



ASX Release

1st February 2017

CMSC enters into Mining Agreement for World Class Colluli Project

Danakali Limited (**ASX:DNK**) is pleased to announce that the Colluli Mining Share Company ("**CMSC**") has entered into a Mining Agreement with the Eritrean Ministry of Energy and Mines. CMSC is a 50:50 Joint Venture between Danakali Limited and the Eritrean National Mining Corporation ("**ENAMCO**") and owns 100% of the world class Colluli Potash Project. The Mining Agreement (the "**Agreement**") was signed in Asmara by the Minister of Energy and Mines, Mr. Sebhat Ephrem and the Chairman of the Colluli Mining Share Company, Mr. Seamus Cornelius.

The Agreement provides CMSC exclusive exploitation rights of all Mineral Resources within the Agreement area, the exclusive right to apply for and be granted one or more mining licenses within the Agreement area, and the exclusive right of land use within the agreement area over the life of the resource. The Agreement area covers approximately 100km² and covers the entire Colluli resource which includes a JORC-2012 Mineral Resource estimate of 1.3 billion tonnes of potassium bearing salts, an Ore Reserve estimate of over 1.1 billion tonnes, a rock salt Mineral Resource estimate of over 300 million tonnes and a kieserite (magnesium sulphate) Mineral Resource estimate of over 80 million tonnes.¹

The award of the Agreement is the key pre-requisite for submission of an application for mining licenses, each covering up to a maximum of 10km². Provided the conditions of the mining licenses are met, the Agreement is applicable to the development phase, operational phase, and the reclamation and closure phases of the project. It allows CMSC to undertake exploration, feasibility work, development, operation, and reclamation and closure concurrently within the license area. The Agreement also provides freedom to construct all industrial, administrative, residential, medical and other buildings and facilities necessary for mining operations, and, subject to applicable law allows access to and the right to use roads, bridges, airfields, port facilities and other transportation facilities and power, fuel, telephone or other communication and water services owned or provided by any agency or entity owned or controlled by the Government of Eritrea.

The Agreement also has provisions for offshore accounts, remittances of after tax profits and dividends accruing from the investment, principal, interest and amounts due on foreign loans, and proceeds from the sales of assets.

The signing of the Mining Agreement comes after the completion and submission of the definitive feasibility study² ("**DFS**") for the production of sulphate of potash (SOP) fertiliser, a comprehensive social



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and environmental impact assessment and associated management plans, and a series of pre- and post DFS stakeholder engagements with local and regional communities and stakeholders.

The DFS indicates bottom quartile operating costs, industry leading capital intensity and low incremental growth capital. Based on the production rates modelled in the DFS, the mine life is well in excess of 200 years.

Approval for the social and environmental impact assessment was granted by the Eritrean Ministry of Land, Water and Environment in December 2016 following a series of engagements with the project team in Asmara, and a visit to site by the delegated Impact Review Committee (IRC).

Managing Director, Paul Donaldson said *“This is a very significant milestone for both Danakali and the Colluli Mining Share Company. It represents the combined contribution of many key team members and stakeholders including the Eritrean Ministry of Energy and Mines, our joint venture partners, ENAMCO, the Danakali study team and supporting consultants, the CMSC team, and the Eritrean Ministry of Land, Water and Environment. This achievement confirms that the Colluli Potash Project is one of the most advanced greenfield SOP developments in the world, with outstanding potential that extends well beyond the scope of the DFS in terms of production volume and products. It also supports our belief that Eritrea is an attractive place for mining investments at par with the best emerging market peers. We look forward to the continued advancement of the project to construction and production. The project continues to attract resource industry leaders, as evidenced by the recent appointment of Fluor, Global Potash Solutions, Knight Piésold and Elemental Engineering to the front end engineering and design team. Colluli has outstanding development and growth potential. Projects like this are rare.”*

1. ASX Announcements 25th February 2015, 23rd February 2015, 1st August 2016
2. ASX Announcement 30th November 2015

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About Danakali Ltd

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 the Eritrean National Mining Corporation (ENAMCO).

The project is located in the Danakil Depression region of Eritrea, 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 definitive feasibility study 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. 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) with 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.

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 @97% NaCl. The resource contains 28Mt @ 97% NaCl of Measured Resources, 180Mt @ 97% NaCl of Indicated Resources and 139Mt @ 97% 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 the information relating to the rock salt Mineral Resource in the form and context in which it appears

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 @ 11% K₂O of Measured Resources, 951Mt @ 11% K₂O of Indicated Resources and 35Mt @ 10% K₂O of Inferred Resources.

The information relating to the 2015 Colluli Mineral Resource estimate 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 2015 Resource Statement in the form and context in which it appears.

Competent Persons Statement (Sulphate of Potash Reserve)

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.



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) Sondershausen have extensive experience in analysis of salt rock and brine samples and is certified according by DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungs system Prüfwesen 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 Limited (the "Company" or "DNK") and its activities. DNK 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 the Colluli Project 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 and financial assumptions made in this document are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 4 March 2015, 19 May 2015, 23 September 2015, 30 November 2015 and 15 August 2016 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.