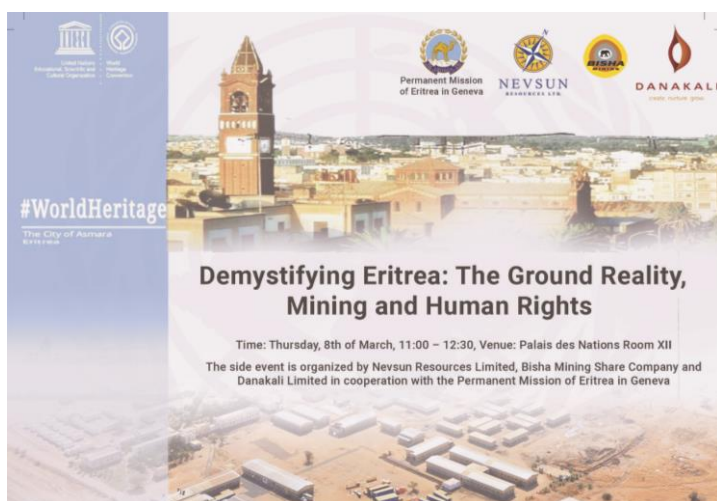


ASX announcement

Thursday, 8 March 2018

# Demystifying Eritrea presentation

**Danakali Limited (ASX: DNK) (Danakali, or the Company)**, is pleased to announce that the Company's Chairman, Mr. Seamus Cornelius, will present today at the *Demystifying Eritrea: The Ground Reality, Mining and Human Rights* event at the United Nations Office in Geneva, Switzerland. Danakali will present alongside Nevsun Resources (TSE: NSU), 60% owner of the Bisha Copper-Zinc Mine in Eritrea.



**Objectives**

The speakers will provide presentations as well as interact with the audience to provide a more balanced perspective than that provided in the current media. The objective of which is to lay the foundations for a more constructive approach to engagement with Eritrea.

**Speakers**



**Mr Todd Romaine, Nevsun Resources Limited**  
Vice President, Corporate Social Responsibility

Todd is the CSR VP for Nevsun Resources Limited, a mining company with exploration and operational experience in Eritrea for over twenty years. His role is to ensure that the company provides positive economic development within Eritrean society. He actively monitors and facilitates improved governance, environmental management, gender, health & safety, human rights, stakeholder and community engagement. Todd brings with him over 15 years of industry experience overseeing all aspects of CSR programs.



**Mr Seamus Ian Cornelius, Danakali Limited**  
Non-Executive Chairman, LLB, LLM

Seamus is a corporate lawyer and former partner of one of Australia's leading international law firms. He has a high degree of expertise in cross-border transactions, particularly in the resources and finance sectors. Seamus has been based in China since 1993, and has advised global companies, banks, major resource companies and Chinese state-owned entities on resource project investments both within China and abroad.

Note: Attendance is subject to United Nations registration and entry requirements.

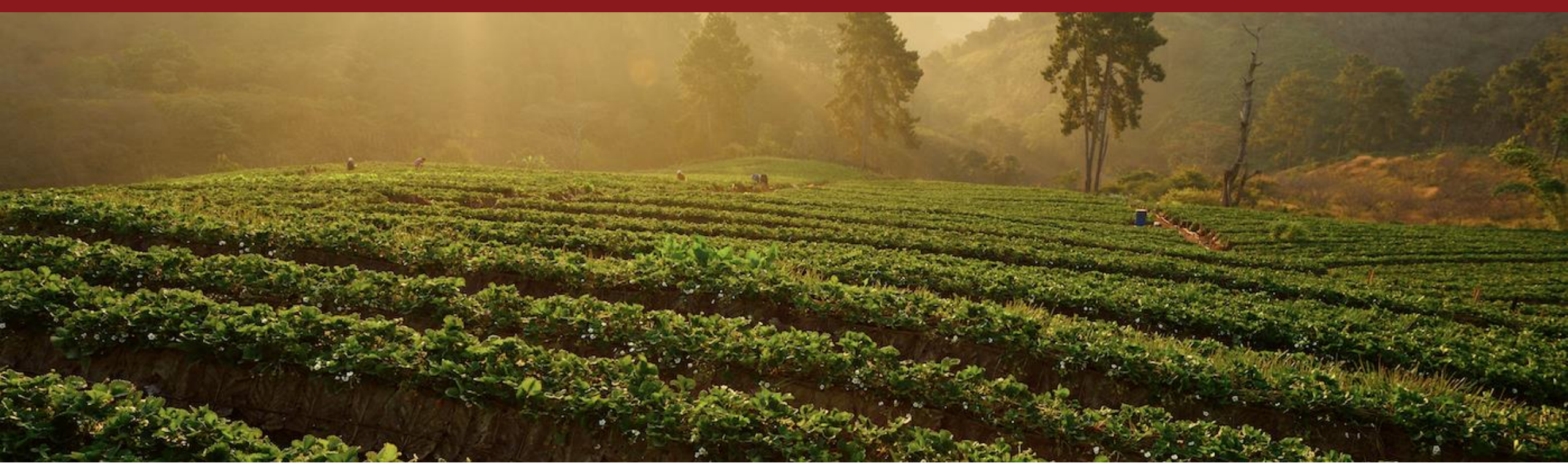
The presentation materials are attached to this announcement.

For more information, please contact:

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— — — ENDS — — —



**DANAKALI**

create. nurture. grow.

# Demystifying Eritrea: The ground reality, mining and human rights

Seamus Cornelius, Chairman

8 March 2018



# Overview



## Danakali is an Australian-Eritrean potash developer successfully doing business in Eritrea

- Danakali is developing the **Colluli Potash Project (Colluli, or the Project)** in a 50:50 joint venture with Eritrean Government entity the Eritrean National Mining Company (**ENAMCO**)
  - The joint venture is the the Colluli Mining Share Company (**CMSC**)
  - Colluli has the **potential to provide long term economic, social and community dividends to Eritrea**, with its approximately 200 year mine life<sup>1</sup>
- CMSC has carried out **extensive social and environmental impact analysis, assessment and planning**
- Local communities and Eritrea more broadly stand to **benefit from jobs and skills development**
- Potential for **adjacent industry development** – including infrastructure, mining services, transport and hospitality
- The **Eritrean Government has been transparent, collaborative and responsive**
- **Strong community support** for the Project

# Colluli

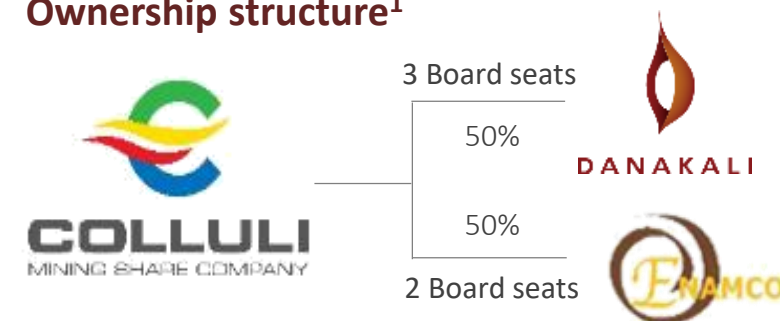
## Strategically located, fully permitted SOP development project

- Located in the Danakil Depression on the **Eritrean side of the Eritrea-Ethiopia border**
- Colluli is **50% owned by Danakali and 50% owned by ENAMCO<sup>1</sup>**
- **Initial capital requirements will be funded equally by Danakali and the Eritrean government**
- Colluli will be developed utilising a **modular development approach**
  - Module I expected to produce **472ktpa of premium Sulphate of Potash (SOP)<sup>2</sup>**
  - Module II, commencing production in year 6 of the Project, will **increase total SOP production to 944ktpa<sup>2</sup>**

## Location



## Ownership structure<sup>1</sup>



<sup>1</sup> Danakali's disclosed economics reflect the dynamics of the Shareholder's Agreement

<sup>2</sup> ASX announcement 29-Jan-18

# Ground reality: Eritrea

**Eritrea's development aspiration is to achieve rapid, balanced, home-grown and sustainable economic growth while ensuring social equity and justice**

- Stable government with **over 25 years of independence**
- One of the **fastest growing economies globally**<sup>1</sup>
  - Drivers include **mineral exports, agricultural output and infrastructure development**
- **Only sub-Saharan African country to meet its Millennium Development Goals by 2015**<sup>2</sup>
  - Large reductions in malaria, maternal mortality, and HIV/AIDs prevalence
  - Improved access to potable water and almost doubled adult literacy rates
- Government promotes **principles of self-reliance**

## Government focus areas

Agriculture and food security	Human resources development	Education
Infrastructure development	Health	Social equity and justice

## Prominent international companies operating in Eritrea



<sup>1</sup> World Bank, The Economist

<sup>2</sup> World Health Organisation

# Ground reality: Mining and investment in Eritrea

**Eritrea has a thriving mining industry with a history of investment by global investors and corporates**

- Building a **strong track record in mining**
  - **Two mines in production** and a **third under construction**
- **Supportive laws for mining investment** in Eritrea
  - Accelerated depreciation (straight line, 4 years)
  - 10 year carrying forward of losses
  - Reinvestment deduction (5% gross income)
  - Stable corporate tax
- **Prominent institutional investors have made major investments** in Nevsun (NSU.TSE) and Danakali

## Major Eritrean mining projects

### Bisha (Au, Ag, Cu, Zn)

Nevsun 60% /  
ENAMCO 40%

Undergoing third  
expansion



### Zara (Au)

SFECO 60% /  
ENAMCO 40%

Commissioned and  
producing



### Asmara (Cu, Zn, Au)

Sichuan Road & Bridge  
Mining Corp. 60% /  
ENAMCO 40%

Advanced stages of  
development



## Prominent shareholders of Nevsun and Danakali

### Nevsun<sup>3</sup>

- BlackRock
- Vanguard
- M&G
- Fidelity

### Danakali

- Well Efficient
- JP Morgan AM UK
- Capital Group

<sup>1</sup> World Bank, The Economist

<sup>2</sup> World Health Organisation

<sup>3</sup> Morningstar

# Mining and human rights: Danakali's experience



**Danakali has been operating in Eritrea since 2009 and has found the country to be safe, stable and development focused**

- Danakali has a **strong, effective working relationship with the Eritrean government**
- **Significant community support**

## **The Danakali experience in Eritrea**

Safe and friendly
Development focused
Stable government
Strong focus on health & education
No evidence of corruption
Gender equality

*"We were very impressed with the country itself, and with Colluli. Management has a very good relationship with the Government."*

**Hartleys research: *Site visit to Eritrea confirms world class SOP project*, November 2016**

*"Our recent site visit demonstrated to us that Eritrea is a much easier and friendlier country to operate in than the current global perception."*

**Bell Potter research: *World class SOP development project*, August 2017**

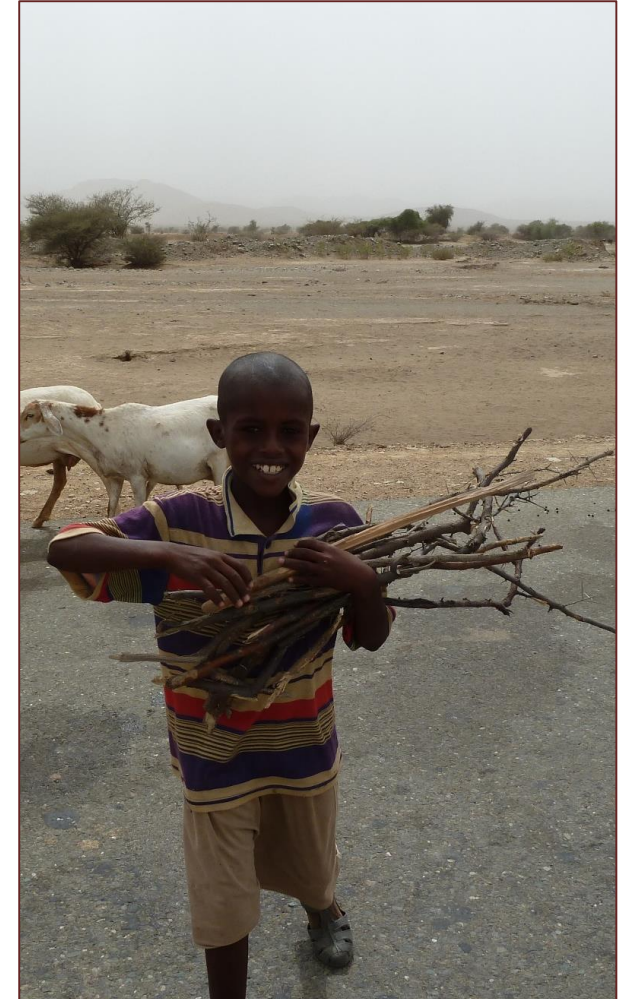
*"The government is pragmatic in its approach to the development of the Eritrean mining industry. The Eritrean people are friendly, patriotic and exhibit no signs of corruption."*

**Baillieu Holst research: *Postcard from Eritrea*, July 2016**

# Mining and human rights: CMSC's work to date

## Community and government engagement have been pillars of CMSC's operations in Eritrea

- There is an **established CMSC/Danakali office in Asmara** that acts as a liaison with the Eritrean government and people
- CMSC has carried out **extensive and ongoing consultation with local communities in formulating the Colluli development plans**
- **Deep understanding of each communities' interests** developed
- Social and Environmental Impact Assessments (**SEIA**) and Management and Monitoring Plans have been **developed in line with the Equator Principles<sup>1</sup>**
- The Eritrean government and local communities remain **firmly supportive of, and focused on, Colluli development**



<sup>1</sup> The Equator Principles are a risk management framework used to manage the environmental and social risk in projects, see Danakali's website for the SEIA and SEMP's -



# Mining and human rights: SEIA case study

**The SEIA was approved in December 2016 after a smooth process which received a favourable response from the Eritrean government**

- Terms of Reference for SEIA agreed with the Department of Environment
- The completed SEIA was submitted to the Ministry of Energy and Mines and the Ministry of Land, Water and Environment
  - *“The Ministry of Land, Water and Environment appreciates CMSC’s proper addressing and incorporation of all the comments provided, and accepts the SEIA”*
- The SEIA was made publicly available with **positive feedback received**
- **Colluli is now fully permitted following:**
  - The signing of the Mining Agreement between CMSC and the Eritrean Ministry of Energy and Mines; and
  - The subsequent awarding of the requisite Mining Licenses

**Acceptance of the DFS**



**Signing of the Mining Agreement**



# Mining and human rights: Colluli's impact

**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



## Social benefits

- Jobs creation – over 450 direct jobs for Eritrean nationals<sup>1</sup>
- Skills development – from operators to engineers
- Disposable income – more than 20x current in local area<sup>2</sup>
- Improved infrastructure – roads, power and water
- Local supply chain – supporting local business development

## Economic benefits

- Over US\$200M p.a. in taxes, royalties and dividends<sup>3</sup>
- Over US\$10M p.a. in local wages<sup>3</sup>
- Community investment
- Local supply chain

# Mining and human rights: Sustainable development



## Danakali and the Eritrean government are focused on sustainable development for the benefit of all stakeholders

- CMSC is progressing a sustainable development framework
- Policies, management plans and compliance monitoring in key areas including:
  - Human rights
  - Anti-corruption
  - Communities
  - Health and safety
- Joint venture provides the Eritrean government with direct insight into mining industry
  - Important given a key part of Eritrea's development

*“Colluli has the potential to make a significantly positive impact in Eritrea.*

*Our economy and people stand to benefit through considerable revenue generation, the expansion of our mining industry, the development of skills, and the flow-on effects to associated industries.*

*Our joint venture with Danakali continues to achieve its stated goals in a timely and professional manner.”*

**ENAMCO General Manager, Berhane Habtemariam, January 2018**

# Conclusion

**Eritrea is a maturing country focused on equitable development and Colluli has the potential to have a large supporting impact**

- 1. Danakali has found Eritrea to be safe, stable and development focused**
- 2. CMSC has carried out extensive social and environmental policy, planning and implementation work**
- 3. Eritrea stands to benefit from the long term economic, social and community dividends that Colluli will generate**
- 4. Potential for adjacent industry development – including infrastructure, mining services, transport and hospitality**
- 5. The Eritrean Government has been transparent, collaborative and responsive**





# Forward looking statements and disclaimer



The information in this presentation 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 presentation, 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. 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 presentation. Recipients should make their own enquiries in relation to any investment decisions.

Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. Mineral Resource, Ore Reserve and financial assumptions made in this presentation 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, 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.

## About Danakali Limited

Danakali Limited (ASX: DNK) (**Danakali**, or the **Company**) is an ASX-listed company and 50% owner of the Colluli Potash Project (**Colluli** or the **Project**) in Eritrea, East Africa. The Company is currently developing Colluli 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 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.

Our 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 Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K<sub>2</sub>O. The resource contains 303Mt @ 11% K<sub>2</sub>O of Measured Resource, 951Mt @ 11% K<sub>2</sub>O of Indicated Resource and 35Mt @ 10% K<sub>2</sub>O of Inferred Resource.

The information relating to the 2015 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 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 (Sulphate of Potash Ore Reserve)

The January 2018 Colluli 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 classed as 285Mt @ 11.3% K<sub>2</sub>O Equiv. Proved and 815Mt @ 10.3% K<sub>2</sub>O 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 Australasian Institute of Mining and Metallurgy, a Chartered Professional, a full-time employee of AMC Consultants Pty Ltd (**AMC**), 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 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.

## 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 "+300M Tonne 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.

## Danakali Limited

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

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

#### 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.

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