



Notice to Proceed issued to DRA Global

- CMSC has issued a Notice to Proceed to DRA Global for the provision of EPCM services
- DRA Global has global project management expertise and significant experience working in Africa
- The CMSC Board has resolved to commence EPCM phases 1 & 2

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**), is pleased to announce that the Colluli Mining Share Company (**CMSC**) has issued a Notice to Proceed to DRA Global (**DRA**), the preferred provider of Engineering, Procurement and Construction Management (**EPCM**) services for the Colluli Sulphate of Potash Project (**Colluli** or the **Project**). The Notice to Proceed is an interim agreement that allows DRA and CMSC to commence the EPCM process. Further, the Colluli Mining Share Company (**CMSC**) Board has resolved to commence EPCM phases 1 & 2.

DRA is a high quality, multi-disciplinary global project management and engineering group with strong African experience and EPCM delivery capability. The scope of DRA's contract includes:

- all aspects of design, project management, procurement, construction management and supervision;
- commissioning of the complete process plant and associated infrastructure; and
- awarding and overseeing major contracts such as early works, earthworks, structural, mechanical, piping, electrical and instrumentation works, laboratory and permanent camp.

EPCM phase 1 & 2 activities will include:

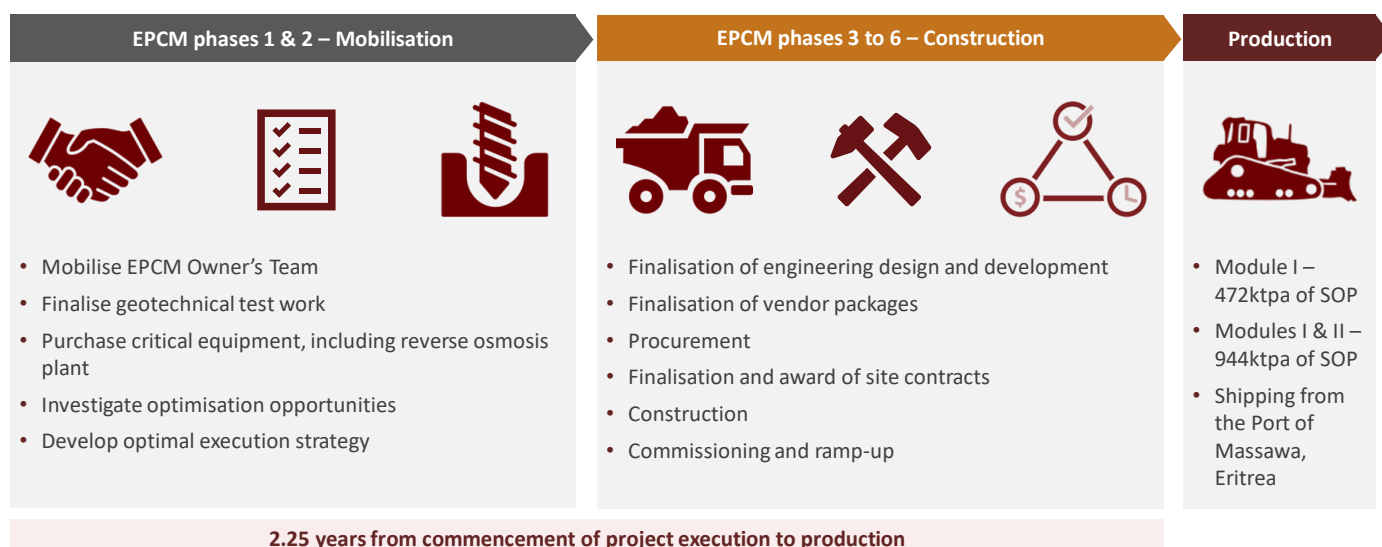
- DRA review of Colluli Front End Engineering Design (**FEED**)
- Mobilisation of CMSC Owner's Team
 - Includes Project Director, Tony Harrington, and personnel from Turner & Townsend, a multinational professional services company
- FEED updated by DRA:
 - Re-estimate of capital and definition of schedule
 - Optimisation reviews
 - Develop further information required to complete detailed engineering
 - Develop early works scope and issue tender enquiries
- Commence geotechnical test work
- Purchase of critical equipment
 - Including reverse osmosis equipment necessary for early work activities

The purpose of the phased EPCM approach is to ensure that CMSC achieves technical, commercial, financial and nameplate requirements that satisfy the economic model, funding criteria and the expectations of all stakeholders. CMSC's phased EPCM approach follows.

Project Director, Tony Harrington, said: *"I am very pleased we will be formalising our partnership with DRA after over a year of quality and positive interactions with their team. With the majority of project funding committed the CMSC Owner's Team is ready and eager to collaborate with DRA and commence work immediately. This is the moment our personnel and other stakeholders in Eritrea have been waiting for."* (see Appendix B for excerpts from a 2019 interview with Mr. Harrington)



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Announcement authorised for release by the board of Danakali.

Appendix A: About DRA and Turner & Townsend



DRA is a diversified global engineering, project delivery and operations management group headquartered in Perth, Australia, with an impressive track record spanning more than three decades. Known for its collaborative approach and extensive experience in project development and delivery, as well as turnkey operations and maintenance services, DRA delivers optimal solutions that are tailored to meet clients' needs.

With expertise in the areas of project development, mining, mineral processing, plant optimisation, operational readiness, systems integration, operations & maintenance and related water, energy, industrial and infrastructure requirements, DRA delivers truly comprehensive solutions to the resources sector. DRA employs over 4,500 people and offers flexible engineering & operations management services worldwide through 18 offices.

For more information visit www.draglobal.com.



Turner & Townsend is a multinational professional services company headquartered in Leeds, United Kingdom, with extensive expertise in project management consulting to the mining, infrastructure and property sectors. As an independent consultancy, it is committed to achieving high standards of openness and transparency across all aspects of a project. Turner & Townsend employ over 6,000 people in 110 offices across 45 countries with presence in Africa, Asia Pacific, Europe, Middle East and the Americas.

For more information visit www.turnerandtownsend.com.



Appendix B: Excerpts from 2019 interview with Project Director, Tony Harrington

Project Director, Tony Harrington, brings a depth of experience to his role as well as Eritrean and wider developing nation insight.

Mr. Harrington has over 35 years' experience managing the delivery of projects across a diverse range of commodities, mineral processing units and jurisdictions including East Africa, West Africa, Southern Africa, China, Europe, UK and Australia.

Mr. Harrington has spent the majority of the last 18 months in Eritrea. He has been progressing EPCM, operations readiness and other project execution processes.

Mr. Harrington was interviewed following his appointment:

Could you elaborate on your previous experience, particularly as relevant for leading project execution at Colluli?

"I have had a lot of experience over the years in development projects in various parts of the world, mainly Africa, but also Asia, Europe and Australia.

In 2012, I worked on the 0.3 billion dollar expansion of the Lumwana Copper Mine, a large copper mine and processing facility with a plant production rate of 25Mtpa in Zambia close to the Democratic Republic of Congo border. The project was finished on time and on budget.

I also project managed the 0.3 billion dollar Kwale Mineral Sands Project in Kenya, the country's first major mining venture. We finished with around double the intended nameplate throughput allowing an expected average production of 470ktpa of mineral sands products. The Kwale Project has since won awards related to sustainable development and is well known for its strong culture of Corporate Social Responsibility.

I was also involved as Construction Manager and became Project Manager at the Jinfeng Biox Gold Project in China. At the time it was the first western developed mine built in China. A similar structure to CMSC, it was a joint venture between the Chinese Government and Sino Gold, an Australian company. The Chinese Government expected a 7 to 10 year project, but we aimed for 3 to 4 years. We had the mine operating in 40 months – from start to finish, quite an achievement. The project won an award from the Chinese Government because there were over 7 million man hours without any lost time through injuries."

What is a key learning from your experiences in developing projects?

"Change control. Too often changes in development strategy can be made without the necessary analysis and assessment. Change decisions can be made expecting a certain positive result but can end up leading to a cascading negative effect on other and often unexpected parts of the project. It is very important to keep control and understand change. Even if change is done well and doesn't add further dollars, it almost always adds time.





There are a lot of issues that will need to be addressed during a project, this can lead to distraction. It's very important that you always keep everyone focused on what needs to be achieved and when, always drive towards the end result to make the project successful."

Having spent significant time in Eritrea, what insights can you give into the country?

"There has been quantum change since the signing of the peace agreement and the opening of borders. During the peace process in July 2018 there were several public celebrations, both formal and informal, around Eritrea. All the celebrations I witnessed were about happiness, peace, hope, and the ability to see cross border families.

There has been a lot more traffic on the road, particularly Ethiopian trucks going into Massawa, and a marked increase in the numbers of people in Asmara and Massawa. More products, including white goods and other commodities, have been imported from Ethiopia which has increased competition and driven prices down. This is seen as a strong positive."

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About Danakali

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali**, or the **Company**) is an ASX- and LSE-listed potash company focused on the development of the Colluli 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**, together the **Mandated Lead Arrangers**), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance. AFC has also executed a Subscription Agreement to make a US\$50M strategic equity investment in Danakali.

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% K₂O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K₂O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K₂O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K₂O Equiv. and 9% Kieserite of Inferred Resource.

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

Competent Persons Statement (Sulphate of Potash Ore Reserve)

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

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

Competent Persons Statement (Rock Salt Mineral Resource)

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

The information relating to the Colluli Rock Salt Mineral Resource estimate is extracted from the report entitled "+300M Tonne Rock Salt Mineral Resource Estimate Completed for Colluli" disclosed on 23 September 2015 and is available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the



case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

AMC Consultants Pty Ltd (AMC) independence

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

Quality control and quality assurance

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

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

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

Forward looking statements and disclaimer

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

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

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

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

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