



## Social & Environmental Management Plans agreed and finalised

- Social & Environmental Management Plans agreed and finalised following extensive review process
- The Social & Environmental Management Plans are a cornerstone of the environmental, social and safety management system being developed by CMSC and provide the foundation for compliance
- Numis confirmed as Corporate Broker for the Company
- Development of LSE dual listing FAQs in response to wide shareholder and investor interest

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 that the Eritrean Ministry of Land, Water & Environment's Department of Environment (**DOE**) has confirmed acceptance of the finalised Colluli Social & Environmental Management Plans (**SEMPs**). The acceptance follows extensive DOE Impact Review Committee review of the SEMP in the context of the previously approved Social & Environmental Impact Assessment (**SEIA**)<sup>1</sup>, numerous meetings, and extensive comments provided to and actioned by the Colluli Mining Share Company (**CMSC**).

The Project is fully permitted for execution following the signing of the Mining Agreement between CMSC and the Eritrean Ministry of Energy and Mines<sup>2</sup> and the subsequent awarding of the requisite Mining Licences in early 2017<sup>3</sup>. The finalisation and acceptance of the SEMP represents another strong milestone for CMSC as it prepares for project execution at Colluli.

### Background on SEIA

CMSC commissioned a number of baseline environmental and social assessments to identify, characterise and understand the biophysical and socio-economic environments that potentially interact with and may be influenced by the development of Colluli. Results of these assessments formed the basis of the SEIA which was completed in March 2016 by MBS Environmental, and approved by the Eritrean Ministry of Land, Water and Environment in December 2016.

The Project area is in a semi-desert agroecological zone of Eritrea. The region is sparsely populated, and the majority of the Project is located on barren land that is of little use to communities and wildlife; however, the proposed site access road and pipeline corridor cross an important rangeland that is grazed extensively by livestock and wildlife and this dynamic has been given due consideration in the SEIA and SEMP.

There are no permanent settlements within the exploration lease, and few settlements within the area surrounding the deposit area. The communities closest to the mine site are 20km to the north-northwest and 30km to the north. There are no communities immediately within the proposed pipeline corridor, though there are three communities within 5km. The closest of these is 1.2km away. The closest communities to the Water Intake Treatment Area are all approximately 6km from the proposed site.

<sup>1</sup> ASX announcement, "Ministry approves Social & Environmental Impact Assessment", 6-Dec-16

<sup>2</sup> ASX announcement, "CMSC enters into Mining Agreement for world class Colluli Potash Project", 1-Feb-17

<sup>3</sup> ASX announcement, "Award of Mining Licenses for world class Colluli Potash Project", 1-Feb-17



Stakeholder engagements have been held with representatives of local communities. A deep understanding of each community's interests has been developed. The Project could create over 500 permanent jobs for locals and Eritrean nationals in Module I, and over 650 (cumulative) once Module II is online, and benefits from strong local support<sup>4</sup>.

The SEIA showed a low environmental impact of the Project due to its remote and barren setting and identified significant beneficial social impacts. Risks identified in the SEIA are mitigated through the SEMP. The SEIA and SEMP have been completed consistent with the Equator Principles (a recognised risk management framework used to manage the environmental and social risk in projects).

## Background on SEMP

CMSC has developed a number of environmental and social management and monitoring plans to assist with management of potential project impacts. These mitigation measures are being implemented to ensure impacts are avoided or managed. Monitoring programs have been determined and will assist in ensuring impacts are consistent with predictions documented in the SEIA.

CMSC will ensure the availability of all necessary resources, including personnel and financial resources needed to conduct all environmental and social management, monitoring and mitigation activities at the Project throughout the construction, operation and closure phases. CMSC are currently integrating the SEIA, SEMP and the Sustainable Development Framework and associated policies into an International Finance Corporation (IFC), and International Organization for Standardization (ISO), compliant Environmental Social and Safety Management System (**ESSMS**). CMSC will ensure all contractors and subcontractors involved with the Project develop and implement their own ESSMS that is compliant with the Colluli ESSMS.

## Colluli's impact in Eritrea

Eritrea stands to benefit from the long term economic, social and community dividends that Colluli will generate:

- Positive impact through infrastructure, job creation, taxes, royalties, and associated economic development
- Creation of hundreds of permanent jobs for Eritrean nationals
- Long term training for trades and professionals
- Potential for adjacent industry development – including infrastructure, mining services, transport and hospitality

**Danakali Executive Chairman, Seamus Cornelius, said:** *"We are committed to having a significantly positive impact in Eritrea. Colluli stands to provide significant social and economic benefits, creating hundreds of permanent jobs for Eritrean nationals and catering for community interests. Danakali has experienced significant community support and is focused on sustainable development for the benefit of all stakeholders. We look forward to continuing our relationship with the government and local communities of Eritrea and achieving long term economic, social and community benefits for the country and its people."*

## Confirmation of Numis as Corporate Broker

Further to Numis Securities (**Numis**) acting as Financial Adviser for Danakali's London Stock Exchange (**LSE**) dual listing<sup>5</sup>, the Company is pleased to confirm the appointment of Numis as Corporate Broker to the Company.

<sup>4</sup> Refer LSE listing Prospectus on the Danakali website, <http://www.danakali.com.au/>

<sup>5</sup> ASX announcement, "Admission to trading on the London Stock Exchange", 24-Jul-18

## LSE dual listing and DI FAQs

In light of extensive investor and shareholder interest in the Company's recent LSE dual listing, the Company has developed a Frequently Asked Questions document (**FAQs**). The document can be found on the Company's website at <http://www.danakali.com.au/investor-relations/lse-listing-documents>.

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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 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 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. 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.

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.

The information relating to the Colluli Rock Salt Mineral Resource estimate is extracted from the report entitled "+300Mt 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 (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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