



DRA Global confirmed as preferred EPCM contractor for Colluli

- CMSC has confirmed DRA as the preferred EPCM contractor for Colluli
- DRA is a high quality multi-disciplinary global Project Management and Engineering group with strong African experience and EPCM delivery capability
- Critical project execution milestone
- The EPCM contract is a requirement of potential debt providers

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali**, or the **Company**) on behalf of the Colluli Mining Share Company (**CMSC**), is pleased to advise that DRA Global (**DRA**) has been confirmed as the preferred Engineering, Procurement, Construction & Management (**EPCM**) provider for the Colluli Potash Project (**Colluli**, or the **Project**), subject to completion of detailed contract terms. The confirmation of DRA as preferred EPCM contractor for Colluli represents another critical milestone for the Project, reinforcing that Colluli is execution ready.

DRA will be responsible for all aspects of design, project management, procurement, construction management and supervision as well as commissioning of the complete process plant and associated infrastructure, including provision of all temporary construction facilities. DRA will also be responsible for awarding major contracts such as early works, earthworks, structural, mechanical, piping, electrical and instrumentation works, laboratory and permanent camp (including life support, freight and logistics).

Overview of the Colluli EPCM phases¹

Phase 1 FEED review

- Mobilise EPCM owner's team
- Critical review of FEED in context of EPCM methodology
- Finalise geotechnical test work
- Purchase critical equipment including RO plant

Phase 2 Capital estimate and schedule

- Complete updates to scope of work
- Investigate optimisation opportunities
- Develop optimal execution strategy
- Review and agree on capital estimate and schedule

Phase 3 Detailed Engineering

- Mine road upgrade
- Engineering design, development and drafting completed
- Develop vendor packages and purchase vendor data
- Development and finalisation of site contracts

Phases 4-6 Procurement, construction and project management

- Complete procurement
- Commence and complete construction
- Commissioning and ramp-up

Danakali, on behalf of CMSC, conducted a competitive EPCM tender process and evaluation for the Project based on the Front End Engineering Design study. The tenders were assessed by Danakali and multinational

¹ RO plant = Reverse Osmosis plant



engineering consultants Turner & Townsend against strict, established evaluation criteria. DRA was the standout in a premium field of global engineering groups.

Danakali Executive Chairman and CMSC Director, Seamus Cornelius said: *“We are very pleased to confirm DRA as the Project’s preferred EPCM contractor, a global engineering firm of strong repute with extensive experience operating in Africa. We look forward to working with DRA in finalising the last few project sign-off gates and to commence project execution. Danakali and CMSC continue to achieve critical project and corporate milestones on the way to construction, commissioning and production at Colluli.”*

“Awarding the execution of this important Potash project on the African Continent to DRA is testament to DRA’s position as the preferred technical partner for projects in Africa” said Chief Executive Officer of DRA Global, Wray Carvelas. *“DRA is honoured to have been selected by the Colluli Mining Share Company for the execution of the project. We have put together a very strong team for the successful delivery of the project and both our Project Manager and proposed in-Country Manager have experience in delivering projects in Eritrea.”*

The EPCM contract is a requirement of potential debt providers and hence is pivotal to the debt fundraising process.

For more information, please contact:

Danakali

Seamus Cornelius
Executive Chairman
+61 8 6315 1444

William Sandover
Head of Corporate Development & External Affairs
+61 499 776 998

DRA Global

Christo Visser
Senior Vice President: DRA Global
+61 402 901 555

Corporate Broker – Numis Securities

John Prior / Matthew Hasson / James Black /
Paul Gillam
+44 (0)20 7260 1000

UK IR/PR – Instinctif Partners

David Simonson / George Yeomans /
Sarah Hourahane
danakali@instinctif.com
+44 (0)207 457 2020



Appendix A: About DRA



DRA is a diversified global engineering, project delivery and operations management group, with an impressive +30-year track record. Known for its collaborative approach and extensive experience in project origination 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, operations & maintenance and related water, energy, and infrastructure requirements, DRA delivers truly comprehensive solutions to the resources sector. DRA employs over 4,000 people and offers flexible engineering & operations management services worldwide through 16 offices.

For more information, visit www.draglobal.com.

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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 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% 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 "+300Mt 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.

Danakali Limited

Level 1, 234 Churchill Avenue, Churchill Court, Subiaco, Perth, WA 6008

Tel: +61 8 6315 1444 / ABN 56 097 904 302



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.

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