



ASX Release

12 August 2016

Danakali to raise A\$6.7M via Private Placement

Summary

- Commitment to issue 20.2M shares at \$0.33 per share to a UK based institutional investor to **raise A\$6.7 million**
- Funds raised will be applied to **continue the positive progress on the development of the Colluli Project, working capital and corporate purposes**

Danakali Limited (ASX: DNK) (“**Danakali**” or the “**Company**”) is pleased to announce that it has received commitments from a UK based institutional investor to raise gross proceeds of A\$6.7 million through the issue of 20.2 million shares (**Placement Shares**) at A\$0.33 per Share (**Placement**). The Placement Shares are to be issued at a 17.1% discount to the 15-day volume weighted average price of the Company’s shares traded on the ASX up to 11 August 2016.

Funds raised from the Placement will be used to advance the development of the World Class Colluli Potash Project (**Colluli Project**), working capital and corporate purposes. The Colluli Project definitive feasibility study (**DFS**)¹ was completed in November 2015 and outlined the production of sulphate of potash (**SOP**) using a two module development approach, and demonstrates expected industry leading capital intensity and expected bottom quartile operating cost curve position. The expected mine life at the DFS production rates exceeds 200 years¹.

Danakali Managing Director, Paul Donaldson said: *“This Placement is testimony of how the international profile of the Colluli Project is growing and is a clear endorsement of the project, the jurisdiction and the Company. It further demonstrates the attractiveness of the Colluli Project and Danakali as an emerging agri-commodity Company. We believe that the industry leading capital intensity, bottom quartile operating costs, unrivalled product diversification potential and proximity to coast and global markets, as demonstrated by the completed DFS makes the Colluli Project the most compelling greenfield potash development project in the world. We are very pleased with the Placement and welcome the addition of a UK based institutional investor to our share register.”*

The Placement Shares are to be issued under a single tranche under the Company’s 15% placement capacity pursuant to ASX Listing Rule 7.1 (expected to settle on Wednesday, 17 August 2016).

Somers and Partners Pty Ltd acted as Lead Manager to the Placement.



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1: For more information on the Definitive Feasibility Study, refer ASX Announcement dated 30 November 2015. Danakali is not aware of any new information or data that materially affects the information in the announcement and confirms that the material assumptions used in the DFS continue to apply and have not materially changed.

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.

Mineral Resource Statements

The 2015 Colluli Potash Mineral Resource is reported according to the JORC Code and estimated at 1,289Mt @11% K₂O Equiv. The Mineral Resource is classed as 303Mt @ 11% K₂O Equiv Measured, 951Mt @ 11% K₂O Equiv Indicated and 35Mt @ 10% K₂O Equiv Inferred. The Competent Person for this estimate is Mr. Stephen Halabura, M. Sc., P. Geo., Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and a geologist with over 25 years' experience in the potash mining industry. 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 JORC Code.

The 2015 Colluli Rock Salt Mineral Resource is reported according to the JORC Code and estimated at 347Mt @96.9% NaCl. The Mineral Resource is classed as 28Mt @ 97.2% NaCl Measured, 180Mt @ 96.6% NaCl Indicated and 139Mt @ 97.2% NaCl Inferred. The Competent Person for this estimate is Mr. John Tyrrell, a geologist with more than 25 years' experience in the field of Mineral Resource estimation. Mr Tyrrell is a member of the AusIMM, is a full time employee of AMC Consultants Pty Ltd 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 JORC Code.

Mr. Tyrrell & Mr. Halabura consent to the inclusion of information relating to the Mineral Resource Statements in the form and context in which they appear.

Ore Reserve Statement

The November 2015 Colluli Ore Reserve is reported according to the JORC Code and estimated at 1,113Mt @10% K₂O Equiv. The Ore Reserve is classed as 286Mt @ 11% K₂O Equiv Proved and 827Mt @ 10% K₂O Equiv Probable. The Competent Person for the estimate is Mr Mark Chesher, a mining engineer with more than 30 years' experience in the mining industry. Mr. Chesher is a Fellow of the AusIMM, a Chartered Professional, a full-time employee of AMC Consultants Pty Ltd, and has sufficient open pit mining activity experience relevant to the style of mineralisation and type of deposit under consideration to

qualify as a Competent Person as defined in the JORC Code. Mr Chesher consents to the inclusion of information relating to the Ore Reserve in the form and context in which it appears.

In reporting the Mineral Resources and Ore Reserves referred to in this public release, 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 Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.