company website: www.danakali.com. ADR Holders seeking information on their shareholding should contact: shrrelations@bnymellon.com

**OTC**

Over-the-counter (OTC) trading in Danakali is available on various stock exchanges, including:

Frankfurt: SO3-FRA, further information can be found here: http://en.boerse-frankfurt.de/stock/Danakali-share

Berlin: SO3-BER, further information can be found here: https://www.boerse-berlin.com/index.php/Shares?isin=AU000000DNK9

As with any investment, shares carry risks and investors need to inform themselves of these.
Competent Persons Statement (Sulphate of Potash 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.


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.

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 by DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungsstelle GmbH (DAR). The laboratory follows standard procedures for the analysis of potash salt rocks chemical analysis (K⁺, Na⁺, Mg²⁺, Ca²⁺, Cl⁻, SO₄²⁻, H₂O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analyses to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

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.