



# Danakali – Colluli SOP Project update

*On track with development, nearing construction*

- Significant progress on EPCM: Phase 1 completed on time and budget; Phase 2 commenced
- Water desalination plant design work and key mining services contracts underway
- Geotechnical work commenced

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**), is pleased to announce that the Colluli Mining Share Company (**CMSC**) has successfully executed EPCM Phase 1 of Project development and has now moved to Phase 2.

## EPCM progress

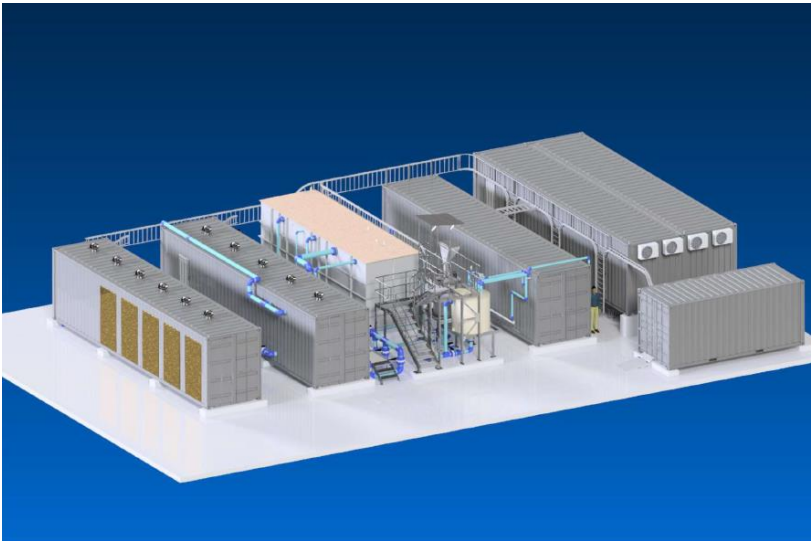
The Owner's Project Team based in Johannesburg and led by Project Director Tony Harrington, has made significant progress with the delivery of Phase 1, on schedule, on budget and in line with the Front-End Engineering Design (**FEED**). This takes Colluli closer to the construction phase and then into production in 2022.

As part of the management support by DRA Global (**DRA**), all Project Systems, Project Controls and Progress measurement systems are in place, and the team is now focused on securing key Mining Services agreements and developing execution strategy.

EPCM phases 1 & 2 - Mobilisation	EPCM phases 3 to 6 - Construction	Production
<ul style="list-style-type: none"> <li>✓ Mobilise EPCM Owner's Team</li> <li>✓ Finalise geotechnical work</li> <li>✓ Purchase critical equipment, including reverse osmosis plant</li> <li>✓ Investigate optimisation opportunities</li> <li>• Develop optimal execution strategy</li> <li>• Update FEED estimate and execution schedule</li> </ul>	<ul style="list-style-type: none"> <li>• Finalisation of engineering design and development</li> <li>• Finalisation of vendor packages</li> <li>• Procurement</li> <li>• Finalisation and award of site contracts</li> <li>• Construction</li> <li>• Commissioning and ramp-up</li> </ul>	<ul style="list-style-type: none"> <li>• Module I – 472ktpa of SOP, US\$88M p.a. Project cash flow</li> <li>• Modules I &amp; II – 944ktpa of SOP, US\$173M p.a. Project cash flow</li> </ul>
<b>Production in 2022, ramp-up to full production within 12 months</b>		

## Water desalination Plant

Site based **Reverse Osmoses (RO)** plant will be constructed by a South African manufacturer with expected delivery in Q3 2020. The facility is one of the key components to de-risk the development schedule and will be used to provide potable and construction water prior to the commissioning of the main Anfile Bay Water Intake Area (**WITA**). WITA design is currently under development by DRA in Cape Town.



*Conceptual layout of the Water Treatment Plant for Colluli SOP Project*

### **Geotechnical Investigation**

The Geotechnical Investigation contract, final terms and conditions being agreed with a selected major multinational consultancy firm. The design outcomes will outline further structural mapping and 3D modelling, that shall ensure accuracy and assist with the construction planning.

### **Industry engagement**

Significant progress has been made on securing key contractors for on site works, with Earth Moving Worldwide to provide mining services, Turner and Townsend to support the Owner's Team and DRA engaged for the provision of EPCM services. Development of the Early Works packages have commenced with remaining tender procedures to be finalised in early Q2 2020.

Earlier in February, the Danakali Executive team participated at Investing in African Indaba conference, the world's largest mining investment event, where it has met with industry partners and co-hosted Africa Finance Corporation's (AFC) annual conference, following the confirmation of AFC's US\$50M strategic equity investment. Colluli is now fully on track with mobilisation (phases 1 & 2) and commencement of construction in Q3 2020. Upon finalisation of remaining activities within Phase 2, Danakali will be hosting a site visit to Colluli for analysts and investors in Q2 2020.



*Niels Wage, CEO of Danakali, presenting at the AFC reception, Indaba, Cape Town, 3 February 2020*



**DANAKALI**

**Project Director, Tony Harrington**, said: *"It has been a busy start to the year with a number of work streams being progressed. It is encouraging to see a collaborative team providing a strong professional approach, that is experienced and understands the importance of delivering a fit for purpose process plant with a shared objective to achieve the shortest path to revenue. The FEED pricing reconfirmation is underway, and we are pleased to have identified several optimisation and cost saving opportunities which we are incorporating in further planning. We have now commenced Phase 2 of the Project development allowing us to further de-risk the development by greater definition of cost, schedule and design.*

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Announcement authorised for release by the CEO of Danakali.



## 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 Sulphate of 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 known potash deposit. The resource is amenable to open cut 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 Sulphate of Potash or **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 I SOP production.

Development Finance Institutions, Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance. The credit documentation was executed in December 2019, allowing drawdown of CMSC senior debt on satisfaction of customary conditions precedent. This represents the majority of funding required for the development and construction of the Colluli. AFC has also executed a Subscription Agreement to make a US\$50M strategic equity investment in Danakali. The receipt of the first tranche of US\$21.6M (A\$31.8M) allowed commencement of the development

Project execution has commenced and SOP production is expected during 2022. 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 I**) 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% K<sub>2</sub>O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K<sub>2</sub>O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K<sub>2</sub>O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K<sub>2</sub>O 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](http://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% K<sub>2</sub>O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K<sub>2</sub>O Equiv. Proved and 815Mt @ 10.3% K<sub>2</sub>O 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](http://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.

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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](http://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.

#### **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 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 ( $K^+$ ,  $Na^+$ ,  $Mg^{2+}$ ,  $Ca^{2+}$ ,  $Cl^-$ ,  $SO_4^{2-}$ ,  $H_2O$ ) 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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