



First step of mining approvals process completed

Highlights

- **First step of mining approvals process** completed with the formal submission of DFS documents to the Eritrean Ministry of Energy and Mines
- **Post DFS stakeholder engagements completed** in local communities
- **Social and Environmental Impact Assessments and Management Plans currently being finalised** for submission in April 2016

Danakali Limited (“**Danakali**”, ASX:DNK) is pleased to announce the formal submission of the Colluli Potash Project (“**Colluli**”, or the “**Project**”) Definitive Feasibility Study (“**DFS**”) to the Eritrean Ministry of Energy and Mines (“**MoEM**”). This represents the first step in the mining approvals process.

Colluli is 100% owned by the Colluli Mining Share Company (“**CMSC**”), which is a 50:50 joint venture between Danakali and the Eritrean National Mining Company (“**ENAMCO**”).

The DFS was completed and compiled by industry recognised engineering, mining and environmental service providers (See ASX release dated 30 November 2015). The submission of the DFS documentation to the MoEM allows the commencement of an independent due diligence exercise on the project by the MoEM, which is a key component of the mining approvals process within the jurisdiction.

Over the past two weeks, post DFS stakeholder engagements have been held with representatives and members of communities proximate to the Project and transportation route. The results of these engagements will be integrated with the social and environmental impact assessments (“**SEIA**”) and management plans (“**SEMP**”), which are being conducted according to the Equator Principles. The Equator Principles are a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in projects. The engagements revealed overwhelmingly positive support for the project.

Upon integration of the final stakeholder engagements, the SEIA and SEMP will be submitted and, along with the DFS, will allow the mining application to be submitted.

Managing Director, Paul Donaldson said “*We are delighted to have formally submitted the Colluli DFS to the Ministry of Energy and Mines. The initiation of the approvals process symbolises the commencement of the next chapter of the project following the completion of the positive DFS. We now look forward to completing and submitting the SEIA and SEMP to accompany the project study documents following a very successful and supportive series of stakeholder engagements. The stakeholder engagement following the completion of the DFS is an important step in involving those impacted most by the Colluli development in the project development path. We look forward to building on the positive relationships that have been formed with the local communities and other stakeholders over the past few years as we continue to advance the project.*”



Next steps

- Integration of final stakeholder engagements with SEIA and SEMP
- Submission of SEIA and SEMP
- Establishment of the mining agreement

Submission of DFS documents

In accordance with the MoEM's mining approvals process, three hard copies of the DFS documents were submitted to the MoEM. A submission letter and soft copies of the study report were also provided. A copy of the DFS has also been issued to the project Joint Venture partner, ENAMCO.



Photo: Danakali management present the DFS and project submission letter for the Colluli project to MoEM.

(L to R): CMSC General Manager, Zeray Leake; Colluli Study Manager, James Durrant; Danakali Managing Director, Paul Donaldson; Director General MoEM, Alem Kibreab, Director Mineral Resources Management MoEM, Mebrahtu Ekubazghi

infrastructure work was completed by Lycopodium in conjunction with Global Potash Solutions, off-site surface infrastructure was completed by Ausenco, resource and mine planning was completed by AMC consultants and recovery pond design was completed by Knight Piesold. Metallurgical test work and pilot plant trials were completed at the Saskatchewan Research Council. The environmental and social components were completed by MBS Environmental and Sustainability.

A third party due diligence process managed by the MoEM will now commence. This process is an important and standard part of the mining approvals process that provides confidence to the jurisdiction on the robustness of the study work supporting the project development, prior to the allocation of a mining license.

Post DFS stakeholder engagements completed

Following the completion of the DFS, stakeholder engagements have been held with representatives from the local communities of Sahil, Gororoha, Daraitu, Fredelu, Tio, Adeito, Gelalo, Abdur, Bordeli, Akelo and Marsa Futma. An overview of the project and development plan was presented, as well as the identified impacts on the communities such as employment, skills development, traffic and noise, air quality, caring for the environment, water management, approvals, and construction schedules.



The engagement, which was well represented by both male and female community members, received overwhelmingly positive support. In total, over 500 people were engaged and constructive feedback was received.



Photo: Colluli Mining Share Company (CMSC) General Manager, Zeray Leake engages local community members following a stakeholder engagement meeting.

Colluli is a multi agri-commodity resource with significant growth potential

Following completion of the positive DFS in November 2015, samples of high quality sulphate of potash magnesia (SOP-M) have been generated and are available for distribution to potential customers. SOP-M is a multi-nutrient, chloride free potash type which has limited production centres globally and, like sulphate of potash (SOP), achieves a significant price premium over the more common potash type, potassium chloride (MOP). The Colluli resource also has the capability of producing MOP, and contains appreciable amounts of magnesium sulphate, magnesium chloride, and gypsum.

Danakali, and its Joint Venture partner, ENAMCO, are focussing on the development of a multi agri-commodity and salt business.



Photo: Colluli Mining Share Company (CMSC) General Manager, Zeray Leake engages women representatives from a stakeholder engagement meeting.



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About Danakali Limited

Danakali is an ASX listed company and 50% owner of the Colluli Potash Project in Eritrea, East Africa. The company is currently developing the Colluli Project in partnership with ENAMCO. Colluli is 100% owned by CMSC, which is a 50:50 joint venture between Danakali and ENAMCO.

The project is located in the Danakil Depression region of Eritrea, and is c. 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.

In November 2015, Danakali released a positive DFS for Colluli which demonstrates industry leading capital intensity and the lowest development costs relative to all SOP projects at DFS level in the world. Bottom quartile operating costs are predicted and mine life is estimated at over 200 years at the DFS production rate, providing the project with substantial growth potential.

SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride. 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 potassium bearing resource of the Danakil Depression has the unique capability to produce three of the four potash types in the global potash market which comprises potassium chloride (muriate of potash or MOP), potassium sulphate (sulphate of potash or SOP), potassium magnesium sulphate (sulphate of potash magnesia or SOP-M) and potassium nitrate (nitrate of potash or NOP). While CMSC is concentrating on achieving SOP production in the near-term, the focus is on developing a multi agri-commodity and salt business in the medium term.

The resource is favourably positioned to supply the world's fastest growing markets.

Our vision is to bring the Colluli project into production using the principles of risk management, resource utilisation and modularity, using the starting module as a growth platform to develop the resource to its full potential.

Competent Persons Statement (Rock Salt Resource)

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

The information relating to the Colluli Rock Salt Mineral Resource estimate was compiled by Mr. John Tyrrell. Mr. Tyrrell is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a full time employee of AMC. Mr. Tyrrell has more than 25 years' experience in the field of Mineral Resource estimation. He has sufficient experience relevant to the style of mineralisation and type of the deposit under consideration, and in resource model development, to qualify as a Competent Person as defined in the JORC Code.

Mr Tyrrell consents to the inclusion of this information in the form and context in which it appears. In undertaking the assignments referred to in this update, AMC Consultants Pty Ltd acted as an independent party, has no interest in the outcome of the Colluli project and has no business relationship with Danakali Ltd 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 Consultants Pty Ltd and the Competent Person believe that there is no conflict of interest in undertaking the assignments which are the subject of this update.

Competent Persons Statement (Sulphate of Potash Resource)

Colluli has a JORC 2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K₂O. The resource contains 303Mt @ 10.98% K₂O of Measured Resources, 951Mt @ 10.89% K₂O of Indicated Resources and 35Mt @ 10.28% K₂O of Inferred Resources.

The information relating to the Colluli Mineral Resource was compiled by Mr. John Tyrrell, under the supervision of Mr. Stephen Halabura M. Sc. P. Geo. Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and as a geologist with over 25 years' experience in the potash mining industry. Mr. Tyrrell is a member of the Australian Institute of Mining and Metallurgy and a full time employee of AMC. Mr. Tyrrell has more than 25 years' experience in the field of Mineral Resource estimation.

Mr. Halabura is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan, a Recognised Professional Organisation (RPO) under the JORC Code and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

Mr. Tyrrell & Mr. Halabura consent to the inclusion of information relating to the Resource Statement in the form and context in which it appears.