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## LSE listing approaches completion

Danakali Limited (ASX: DNK / LSE: DNK) (**Danakali**, or the **Company**), the potash company focused on the development of the Colluli Potash Project (**Colluli**, or the **Project**) in Eritrea, is pleased to confirm its intention to seek admission to the Standard Segment of the Official List of the Financial Conduct Authority (**FCA**) (**Admission**) and to trading on the London Stock Exchange (**LSE**) Main Market. Admission and trading in the Ordinary Shares is expected to commence at 8.00am BST on or around 24 July 2018. The Company's Ordinary Shares will remain listed on the Australian Stock Exchange (**ASX**).

- Danakali has a market capitalisation of approximately A\$193M<sup>1</sup> (£108M<sup>2</sup>) and its key shareholders include Well Efficient (13.3%), JP Morgan Asset Management UK (7.7%) and Capital Group (6.3%)
- Danakali's core strategy is to become a leading Sulphate of Potash (**SOP**) producer through the development of the world-class Colluli Potash Project, located in the Danakil Depression region of Eritrea, East Africa
- The Project represents one of the lowest cost, shallowest and most advanced greenfield SOP development projects globally
- 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 comprises a JORC-2012 compliant Ore Reserve estimate of 1,100Mt @ 10.5% K<sub>2</sub>O for 203Mt of contained SOP equivalent<sup>3</sup>, allowing an almost 200 year mine life
- The Project will be developed utilising a modular approach, with production from Module I expected to produce 472ktpa SOP, and Module II will increase total SOP production to 944ktpa<sup>4</sup>
- Front End Engineering Design (**FEED**) confirmed a post-tax project NPV of US\$902M and IRR of 29.9% for Colluli Modules I & II<sup>5</sup>
- The Company recently announced an offtake agreement between CMSC and EuroChem Trading GmbH (**EuroChem**); EuroChem will take, pay, market and distribute up to 100% (minimum 87%) of Colluli's Module I SOP production<sup>6</sup>
- SOP is utilised on high-value, chloride-sensitive crops such as fruits, nuts and coffee plants and commands a substantial premium over the more widely available Muriate of Potash (**MOP**) that has a high chloride content
- Potential additional upside through potash diversification and the monetisation of other commodities within the Colluli resource

<sup>1</sup> As at close on 11 July 2018

<sup>2</sup> Converted using exchange rate of £0.56/A\$ as at 11 July 2018

<sup>3</sup> ASX announcement, Colluli Ore Reserve update, 19 February 2018

<sup>4</sup> Modules I & II, Module II commences in the 6<sup>th</sup> year of production / ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>5</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>6</sup> ASX announcement, Binding take-or-pay offtake confirmed for up to 100% of Colluli Module I SOP production, 12 June 2018



- The Company believes Admission will increase its reach to institutional investors in the UK, Europe, Africa and the Middle East, increase share trading liquidity, and further raise the profile of the Project

**Danakali Executive Chairman, Mr. Seamus Cornelius, said:** *"We are delighted to announce our formal intention to list on the LSE. This has been a key strategic objective for us this year, along with the signing of the offtake agreement with EuroChem and the completion of the FEED study.*

*"The LSE listing provides us with additional access to sophisticated investors in London and internationally with a strong appetite for advanced stage development projects and a good understanding of the African mining and resource environment.*

*"Danakali presents an attractive investment opportunity through providing exposure to one of the most advanced and economically attractive SOP projects globally with a post-tax project valuation of US\$902M and IRR of 29.9% for Modules I & 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. It also promises to be a major contributor to the Eritrean economy through exports, employment and skills. We look forward to bringing Colluli into production, and building value for our shareholders and stakeholders."*

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## Publication of Prospectus and listing timetable

Subject to approval by the UKLA, the Company expects to publish a Prospectus in connection with the Listing on or around 18 July 2018.

It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares on the LSE will commence on or around 24 July 2018 under the ticker “DNK”.

## Business overview

### FEED completion confirms Colluli as an advanced stage and economically attractive project relative to other SOP greenfield development projects<sup>7</sup>

The FEED study delivered enhanced economics relative to the Definitive Feasibility Study (DFS) with a considerably higher level of accuracy. In particular, the FEED predicts that the Colluli Potash Project has industry leading capital intensity and first quartile operating costs. The FEED also confirmed a post-tax project level NPV of US\$902M could be achieved with IRR of 29.9% for Modules I & II.

Further, there is no other SOP greenfield development project known to the Directors that has completed FEED.

### Binding take-or-pay offtake confirmed for up to 100% of Colluli Module I SOP production<sup>8</sup>

EuroChem will take, pay, market and distribute up to 100% (minimum 87%) of Colluli Module I SOP production. EuroChem may use a portion of Colluli SOP to produce complex nitrogen phosphate potassium fertilisers at its facilities in Antwerp, Belgium and Nevinnomyssk, Russia. The balance of SOP provided to EuroChem will be sold through their international channels. CMSC has the option to sell up to 13% through alternative sales channels. The offtake agreement has a ten year term, with an option, if mutually agreed, to extend for a further three years.

EuroChem is an outstanding partner for the Project, with global reach and extensive fertiliser expertise and experience. EuroChem has agreed to provide technical support to the Project on terms to be agreed. EuroChem Group AG will provide a parent company guarantee as part of the offtake agreement.

The offtake agreement is instrumental in unlocking project funding as the take-or-pay nature of the offtake agreement (and associated terms) provides cash flow certainty.

### Mining Licences and other material permits in place<sup>9</sup>

Colluli has in place the necessary Mining Licences and other material permits following the signing of the Mining Agreement in February 2017 and the subsequent award of the requisite Mining Licences. The award of the Mining Licences followed the completion of a series of pre-requisites to mine construction which included the completion and submission of the DFS, submission of a comprehensive social and environmental impact assessment and associated management plans, a series of pre-and post-DFS stakeholder engagements with local

<sup>7</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>8</sup> ASX announcement, Binding take-or-pay offtake confirmed for up to 100% of Colluli Module I SOP production, 12 June 2018

<sup>9</sup> ASX announcement, Award of Mining Licenses for world class Colluli Potash Project, 1 February 2017

and regional communities and stakeholders, and the signing of a Mining Agreement, which grants CMSC exclusive mining rights and right of land use within the Project Area.

### World class resource and reserve<sup>10</sup>

The Colluli deposit comprises a large, high grade JORC-2012 compliant Ore Reserve estimate of 1,100Mt at 10.5% K<sub>2</sub>O for 203Mt of contained SOP equivalent. The Ore Reserve allows a long mine life of almost 200 years, assuming an average annual production rate of 944ktpa<sup>11</sup>.

### Shallow mineralisation<sup>12</sup>

Colluli is a shallow evaporite deposit, with mineralisation starting at just 16m, allowing open-cut mining. Open cut mining provides higher resource recoveries relative to underground and solution mining methods, is generally safer, and can be more easily expanded.

### Salts extracted in solid form<sup>13</sup>

The resource at Colluli allows extraction of potassium salts in solid form, which provides superior economic outcomes as it enables the salts to be processed immediately, significantly reducing the time between mining and revenue generation, and it reduces the evaporation pond footprint. This contributes to a lower capital intensity compared to other SOP primary production methods, which typically utilise potassium rich brines that require considerable evaporation.

### Simple, energy efficient, commercially proven processing<sup>14</sup>

The processing method that is planned to be utilised at Colluli is a commonly used, low cost process for production of SOP. The process plant design for the Project is based on a robust metallurgical flowsheet designed for low capital and operating costs while achieving optimum recovery. The flowsheet is constructed from simple mineral processing units that are well proven in industry.

Colluli salt composition is ideal for low energy, high yield conversion to SOP at ambient temperatures. The salt composition in the Danakil Depression provides the ability to produce a suite of potash products including SOP, Sulphate of Potash-Magnesia (**SOP-M**) and MOP. Such potash product diversification cannot be achieved by any other known potash deposit region in the world.

### High value, high grade SOP product<sup>15</sup>

The Colluli product is high grade, chloride free and has a low salinity index, which makes it suitable for use with high value, chloride intolerant crops such as nuts, fruits and vegetables.

<sup>10</sup> ASX announcement, Colluli Ore Reserve update, 19 February 2018

<sup>11</sup> Modules I & II, Module II commences in the 6<sup>th</sup> year of production

<sup>12</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>13</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>14</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>15</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

### Proximity to coast and established infrastructure<sup>16</sup>

Colluli is the closest known SOP deposit to a coastline, only 75km from the Red Sea coast. Colluli is 230km from the established port of Massawa. The port of Massawa is equipped with bulk and container loading facilities.

### Development de-risked through modular development approach<sup>17</sup>

Colluli will be developed to its full potential by adopting the principles of risk management, resource utilisation and modularity, using the first module as a platform for growth. The modular development approach underpins a highly scalable, long life project. Module I is expected to produce 472ktpa of premium SOP product. Module II is expected to increase total SOP production to 944ktpa<sup>18</sup>.

### The diversification and multi-commodity potential of Colluli potentially provides additional upside<sup>19,20</sup>

The following opportunities exist at Colluli beyond Modules I and II:

- The processing and marketing of additional products, including potassium magnesium sulphate (sulphate of potash magnesia or SOP-M), magnesium sulphate (kieserite,  $MgSO_4 \cdot H_2O$ ) and potassium chloride (muriate of potash or MOP); and
- The marketing of by-products from Colluli including salt, either in the form of mined overburden rock salt or coarse plant tailings, and bischofite, which is collected in the final recovery ponds and stockpiled

The salt composition in the Danakil Depression provides the ability to produce a suite of potash products including SOP, SOP-M and MOP.

The Mining Licences grant exclusive exploitation rights for minerals other than SOP, SOP-M and MOP, including kieserite, gypsum ( $CaSO_4 \cdot 2H_2O$ ), bischofite and rock salt, should the Group decide to process and market these products.

Calcium sulphate also exists within the area covered by the Mining Licences and could be mined to complement the product suite to produce a diverse range of blended fertilisers containing quantities of potassium, magnesium, calcium and sulphur.

It should be noted that neither rock salt nor any of the other additional salt products have been included in the project economics contained in the FEED or the CPR.

### A significant economic, social, community and environmental dividend<sup>21,22</sup>

The Eritrean government has an interest in the Project through ENAMCO's 50% shareholding and will therefore benefit from any revenue that may be produced by CMSC. This in turn is expected to benefit the wider Eritrean economy. Further, taxes and royalties are payable to the Eritrean government under the Mining Agreement and the Mining Licences, which would also be expected to benefit the Eritrean economy.

<sup>16</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>17</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>18</sup> Modules I & II, Module II commences in the 6<sup>th</sup> year of production

<sup>19</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>20</sup> ASX announcement, Award of Mining Licences for world class Colluli Potash Project, 1 February 2017

<sup>21</sup> ASX announcement, FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project, 29 January 2018

<sup>22</sup> ASX announcement, Ministry approves Social and Environmental Impact Assessment, 6 December 2016



Further, the Social and Environmental Impact Assessment (**SEIA**) predicts that the Colluli Potash Project should have a positive impact in Eritrea through development and improvement of infrastructure, job creation, and development of local supply chains, which would support local business development. The Colluli Potash Project will create hundreds of permanent jobs, and long term training for trades and professionals, for Eritrean nationals.

Globally, the use of SOP has material positive environmental impacts. SOP can increase water use efficiencies (reducing consumption). SOP also increases crop strength and quality, increases nitrogen uptake and raises resistance to infection and parasites, thus increasing crop yields and reducing the amount of arable land required for crop output.

### Experienced Board and management

Danakali's senior management team consists of five executives:

- Executive Chairman, Mr. Seamus Cornelius, has a high degree of expertise in cross-border transactions, particularly in the resources and finance sectors
- Project Manager, Mr. Tony Harrington, has acted as overall Project Manager, or one of the Senior Managers on over 25 development projects throughout Africa and Asia
- Chief Financial Officer, Mr. Stuart Tarrant, has held a series of senior financial positions including at BHP
- Chief Commercial Officer, Mr. Niels Wage, has held a number of senior management roles at BHP, including Vice President Potash, Vice President Freight and Vice President Diamonds
- Head of Corporate Development & External Affairs, Mr. William Sandover, has experience at global investment banks UBS and Macquarie

Mr. Danny Goeman, who is currently Chief Executive Officer, will be stepping down from his position on 3 August 2018 and the Company will seek a new Chief Executive Officer to replace him. A new Chief Commercial Officer, Niels Wage, has been appointed to manage the Company's marketing, offtake and logistics workstreams. During the transition period, previous Non-Executive Chairman, Mr. Seamus Cornelius, has been appointed as Executive Chairman. Mr. Cornelius will remain as Executive Chairman until 3 months after a new Chief Executive Officer is appointed.

Danakali has an experienced, multi-disciplinary and international Board. The Board has technical expertise spanning legal, engineering, metallurgy, accounting and finance backgrounds, with extensive experience in high profile mining companies and financial institutions such as BHP, Canpotex, Rothschild, UBS and HSBC. The Board comprises:

- Mr. Paul Donaldson, Non-Executive Director, who has extensive operational, technical marketing and supply chain management experience from a series of senior management roles with BHP Billiton
- Mr. John Fitzgerald, Non-Executive Director, who has extensive project finance experience (Optimum Capital, NM Rothschild and Sons, Investec Bank Australia, Commonwealth Banks and HSBC Precious Metals)
- Mr. Robert Connochie, Non-Executive Director, who has extensive senior line management experience from the potash industry, directorships of listed international potash companies and leadership positions on multiple Potash Industry Associations
- Mr. Andre Liebenberg, Non-Executive Director, a mining industry professional with extensive investor market, finance, business development and leadership experience, including over 25 years in private equity, investment banking, and senior roles within BHP Billiton and QKR Corporation; current Executive Director and Chief Executive Officer of Yellow Cake

- Ms Zhang Jing, Non-Executive Director, has held investment and project management roles in public listed companies in China and has more than 15 years of international trading and business development experience  
(and Executive Chairman, Mr. Seamus Cornelius, detailed above)

### Supportive partner and shareholders

Danakali has a good relationship with the Eritrean government and specifically its joint venture partner ENAMCO. This is an important dynamic given the amount of interaction and collaboration that will be required as the Company develops the Project.

Danakali's share register includes Well Efficient (a Hong Kong private equity firm), JP Morgan AM UK and Capital Group. Well Efficient, JP Morgan Asset Management UK and Capital Group have all supported the Company through investment in recent Danakali equity raisings and option exercises.

### SOP industry overview<sup>23</sup>

#### Potash overview

Potassium is one of the three key plant macronutrients, along with nitrogen and phosphate. Potassium improves crop strength and quality, increases nitrogen uptake, increases water efficiencies, and raises resistance to water and parasites. Potassium is used as a soil fertiliser for growing crops; potash contains potassium in water-soluble form. There is no commercial substitute for potash at the scales required.

There are four key potash types:

- Potassium chloride (KCl) / Muriate of potash / MOP
- Potassium sulphate ( $K_2SO_4$ ) / Sulphate of potash / SOP
- Potassium magnesium sulphate ( $K_2SO_4 \cdot MgSO_4 \cdot 4H_2O$ ) / Sulphate of potash magnesia / SOP-M
- Potassium nitrate (KNO) / Nitrate of potash / NOP

MOP and SOP are the two highest utilised potash types.

#### SOP vs MOP

SOP commands a price premium over MOP, in part because of its suitability for application on higher-value chloride sensitive crops and lack of primary supply. The Company is currently concentrating on the production of SOP.

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<sup>23</sup> Integer Research reports utilised throughout this section to provide SOP industry insights and data, and support internal analysis



SOP	MOP
Approximately 7Mtpa in 2016	Approximately 61Mtpa demand in 2016
High value chloride sensitive crops	Low value chloride tolerant crops
Demand is inelastic (difficult to substitute)	Demand is relatively elastic (can be substituted, and can have application 'holidays')
Global supply shortage of primary resources	Market is well supplied by large potash producers

### SOP production and market overview

SOP is generated by either primary or secondary production processes. There are three main methods used in the production of SOP depending on the availability of raw materials:

1. Evaporation and crystallisation of brines from natural salt lakes;
2. Recrystallisation based on natural KCl and sulphate salts (e.g. kieserite ( $MgSO_4 \cdot H_2O$ )); and
3. Mannheim Process through the high temperature reaction between MOP and sulphuric acid ( $H_2SO_4$ )

The first two processes are classified as primary production processes whereas the third is classified as a secondary process. Primary production occurs directly from suitable economically exploitable resources. 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, generating a price floor to the advantage of primary producers who tend to have significantly lower production costs.

China is largely self-sufficient and has little impact on global supply/demand dynamics. Despite the huge volumes produced in China, the country's significance to the global SOP market is limited due to export tariffs which are largely prohibitive. Although China exported some SOP for the first time in 2014 and 2015 following changes to export tariffs, the volumes exported to date remain under 100ktpa.

### Global production

Belgium and Germany dominate global SOP trade outside of China. Together, they export approximately 1-1.2Mtpa, which represents 50-60% of global production without China and about 60% of total global trade. Chile, Taiwan and Finland also each export approximately 100ktpa. Russian exports have maintained around 70ktpa in the most recent three years, also much lower than exports before 2013.

The SOP market outside of China is likely to become increasingly undersupplied due to the limited greenfield developments available for primary production of SOP at an advanced stage. Many producers outside China are also unable to produce at 100% capacity utilisation, owing to constraints with by-product hydrochloric acid disposal. Hydrochloric acid disposal has a constant impact on utilisation rates for Mannheim producers and is environmentally challenging and costly to transport.



## SOP demand

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

1. Global population growth;
2. Reduction in arable land per person;
3. Evolving dietary preferences;
4. Under-application in developing countries; and
5. Water availability

Global population growth, expected to be over 80M people p.a.<sup>24</sup>, will continue to drive higher crop demand and lies at the heart of SOP demand. In addition, economic growth in developing countries has altered the complexion of crop demand, with a distinct shift to higher value crops as disposable income grows.

SOP crop demand is impacted by an increased demand for high value crops (e.g. citrus, berries, stone fruits, coffee, tea and potatoes), many of which are sensitive to the chloride contained in MOP, and this translates into increased demand for SOP. The potassium content in MOP is generally available at lower cost, but chloride sensitivity for certain crops means that SOP is the next most affordable low chloride potash source. In addition, SOP demand is linked to crop production areas which are susceptible to high salinity, and also, but to a lesser extent, its sulphur content.

While demand growth in China is predicted to slow, it is expected that growth in the rest of the world will gain momentum, particularly in regions with relatively high SOP crop areas with relatively low yields and SOP demand growth potential. This includes India, Latin America and South East Asia. Global demand is also expected to be driven from the fertiliser producing countries in Western Europe.

## SOP price outlook

The expected SOP demand and supply dynamics supports the premise that the industry will tighten throughout the next 10 years, supporting a robust pricing environment. Demand growth outside China is a key contributor to utilisation rates rising. While capacity is set to increase, growth is expected to be constrained due to reductions in the ability of established producers to produce at historical levels, refurbishments and slow production ramp-ups, and no significant volumes of new primary capacity expected until after 2020.

## Eritrea overview

Eritrea is a north-eastern African country on the coast of the Red Sea, sharing borders with Ethiopia, Sudan and Djibouti. It has a population of just over 5M<sup>25</sup>. Danakali has been operating in Eritrea since 2009 and has found the country to be safe, stable and committed to supporting the Company's business plans. As one of the fastest growing economies globally, Eritrea has shown significant improvements in its performance in development, health and education, becoming the only sub-Saharan African country to meet its Millennium Development Goals by 2015 (according to the World Health Organisation), including improving access to potable water and almost doubling literacy rates.

Eritrea's development objective is to achieve rapid, balanced, home-grown and sustainable economic growth, while ensuring social equity and justice, and mineral exports are recognised as fulfilling a key role in achieving this. As such, the Eritrean government has been collaborative and responsive, allowing Danakali to build strong, effective working relationships with government.

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<sup>24</sup> United Nations and world population prospects (2015)

<sup>25</sup> United Nations 2016 projection



ENAMCO, Danakali's joint venture partner, was formed in 2006 with the objective to undertake and engage in mining operations, including prospecting, exploration, exploitation and marketing of mineral resources. It also has a role with the Eritrean Ministry of Energy and Mines (**MoEM**) to develop the Eritrean mining industry and provide related expertise.

There has been significant investment in the Eritrean mining industry in recent years, with two mines in production and a third under construction. These include: the country's first large scale mining enterprise, the Bisha mine (a high-grade volcanogenic massive sulphide deposit 40% owned by ENAMCO and 60% by Nevsun Resources), the Zara Gold Mine (the second large scale mine in Eritrea to commence production; owned by China SFECO Group (60%) and ENAMCO (40%)), and the Asmara Copper-Zinc-Gold-Silver mine (currently under development).

As the mining sector plays an important role for future economic growth, the Eritrean government continues to place high priority on building and supporting the nascent industry. It has put in place a supportive mining jurisdiction, including accelerated depreciation (straight line, 4 years), a 10 year carrying forward of losses, reinvestment deduction (5% gross income) and stable corporate tax.

## Corporate Social Responsibility

Danakali and CMSC have a strong commitment to sustainable development which is underpinned by the principles that mineral projects should be financially, technically and environmentally sound and socially responsible. Therefore, Danakali has implemented a Sustainable Development Framework to govern its Corporate Social Responsibilities (**CSR**) and Sustainability and is aligned with its Corporate Governance Framework. The policies developed using this framework directly supported the management plans associated with the SEIA and Social and Environment Management Plans (**SEMP**) for the Project.

CMSC carried out an extensive social and environmental impact analysis, assessment and planning and concluded that local communities, and Eritrea more broadly, stand to benefit from jobs and skills development. The economic contributions include taxes, royalties, dividends, local wages; community investment and development of local supply chains, which in turn supports local business development. This potential for adjacent industry development encompasses infrastructure, mining services, transport and hospitality.

It is expected that the Project will create over 500 direct permanent jobs for locals and Eritrean nationals in Module I, and over 650 (cumulative) once Module II is online, as well as indirect employment opportunities. CMSC will also commit to long-term training for trades and professionals. There is strong community support for the Project.

Danakali recognises the importance of ethical conduct, human rights and the Company's and CMSC's impact on the environment. Danakali is committed to adhering to internationally recognised and accepted standards and responsible business conduct such as the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and has completed all studies to date consistent with the Equator Principles and applicable World Bank and International Finance Corporation (**IFC**) requirements. Colluli will be developed in accordance with the Equator Principles and relevant World Bank and IFC requirements.

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## About Danakali

Danakali Limited (ASX: DNK) (**Danakali**, or the **Company**) is an ASX-listed company and 50% owner of the Colluli Potash Project (**Colluli** or the **Project**) in Eritrea, East Africa. The Company is currently developing Colluli in partnership with the Eritrean National Mining Corporation (**ENAMCO**).

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

The Company has completed a 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.

Our 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 Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K<sub>2</sub>O. The Mineral Resource contains 303Mt @ 11% K<sub>2</sub>O of Measured Resource, 951Mt @ 11% K<sub>2</sub>O of Indicated Resource and 35Mt @ 10% K<sub>2</sub>O 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 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 (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.

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.

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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 (KUTECH) 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.

No representation or warranty, express or implied, is or will be made by or on behalf of the Company, and no responsibility or liability is or will be accepted by the Company or its affiliates, as to the accuracy, completeness or verification of the information set out in this announcement, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Company and each of its affiliates accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement or any such statement.

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