



Colluli Sustainability Report

Building the case for long-term responsible and sustainable international business

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**), is pleased to update the market with the publication of its first **Sustainability Report**, which outlines ongoing and planned contributions of its Colluli Potash Project (**Colluli** or **the Project**) to Sustainable Development in Eritrea.

Danakali has released today its inaugural Sustainability Report which highlights Colluli's potential to positively impact Eritrea:

- Significant commitment to responsible business
- Strong alignment with 13 of the 17 UN Sustainable Development Goals (**SDGs**)
- Operational management systems under development will align with:
 - Equator Principles
 - IFC standards for Environmental and Social Performance
 - World Bank Group Environment, Health and Safety Guidelines.

Colluli Sustainability Attributes – UNDP report

As stated by the independent United Nations Development Programme (**UNDP**) [report](#), released in January 2019, Colluli has a significant potential to contribute to the Eritrean economy. The associated potential benefits to the country's sustainable development agenda will be generated through creation of direct and indirect local jobs across different sectors, contribution to export and GDP, potential transformation of regional agriculture and food security, all of which will help Eritrea meet 13 out of the 17 UN SDG's. The report states that the shared value in Colluli can be implemented in four possible initial channels: through supporting local firms; identifying and developing appropriate training and skills provision for local population; making available the fertilisers for use by farmers within Eritrea in the first instance and for farmers in wider Africa in the next step, and by implementing zero carbon approaches.

Chief Executive Officer of Danakali, Niels Wage, said: *"Our commitment to sustainable development of Colluli is underpinned by the principle that mineral projects should be both socially responsible and technically and environmentally sound. As we are nearing construction and then progressing to production, the team is working hard on ensuring all foundations are in place, and is driven by the responsibility, dedication and focus that this project deserves. We are pleased with the progress we have made so far, and the steps we are taking to ensure full alignment with international and Eritrea's standards across all operational management systems."*

The release of the inaugural Sustainability Report is yet another step in our commitment to responsible business throughout the construction and operation of Colluli and consistent ESG disclosure that meets investors' expectations for measurable performance data."

View the [Sustainability Report](#), the latest [Project Update](#) and [Investor Presentation](#).

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Announcement authorised for release by the CEO of Danakali.

About UN SDGs

The 17 Sustainable Development Goals (SDGs) were adopted by world leaders at the historic Sustainable Development Summit in September 2015. The SDGs, which cover a wide range of factors, from health to gender equality, education, ending the world of all forms of poverty, combat inequality, climate changes and ensuring that no one is left behind. It plays a role in bringing initiatives together.

About Equator Principles

The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.

The EPs apply globally, to all industry sectors and to four financial products 1) Project Finance Advisory Services 2) Project Finance 3) Project-Related Corporate Loans and 4) Bridge Loans. The relevant thresholds and criteria for application is described in detail in the Scope section of the EPs.

Currently 105 Equator Principles Financial Institutions (EPFIs) in 38 countries have officially adopted the EPs, covering the majority of international project finance debt within developed and emerging markets.

The EPs have also helped spur the development of other responsible environmental and social management practices in the financial sector and banking industry and have supported member banks in developing their own Environmental and Social Risk Management Systems.

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 Sulphate of 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 known potash deposit. The resource is amenable to open cut mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining, and is highly advantageous for modular growth.

Danakali Limited

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The Company has completed a Front End Engineering Design (FEED) for the production of potassium sulphate, otherwise known as Sulphate of Potash or **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.

Development Finance Institutions, Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance. The credit documentation was executed in December 2019, allowing drawdown of CMSC senior debt on satisfaction of customary conditions precedent. This represents the majority of funding required for the development and construction of the Colluli. AFC has also executed a Subscription Agreement to make a US\$50M strategic equity investment in Danakali. The receipt of the first tranche of US\$21.6M (A\$31.8M) allowed commencement of the development

Project execution has commenced and SOP production is expected during 2022. 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 "+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. 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.

AMC Consultants Pty Ltd (AMC) independence

Danakali Limited

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 endeavored 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.

No representation or warranty, express or implied, is or will be made by or on behalf of the Company, and no responsibility or liability is or will be accepted by the Company or its affiliates, as to the accuracy, completeness or verification of the information set out in this announcement, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Company and each of its affiliates accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement or any such statement.

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CREATE. NURTURE. GROW.

SUSTAINABILITY REPORT

June 2020



DANAKALI

create. nurture. grow.

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Overview



Dear reader,

Welcome to our inaugural Sustainability Report which details Danakali's commitment to responsibly manage our environmental, social and governance performance. First of all, we would like to start by saying that we are extremely excited about the Colluli Project and the benefits it will bring to the people and Eritrea. This report highlights the great progress the team has achieved so far bringing Colluli into development and closer to construction.

Eritrea is a fascinating and wonderful country and it is an honour to be trusted with the development of this significant asset. In the development of Colluli we take responsibility to ensure that all of our values are aligned across our activities and embedded in all of our practices. We are working with key stakeholders to optimise the benefits and social impacts of Colluli.

2019 has been an exciting year: we have established strong partnerships with leading African Development Institutions, Afreximbank and Africa Finance Corporation, for the provision of US\$200M in senior debt finance. This represents the majority of required funding and, coupled with a US\$50m strategic equity commitment from AFC, has enabled Project development to commence.

Colluli will contribute to the region in a substantial way. The United Nations Development Programme released a report on the positive impact Colluli will have on the Eritrean economy and how the Project will help towards meeting the 2030 Sustainable Development Goals for Eritrea. The report assessed a wide range of data and included findings from extensive stakeholder

engagements. It shows that Colluli is more than just a great asset because it has the potential to help farmers and ensure food security across Eritrea and in the region. As a foundation for our sustainable development, the Danakali and CMSC Boards work to a Sustainable Development Framework, created as a collaborative effort between the two businesses.

This is our key foundational governance document for corporate and social responsibility. We hope you enjoy reading this report and that it gives you confidence that we are entering into Colluli's development with the responsibility, dedication and focus that this Project, and the country deserve.

Yours sincerely

Seamus Cornelius
Danakali
Non Executive Chairman
and CMSC Director

Niels Wage
CEO Danakali

Sustainability report overview

Danakali’s inaugural Sustainability Report (**Report**) represents an increased level of disclosure and reporting on the ESG practices, policies and outlook for Danakali and the Colluli Mining Share Company (**CMSC**) as the Colluli Sulphate of Potash (**SOP**) Project (**Colluli**) has moved from the study phase into execution and operations.

Our report provides an overview of the Company’s current policies and proposed strategies to ensure adherence to best-in-class environmental, social and governance standards. The Report also demonstrates Colluli’s potential to positively impact Eritrea’s ability to meet its United Nations Sustainable Development Goals (**UN SDGs**).

- CMSC is developing its operational management systems and seeks to comply with the internationally recognised frameworks, including:*
- Equator Principles, a risk management framework used to manage the environmental and social risk in Projects;
 - International Finance Corporation Performance Standards; and
 - World Bank Group Environment, Health & Safety Guidelines.

The report has been prepared and reviewed by executive management and key stakeholders. Every effort has been made to ensure the accuracy of information disclosed.

This report was written to showcase various sustainability topics in a format similar to the Global Reporting Metals Sector Disclosures. (**GRI Standards**). Once Colluli becomes operational, our annual sustainability reporting will be done in accordance with the GRI Standards and the Mining and Metals Sector Disclosures.

Sustainability Highlights for 2019

PEOPLE <ul style="list-style-type: none">• Employee and community management plans finalised• 13 direct and indirect Eritrean employees• No employee safety incidents or grievances• Continued community engagement	PLANET <ul style="list-style-type: none">• Environmental management plans finalised• Environmental clearance received• Environmental monitoring continues
INTEGRITY <ul style="list-style-type: none">• CMSC refines Board composition in readiness for execution• Independent UNDP report published on Colluli’s impacts on Eritrean SDGs	PERFORMANCE <ul style="list-style-type: none">• Over US\$500k paid as Eritrean withholding taxes• Over US\$86k paid as salaries to Eritrean employees• 33 Eritrean consultants/contractors engaged• FEED completed, providing Project definition of ±10%• Partnership with EuroChem for up to 100% of Module I SOP production

Values and stakeholders

PEOPLE <div>Health and safety of workers and communities<ul style="list-style-type: none">• Internal: employees and contractors’ employees• External: family members, surrounding communities, authoritiesTraining, education and employment<ul style="list-style-type: none">• Internal: employees• External: future employees, surrounding communities, authoritiesDiversity<ul style="list-style-type: none">• Internal: employees and contractors’ employees• External: future employees, authorities</div>	PLANET <div>Water management<ul style="list-style-type: none">• Internal: employees and contractors’ employees• External: surrounding communities, authoritiesWaste management<ul style="list-style-type: none">• Internal: employees and contractors’ employees• External: surrounding communities, authoritiesEnergy efficiency<ul style="list-style-type: none">• Internal: employees and contractors’ employees• External: surrounding communities, authorities</div>	INTEGRITY <div>Human rights<ul style="list-style-type: none">• Internal: employees and contractors’ workers• External: suppliers, community members, authoritiesStakeholder engagement<ul style="list-style-type: none">• Internal: employees• External: surrounding communities, civil society, government</div>	PERFORMANCE <div>Economic Performance and contributions<ul style="list-style-type: none">• All internal and external stakeholders</div>
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Summary of Sustainability Goals

Our ESG goals for the next stage of Colluli reflect our current and near-term position on the development path of the Project, currently in the execution phase and transitioning into construction:

PEOPLE <ul style="list-style-type: none">• Develop a robust Health, Safety and Environment (HSE) programme• Implement a fair, non-discriminatory and transparent recruitment and hiring process• Implement robust grievance mechanisms for employees and communities• Implement a traffic management plan for the transport corridor PERFORMANCE <ul style="list-style-type: none">• Embed local contract and procurement processes• Increase economic distributions	PLANET <ul style="list-style-type: none">• Complete environmental monitoring• Implement waste management plans in advance of construction• Maintain environmental clearance approval INTEGRITY <ul style="list-style-type: none">• Finalise a stakeholder engagement plan for construction activities• Complete a Human Rights Impact Assessment• Ensure effectiveness of the Whistleblower Policy
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UN Development Programme Report

In January 2019, a report prepared by independent consultants that was initiated and funded by the United Nations Development Programme (**UNDP**) on the potential positive contributions of Colluli to Eritrea’s Sustainable Development Goals (the **UNDP Report**) has been released. The UNDP Report highlights the positive contribution Colluli will have on Eritrea.

The Report was undertaken during 2018 by senior economists on behalf of the UNDP and assesses a wide range of econometric data and includes findings from engagements with Eritrean government officials, relevant public institutions and other Colluli stakeholders.

The report highlights 5 areas of direct impact and the high potential of these to positively contribute to

13 of the 17 SDGs. The Report asserts that Colluli has the potential to significantly boost the Eritrean economy and support the Sustainable Development Agenda of Eritrea:

“With the capacity to design and deliver multi-dimensional policies in an inclusive way Colluli will have success in really adding to Eritrea delivering on its Sustainable Development Goals”

Dr P Anand, Senior Economist



Danakali

About Danakali and Colluli

Danakali is listed on the Australian and London Stock Exchanges and is solely focused on the development of the world class Colluli Potash Project. Colluli is 100% owned by CMSC, a 50:50 joint venture between Danakali and ENAMCO.

Colluli is fully permitted and will generate nearly half a million tonnes of Sulphate of Potash (**SOP**) per year in the first module and ramping up to nearly 1 million tonnes within 5 years. SOP is a high quality, multi nutrient fertiliser used in the production of

high value, chlorine intolerant or sensitive, crops. The plans for Colluli represent the culmination of years of intensive investigations, studies and assessments in Eritrea and across the globe using Eritrean and international consultants and experts.

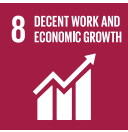
Colluli is the largest, shallowest and closest-to-coast potassium salt deposit in the world. This allows the Project to deliver significant product volumes, over approximately 200 years, and achieve operating costs comfortably within the bottom quartile of the cost curve.

Governance

Values

Our core values are our guiding principles that define our internal conduct and our relationships with the external operating environment and will not be compromised.

PEOPLE



Our employees, customers, local communities, business partners, shareholders and other stakeholders are vital to our business success and future growth. The health, safety and wellbeing of our people are paramount. Our business success is underpinned by educating our employees about our business, embracing diversity, encouraging ideas that improve our business, demonstrating a ‘can do’ attitude, respecting each other, promoting and rewarding teamwork, and aligning ourselves to a set of common goals.

INTEGRITY



We conduct ourselves with uncompromising integrity and honesty as individuals and as a company. This means standing up for what we believe in, speaking out against something that is wrong and putting values ahead of short-term results. We are forthright with bad news and difficult issues. We strive to earn enduring credibility with others, which we believe is essential to long-term personal and business relationships. This means doing what we say we will do.

PLANET



We respect our operating environment at local, national and international levels and are focussed on continually reducing the environmental footprint of our business. We achieve this through creating environmental management plans, using energy efficiently, conserving water, minimising waste generation and managing waste responsibly.

PERFORMANCE



We are a performance driven organisation, and continually strive for improvement in the things that matter most to our business. We embrace innovation, responsibility and accountability, and always consider short, medium and long term time horizons.

SIMPLICITY

We embrace the principle that everything should be as simple as possible but no simpler. We maintain simplicity in our internal processes and procedures with objectives that are succinct, quantitative, and time bound.



Corporate Governance Statement

Danakali is committed to high standards of corporate governance in which senior company executives and the Board are accountable to its stakeholders. The Company believes corporate governance is an essential component of sustained value creation. Sound corporate governance practices are reflected in our decision making and culture.

Governance principles:

1. Lay solid foundations for management and oversight
2. Structure the Board to add value
3. Act ethically and responsibly
4. Safeguard integrity in corporate reporting
5. Make timely and open disclosure
6. Respect the rights of security holders
7. Recognise and manage risk
8. Remunerate fairly and responsibly

Policies

Our supporting policies, coupled with the Sustainable Development Framework and Corporate Governance Statement allow Danakali to manage its business and Projects with proper oversight and accountability, ultimately creating and protecting shareholder value. The Sustainable Development Framework covers economic, environmental and governance factors. Policies relevant to the Sustainable Development Framework:

- Anti-bribery
- Environment
- Health and safety
- Human rights
- Code of conduct
- Diversity
- Communities

Danakali's policies associated with the Sustainable Development Framework and Corporate Governance Statement can be found at:
danakali.com.au/our-business/corporate-governance



Astier Redaezghi

Chair of the Impact Review Committee, Department of Environment

Q: Tell us about the relationship the Department has with CMSC.

The Department of Environment of the Ministry of Land, Water and Environment, as a regulatory body, requests that mining companies undertake social and environmental impact assessments, based on which they develop management plans.

In progressing this process CMSC has been in regular contact and working closely together with the Department and its Impact Review Committee. We began working closely together in 2013, commencing with the development of the required Terms of Reference and have continued to work together throughout the baseline assessments, the impact assessments and the development of the management plans. This continues to the present day and led to the award of Environmental Clearance in 2018.

Q: How do you feel about the approach CMSC have taken to safeguard the environment?

CMSC has taken the safeguarding of environmental and social issues seriously. It was highly engaged in the monitoring process of the assessments. CMSC continues to conduct stakeholder consultations and site visits with various partners to create awareness, consult and consider issues and through this has created a sense of ownership and harmony between the Project and stakeholders.

CMSC has acted not only as a mining developer but also as safe guarder to the environment. CMSC organized meetings between the consultants who prepared the environmental documentation and the Department of Environment. This allowed the Department of

Environment to provide the necessary information regarding the development of the biophysical and social environment documents that need to get addressed as part of the review process and this resulted in a more efficient review and feedback.

Q: How do you find working with CMSC?

The Department of Environment has been pleased to see the commitment of CMSC ever since the commencement of the process. CMSC has been the most committed mining company regarding socio-environmental issues. From the levels of engagement and professionalism we've seen so far, we believe that this commitment will continue throughout the mine development process.

Q: What do you see as the benefits of Colluli to Eritrea, to the people, the communities and the environment?

The main benefit is the economic benefit from the ore mined to the country and its people.

In addition, the creation of various job opportunities, the enhancement of knowledge and expertise through classroom and on-the-job trainings and experience sharing, will be incredibly beneficial to the country.

Longer term benefits will show through community assistance programmes with improvement of living conditions, mainly among the local communities, and cultural and social improvements, mainly among female workers as they get opportunities to work outside their homes.



Colluli Mining Share Company

Colluli is on the verge of construction. Preparations have been underway to ensure the execution and operational business systems and processes are developed in line with our commitments. These commitments are consistent with the best practise of international standards including the Equator Principles and relevant World Bank and International Finance Corporation requirements.

In preparation for this we undertook a social and environmental impact assessment (SEIA) and developed social and environmental plans (SEMP) to prevent and minimise adverse impacts.

In addition, CMSC has developed a framework for sustainable development (see page 10) and included within this are a number of policies to guide the management of the Project during construction, operations and closure phases.

We will ensure all contractors and subcontractors involved with Colluli develop and implement an environmental social and safety management system and environmental, social and safety management plans consistent with CMSC policies and management plans.

The combination of the implementation of the Sustainable Development Framework and associated policies, alongside the management plans and the business management systems will ensure ongoing compliance with the Equator Principles and IFC requirements and will maximise our sustainable impact.

“The quantifiable impacts of the Project and Colluli’s corporate policies show that this mine has the potential to generate significant positive effects on the Sustainable Development Agenda both by the mine itself and the use of its fertiliser products.”

Cristian Parra and Dr P Anand
UNDP report authors



“Through the coordination of policy makers, civil society and international development agencies it is possible to transform natural resource extraction into real development and social progress for the People of Eritrea. - Colluli is an opportunity not to be missed in terms of sustainable development.”

Cristian Parra
UNDP report author



Colluli Project

Colluli mine site

The Project is located in Eritrea in the Horn of Africa, about 350km by road from the capital city Asmara and 230km by road from the port of Massawa, which is Eritrea’s key import / export facility. The Project area is in a semi-desert ecological zone of Eritrea and is hot and dry. 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.

The remote location, high evaporation rates and general climate make the mine site ideal for the use of evaporation ponds, where Colluli will mine and process salts in solid form and use ponds for additional processing recovery, reducing energy consumption relative to artificial evaporation techniques.

Additionally, the site is perfectly suited to the future conversion from traditional fuel power generation to renewables which would enable low cost, scalable mining with a reduced, sustainable environmental footprint.



“Colluli has the potential to boost the national economy and potentially transform agriculture in the region.”

Cristian Parra and Dr P Anand
UNDP report authors



Colluli supply chain

In preparation for construction CMSC has tendered key contracts for the Project including the engineering procurement, construction management (EPCM), mining and power contracts.

All commercial tendering includes potential Eritrean contractors and suppliers in line with our commitment to local procurement.

The tender processes mandate that the counterparties demonstrate a minimum of full compliance to the Values and Code of Conduct of Danakali and CMSC and the obligations contained within the SEMPs. These tender processes will be embedded in the ongoing procurement and contract practices for CMSC. This includes strict adherence to matters on anti-bribery & corruption, business ethics, human rights, health & safety and environmental protection. All mining companies in Eritrea are subject to the Labour Proclamation No. 118/2001 (No forced labour) Article 9(6) An employer who engages in forced labour shall be punishable under the Penal Code.

Colluli Products Customers and Markets



SOP demand is on the rise with a growing population and a need for increased food production. There is also changing dietary preference across the world increasing

demand for more vegetables, fruits and nuts, so called ‘cash crops’. These crops are generally more intolerant to chlorine than the broad acre crops. Chlorine levels are building up in agricultural soils, and there is growing need for improved water efficiency where SOP is a key enabler. Besides the current demand from North America and Europe, Africa is expected to become a key market of the future for SOP along with the Middle East, Russia, India, Southeast Asia and Latin America where current application rates are well below effective levels.

CMSC has signed a binding take-or-pay offtake agreement with EuroChem Trading GmbH (**EuroChem**) for a minimum of 87% up to 100% of Module I production. EuroChem Trading is part of EuroChem Group, a leading global producer of nitrogen, phosphate and potash fertilizers. Vertically integrated with activities spanning mining and production to logistics and distribution, EuroChem Group AG is based in Zug, Switzerland, and operates under Swiss laws and financial regulations.

EuroChem are a very strong partner in corporate social responsibility and have reported on sustainable social responsibilities since 2006. EuroChem’s sustainability reports can be found on their website: <http://www.eurochemgroup.com/en/downloadcentre>.

Due to the quality of the Colluli asset, the primary SOP modules can be leveraged to create a much larger project utilising the volume, multi-salt orebody to commercialise by-products and add additional commodity lines, such as Rock Salt. These potential expansion and diversification opportunities mean Colluli will positively contribute to the country and people of Eritrea for many years to come.

Sustainability management

Sustainable Development Framework

We have a strong commitment to sustainable development underpinned by the principles that mineral Projects should be financially, technically and environmentally sound, and socially responsible.

CMSC and Danakali Boards have collaborated on, and approved, the Sustainable Development Framework which aims to integrate economic, social and environmental aspects throughout the mineral extraction cycle from exploration to mine closure.

Sustainable development is being achieved through the development of policies, standards, management plans and operating procedures. The effective management of risks and opportunities across all areas of our business is core to the success of the Company's sustainable

development practices. Such management will allow the Company to achieve its social, environmental and financial aims for our people, shareholders, other stakeholders, and the communities and regions in which we operate.

We acknowledge the direct correlation between sustainability and business performance. We recognise that ethical conduct, human rights and our impact on the environment, directly affect business reputation and risk profile, ultimately impacting our ability to attract and retain the best people and business partners.

Vision, Mission and Values

The Sustainable Development Framework adopts the following principles:

1 Vision	2 Mission	3 Values
Our vision is to to bring the Colluli Project into production by adopting the principles of risk management and efficient resource utilisation, using the starting module as a growth platform to develop the resource to its full potential.	Our mission to be a high- performance company that: <ul style="list-style-type: none">• achieves the best outcome for our shareholders• values long-term relationships with business partners and suppliers• supports the communities in which we operate• provides an enriching, fulfilling and rewarding environment for employees	Our core values of People, Integrity, Planet, Performance and Simplicity



The four key focus areas under the Sustainable Development Framework are:

Ethical work practices	Zero harm	Business performance	Stakeholder engagement
Ensure that business is conducted with transparency and integrity	Protect against negative physical outcomes for people and the environment	Protect and nurture economic outcomes through appropriate control and the ability to take opportunities where they present themselves	Align the values of the business with its external stakeholders providing mutually beneficial outcomes

Communication

Communication of business practices is provided through dedicated training. Initial introduction of the core documentation is catered for through on-boarding packs.

Regular reviews will be undertaken to ensure employees, contractors and other relevant stakeholders understand business process content.

Materiality

To ensure that the Sustainable Development Framework adequately captures the relevant issues, a biennial materiality assessment incorporating feedback from internal and external stakeholders will be undertaken. This assessment will include:

- An analysis of the operating environment risks and opportunities currently experienced and expected over the business planning horizon

- Assessment of whether current business practices address these risks and opportunities
- Incorporation of stakeholder feedback

Commitment

In carrying out the Sustainable Development Framework, we will:

- actively communicate sustainable development policies to internal and external stakeholders
- ensure that timely and effective training relating to sustainable development is undertaken for employees and other stakeholders
- implement procedures and mechanisms that specify how sustainability targets are defined and reported
- conduct compliance monitoring to determine the appropriateness of business practices and effect any necessary variations



Social and environmental management plans

During 2018 CMSC finalised a complete set of management plans designed to ensure employee, community and environmental impacts by the Project were avoided or minimised.

The completion of the SEMP, which were finalised in conjunction with the Department of Environment, meant the Project received Environmental Clearance from the Ministry of Land, Water & Environment.

The SEMP on communities, employees and biophysical environments have been critical in the preparations and development of the execution and operation's business systems and processes. These includes the following areas:

- Community Development
- Community Health and Safety
- Cultural Heritage and Resources
- Human Resources
- Occupational Health and Safety
- Stakeholder Engagement
- Emergency Preparedness and Response
- Traffic and Transport
- Noise
- Air Quality
- Hazardous Waste
- Marine Environment
- Surface Water
- Groundwater
- Land, Vegetation and Weed
- Mine and Process Waste
- Waste and Wastewater
- Hazardous Materials
- Wildlife, Habitat, Livestock and Land Use

Sustainability reporting

The Eritrean Ministry of Energy and Mines accepted the finalised Colluli Social & Environmental Management Plans which demonstrates our firm commitments to safeguarding our people and our planet. During the year we also started the development of the execution and operational business systems. These systems and processes detail how we will embed every commitment presented in the management and monitoring plans in day-to-day operations.

CMSC is committed to preventing, or otherwise minimising any harmful effects of our operations on the environment.

Environmental performance, underpinned by compliance with all environmental laws and regulations, is essential to business success and provides optimal local outcomes from our activities.

Environmental matters are considered during all stages of our activities, with assessments undertaken as part of the feasibility process for Projects. These findings are used as the basis for planning Project development through to operation and subsequent closure.

Environmental due diligence is conducted as part of our business decision making process.

The local environment and social-economy of the region is now far better understood as a result of the work conducted by CMSC. Activities at Colluli have employed local Eritreans and local businesses over recent years. Jobs, skills growth and economic inputs over the long life of the Project will see immediate benefits to the local communities and downstream benefits to Eritrea and beyond, helping improve the way of life of individuals and the economic position of the country. Colluli products will help farmers, locally and globally with the production of high yielding food and will improve efficiency and food safety.

"Development is in essence about people and about enhancing opportunities. Numbers, models and estimates cannot capture the complex possibilities though they can help us gain insight of certain aspects."

Dr P Anand
UNDP report author



People



Employment

CMSC will implement processes to ensure that recruitment and hiring practices are fair and transparent and that they take local conditions and expectations into consideration and are aligned to regulatory requirements and CMSC policies. Flexible employment conditions will be considered for certain roles to accommodate local livelihoods and traditional practices. The recruitment and hiring of employees will be led by the line manager with support by the human resources recruitment team. Recruitment processes will ensure the candidates are fairly and objectively assessed and selected, with no bias towards gender, race or age.

Supporting management plans:

- Human Resources Management Plan

The Human Resources Management Plan sets the obligations of the Company to meet Company values and national and international expectations in the areas of:

- Recruitment and hiring
- Employment
- Training
- Contractors and supply chain

Current employment status

Colluli has maintained a lean employment strategy in the pre-funding period. This is critical in supporting the Project's success in securing funding and initiating development.

CMSC maintains a staff of 7 permanent and 5 temporary employees, as well as 1 part-time employee. Our permanent staff manage the CMSC business including government and community relations, environmental monitoring, logistics and accounting. Temporary staff are employed during increased levels of Project activity within Eritrea and include employment local to the Project site, including Adaito.

Planned employment and hiring practices

As we lead up to construction, CMSC is in the process of developing and implementing a fair, non-discriminatory and transparent recruitment and hiring process that initially focusses on potential employees' capability and capacity and prioritises local recruitment. Trained personnel will be

required for the construction phase and more complicated and skilled operational requirements. Over time training programmes will be developed to prepare the workforce for future requirements.

Recruitment will be undertaken through formalised recruitment offices and processes. This will be supported by community awareness programmes which will ensure the recruitment processes and skill requirements are understood to facilitate local employment as much as practicable.

Recruitment will be conducted locally as a priority followed by nationally and then internationally. CMSC will work with local communities to provide opportunities to work on the Project.

Project contractors will be required to implement, and demonstrate equivalent recruitment procedures. CMSC will not hire staff members who are currently employed by Project contractors and subcontracted companies without the prior agreement of the contractor's management.

During the construction period the CMSC Project team will employ a relatively small number of personnel directly with the majority of the one-thousand-man construction workforce being provided by specialist contractors. CMSC will recruit predominantly Eritreans for the health, safety, environmental and community functions which will also maximise the capability of this team through local knowledge and expertise. Construction contracts, some of which will be Eritrean, will also prioritise local recruitment and will be bound by the same employment standards as CMSC.

The CMSC operations team will begin a gradual ramp up of personnel over the next 2 years culminating in an operational workforce of approximately 650 employees. It is anticipated that Eritreans will make up approximately 70% of this initial workforce subject to skill availability at the time of hiring.

"It is expected the Company can support direct job creation in those sectors directly linked to its operational expenditure and investment (indirect GDP) and in general, productive activities, entrepreneurship, creativity and innovation, and encourage decent job creation, formalisation and growth of micro, small and medium-sized enterprises."

Labour relations

CMSC will seek to work in good faith with trade unions and other bodies that employees collectively choose to represent them, within the appropriate local legal framework. (Eritrea's Labour Proclamation No.118/2001).

Employee grievance mechanism

CMSC is currently developing an improved employee grievance procedure in preparations for Project construction. We will ensure that all issues raised by employees are treated earnestly, impartially, respectfully, and confidentially.

The employee grievance procedure will provide employees with an authorised process for raising concerns to senior management, covering any work-related issues, that affect an employee or contractor, or that an employee deems unfair. Contractors can develop their own equivalent procedures or adopt that of CMSC.

CMSC reports 0 grievances to date.

Employee training and professional development

CMSC will develop for each position a training profile, which sets out mandatory and job-specific training requirements, with additional career development potentially included based on an employee's capability and performance. As part of developing the training strategy, CMSC will undertake a training needs assessment to understand skills levels and requirements, particularly in the area local to the Project.

In developing training plans, CMSC will fulfill training requirements to equip all employees, including women and young professionals, with necessary tools resources to promote continuous improvement across an informed and knowledgeable workforce. This will require consultation and collaboration with women's groups and networks to ensure that the training strategy takes into account the needs of women and that they are fully able to benefit from training and skills development opportunities on offer. We will also encourage our contractors to provide proactive training programmes to local community candidates.



Zeray Leake Country Manager

Q: Tell us about your team in Eritrea over the last year and what it means to your employees to be employed by CMSC.

The company is well known for giving employment opportunities to Eritreans. Our team in Eritrea has been making significant contribution towards success since the early days of the Project, including resource discovery, different stages of studies (Scoping, Prefeasibility, Feasibility and FEED) and it will continue to play its role during the development phase. We have experienced geologists and environmentalists, plus a strong geotechnical team, who have been with the Project for years. They have a great understanding of the Project and very good relationships with all stakeholders.

The team is proud to be part of such a world class, unique and sustainable Project that is expected to provide Eritrea with long term economic and social dividends for generations to come. We are very proud to work with and contribute to our country and its people.

Q: How do you go about recruiting for CMSC?

CMSC has a clear employment procedure which is aligned to the Eritrean Labour Law. We normally advertise available vacancies in local newspapers and candidates from any part of the country can apply for advertised vacant posts. Following screening and interviews candidates join CMSC. We have a number of inductions to be given to any new employee. We have

an open system and hence an applicant can see on how he/she was evaluated. Furthermore, CMSC periodically checks/counterchecks the different HR related compliances that should be fulfilled by employees.

Q: What Eritrean businesses and consultancies do you work with?

According to the Eritrean Mining Law, preference should be given to local goods and services. We have been using local experts for all the biophysical and social baselines. About 10 different social and environmental baselines were prepared by local consultants. The involved consulting firms produced a very high quality report that was well accepted by international consultants. Furthermore, consumables have been supplied by local suppliers in Asmara, Massawa and Ghelalo. Topographic survey, route survey and road alignment, logistics, Electro-mechanical and other technical services have been rendered by local entities. We expect more opportunities for local business and consultancies once development of the Project starts.



Diversity

Given the current phase of the Project’s life cycle, the CMSC leadership has determined that it is not practicable to set measurable objectives for achieving gender diversity. It is our intention, as the size and complexity of the Company grows, to set and aim to achieve gender diversity objectives. To assist in fostering diversity, we will take diversity of background into account in addition to candidates’ skills and experience in a variety of the specified fields when selecting new employees.

Occupational health and safety

CMSC is committed to protecting the health, safety and welfare of all persons in the workplace including employees, contractors, authorised visitors, and anyone else potentially affected by our operations. We believe that all injuries and incidents are preventable, and that everybody has a personal responsibility to work safely.

Health and safety are an integral part of our values and an inherent part of our commitment to ensure the wellness of people working with our business. We are committed to undertaking health and safety due diligence as part of our corporate decision-making process. Our Health and Safety Policy affirms our responsibility and commitment to health and safety across all of our operations with a target of zero harm.

Supporting management plans:

- Occupational Health and Safety
- Emergency Response and Preparedness

CMSC report 0 injuries to date.

Health and safety training

All employees and contractors will receive general health, safety, environmental, and social awareness training that emphasises each employee’s responsibility for complying with relevant laws, regulations, and commitments as well as CMSC policies and standards. This training will include awareness of

national sensitivities, cultural awareness and diversity appreciation. Updates on specific local issues, such as important religious or cultural dates and taboos will be provided regularly to employees at the site. This training will be delivered, where appropriate, in inductions, task specific classroom training and in toolbox talks.

Health and safety training programmes are in the process of being developed.

Safety committees

CMSC will ensure a joint occupational Health and Safety (OHS) committee is established and maintained for the life of the Project. The purpose of the committee will be to provide co-operative management between employees and the CMSC management team in identifying environmental, safety and health concerns and initiating workable solutions. The committee will consist of an even distribution of management and non-management employees. The committee will focus on environment, safety and health matters only.

The safety committee is currently not established.

Emergency response and preparedness

CMSC will complete detailed OHS and environmental risk assessments for the Colluli development as part of Project planning. For each aspect of the Project’s development and operation, OHS and environmental hazards will be identified, and controls proposed to limit the potential consequences or their likelihood of occurrence. The results of the OHS and social and environmental risk assessment will be reviewed as part of determining the emergency response procedures needed for each Project area for each Project phase. Regulatory requirements, offsite emergencies and associated insurance implications will be considered during this process. Personnel with experience in emergency response will be involved in determining emergency response needs for the Project.

During construction the Project will contract a specialised firm to provide paramedical and medical

evacuation services for the Project’s employees. As the Project enters the operational phase it is anticipated that this function will transition in-house to the Colulli team.

Currently an international medical and evacuation assistance contract is in place to support site visits and activities.

Community

CMSC is firmly committed to the development and preservation of mutually beneficial community relationships where local communities are influenced by our operations. We believe that these relationships not only facilitate business success but also provide optimal local outcomes from our activities.

The respect for communities is an integral part of our values and commitment to ethical business conduct and sustainable development.

Community engagement takes account of peoples’ perceptions of the effects and consequences of our activities. We commit to engaging our local communities as part of our corporate decision-making process. This policy affirms our responsibility and commitment to respect communities across all of our operations.

Supporting management plans:

- | | |
|-----------------------------------|-------------------------|
| • Community Development | • Safety and Security |
| • Cultural Heritage and Resources | • Air Quality |
| • Community Health | • Noise |
| | • Traffic and Transport |

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 and treatment area are all approximately 6km from the proposed site.

“...because of its investments and operational expenditure, it is expected important economic linkages with the rest of the economy that will connect Colluli with at least 10,000 people (Eritrean labour force) of other sectors...”

Public health and safety

The health and safety of the public and communities is of critical importance to our business. The Project has components dispersed through a wide area from the mine site at Colluli in the Gelalo Sub-Zoba, the water intake in the Arita Sub-Zoba and the port which is located in the Massawa Sub-Zoba.

An extensive assessment has been made to determine the Project’s impacts and processes are being developed to align the business to the commitments made within the management plans.

Community health will be supported by good health management on the Project site. Pre-employment medical checks will build on the baseline data of public health. Project personnel will undergo periodic health checks to minimise the risk of infectious diseases that could spread back to communities. The site will contain dedicated medical facilities to support Project employees and their awareness of health issues. This will be supported by integrated health awareness campaigns, developed jointly with communities and in conjunction with local public health campaigns.

Dust and noise emissions at Colluli will be reduced though a series of management measures on-site. Community awareness campaigns will support the communities in adapting to the increase in road use whilst employee training will include a focus on road safety and in addition, for non- Eritreans, cultural awareness.

The community grievance mechanism, Project information centres and community stakeholder programmes will all contribute to close relations between the public and the Project allowing concerns to be identified and actions upon before they escalate.

The safety of the community is paramount. CMSC will work with the community and the logistics contractors to develop rigorous traffic and transport training programmes and operational procedures to ensure the interaction between the Project vehicles on the public roads and the communities along the transport corridor is as safe as possible. This will include the installation of signage, community awareness campaigns and diversions around specific villages as well as the development of compensation frameworks in the event of livestock or community personnel incidents.

CMSC reports 0 public health, safety or security incidents to date.

Community investment and development

CMSC’s community development programs and initiatives will be focussed on benefitting local communities, with particular emphasis on directly affected people, and vulnerable groups. Directly affected people include the villagers in the Project area and communities along the transport route. Vulnerable groups include women and female-headed households, and the elderly.

Once the Project is operational CMSC intends to establish a local development fund and allocate Project resources to implement community development Projects. CMSC will seek the collaboration of relevant government agencies and Zoba and Sub-Zoba administrators and community representatives to establish a management committee for funding, developing and implementing community development Projects.

We are committed to local procurement as far as it is practicable, and this is a focus of the contract strategies throughout Project development.

Coordination with the Eritrean government, and clear delineation between government responsibilities and the local development fund is crucial for successful implementation; therefore, CMSC will collaborate with government agencies to coordinate and allocate local development priorities with regional and national programmes in order to create a coherent development process. It is expected that local authorities will take the lead on community development initiatives in collaboration with the Project.

Integrity



Human rights

CMSC has a strong commitment to human rights. Human rights are fundamental principles of personal dignity and universal equality. The respect for human rights is an integral part of our company values and our commitment to ethical business conduct and sustainable development. Our Human Rights Policy affirms our responsibility and commitment to respect human rights across all our operations.

Supporting management plans:

- Human Resources Management Plan

CMSC believes that all personnel have a shared responsibility to protect human rights and maintain high standards of OHS.

Any person that wilfully or negligently violates human rights or OHS requirements will be disciplined and, for serious violations, dismissed (if CMSC staff) or excluded from the Project (if a contractor).

Suppliers will be required to maintain and implement policies that:

- comply with Eritrean law and relevant treaties and conventions with a process for assuring compliance;
- respect basic human rights and dignity, without distinction on any basis under applicable Eritrean law and relevant treaties and conventions; and
- have a process to assure compliance.

Human rights impact assessment

As a key part of CMSC’s intent to operate in a socially responsible manner, the company will conduct a human rights impact assessment (HRIA) and ongoing due diligence process that encompasses the whole Project. The results of this process will drive further assessment, mitigation and monitoring activities.

CMSC will consult with Eritrean and stakeholders regarding the report’s findings and recommendations as well as the ongoing HRIA process, with a view towards continuous improvement of human rights due diligence efforts at the Colluli Mine.

Stakeholder and community engagement

At CMSC we view good stakeholder relationships as fundamental to the core business of the Company. We believe in implementing effective and transparent engagement, communication and reporting arrangements with all our stakeholders and seek to align the values of our company with them to provide mutually beneficial outcomes.

Supporting management plans:

- Stakeholder Engagement Plan

The objective of stakeholder engagement is to allow for stakeholders to interact with the Project’s decision-making process, express their views and influence mitigation and technical solutions to concerns voiced during the process.

Stakeholder engagement is an inclusive and culturally appropriate process which involves sharing information and knowledge, seeking to understand the concerns of others and building relationships based on collaboration. It allows stakeholders to understand the risks, impacts and opportunities of the Project in order to achieve positive outcomes.

Effective stakeholder engagement also reduces the potential for Project delays through the early identification of issues to be addressed as the Project progresses.

CMSC has adopted a strategic and structured approach to stakeholder engagement and consultation in order to initiate and sustain constructive relationships over the Project life cycle. Stakeholder engagement activities are part of the overall environmental and social management system that the Company has adopted in order to meet good international industry practice, as outlined by the Equator Principles and the International Finance Corporation Performance Standards on Environmental and Social Sustainability.

During the construction and pre-commissioning stage, stakeholder engagement relates to all activities leading up to and during the physical construction of facilities, roads, infrastructure, and buildings related to the Project, including the management of contractors and construction contracts. Early stakeholder engagement during the Project’s design and the SEIA process informed the Project’s planning and design teams about stakeholder issues thus enabling these teams to investigate and manage adverse impacts as part of the management plans.

The grievance mechanism, allowing for a more formal feedback process between communities and our team, has been developed and an improved mechanism will be implemented along with Project information centres which will be opened and operated in the local towns and villages.

Community feedback has been overwhelmingly positive with great support for the Project recognising the importance of Colluli to the economic and social wellbeing of it the region and to Eritrea more broadly. The communities are eager for development and though they recognise the importance of exceptionally robust planning for all aspects of the mine’s development, community leaders have expressed mild frustration to the length of time of the development process.

No formal grievances to the Project were lodged but community engagement workshops and informal gatherings have highlighted the concerns of the

community. The local communities look for support in social services, health, water availability and with the Afar’s strong connection to their environment and the wildlife have expectations that the Company will not adversely impact the natural habitat.

At CMSC we have integrated all of the community’s concerns into the policies and standards we have set for ourselves and the obligations detailed in our management plans.

“Almost all nations that have used their natural resources successfully to transform their economy developed robust and long-term policies, greater transparency and adaptable but resilient institutions.”

Dr P Anand
Senior Economist

Anti-corruption

We are committed to the highest possible standards of openness, integrity and accountability in all its affairs.

We have a zero-tolerance to fraud, bribery and corruption. Suspected bribery and corruption will be reported, investigated and resolved in accordance with company policies and procedures and the relevant legislative regulations and laws of the country.

We will maintain an operating framework that includes anti-corruption standards, practices and procedures that are developed, implemented, followed and reviewed.

Aligned to our values and in accordance with our Code of Conduct, our Anti-Corruption Policy affirms our responsibility and commitment to full compliance of and any local anti-bribery or anti-corruption laws that may be applicable and assist the relevant authorities to detect and prevent criminal activity.

We have an approved a whistleblowing policy which will define the governance process of allowing an individual to make a business ethics concern known without suffering any sanctions from the Company on account of their actions.

CMSC reports that no incidents of corruption have been identified since commencement of activities in Eritrea.



Rashid Mohammed Asmeli

Adaito Village Administrator

Q: How do you feel about the Colluli Project?

It is known that Colluli Project is run by a very robust company when it comes to environmental and social impact assessment and its management plan. Since a detailed study has been made by CMSC, the community is very confident that it is less likely to encounter any destruction to the environment.

Q: Tell us about the way CMSC keeps the community informed.

The community is satisfied with the way CMSC informs. The town hall meetings, focus groups and direct meetings with CMSC have made the community well informed on every progress of the Project. But, the Adaito community suggests that one of the Project's information centre office is located in Adaito to develop further job opportunities, activities and discuss other issues.

Q: Tell us about the town hall meetings and the interviews?

The meetings and interviews are very important because the community issues, concerns, comments, suggestions and commitments can be expressed freely which is very important for the Project.

Q: What does the Colluli Project mean to the village of Adaito?

The Colluli Project is expected to be a game changer to creation of job opportunities for the community given that the Adaito village is a little bit far from the coast and has limited access to the coast compared to the villages residing in the coastal area.

Q: Tell us how the village of Adaito has already benefited from Colluli?

At the exploration stage, the community was benefited from CMSC. For example, Adaito village's water pump generator has been damaged and CMSC (former South Boulder) has taken care of the generator maintenance and this is unforgettable help from South Boulder. In addition, the community is also benefiting when transportation is needed to Marsa Fatuma, Gelealo and even to Asmara.

Q: Have village members been able to help with the Project?

Yes, some of the village members has got better skills which could be an asset for their future job opportunity when construction or mining begins. For example, generator issue, general information regarding the potash minerals core recovery, drilling issue etc.

Q: What's the general feeling from the community and from the other villages about the Project?

The Adaito and community from other villages are very happy with the communication from the Company and the effort to look after our environment. The community villagers hope for the immediate beginning of the construction because the mining had been delayed for many years, and the community got a little bit frustrated.

Planet



Materials

CMSC places a strong emphasis on recycling wastes. Waste oil from vehicles will be refined and used to complement the heavy fuel oil used in the product dryers. Non-recyclable inert waste will be disposed of on site and putrescible waste will be contained within a dedicated landfill facility. Hazardous wastes will be managed very carefully and disposed of at authorised facilities. Extensive controls will be in place for the storage and transport of these materials. All other wastes will be sorted for recycling and it is anticipated that this will form part of the community development programmes which will be developed.

Supporting management plans:

- Waste and Waste Water

The dominant materials for the build of the Project are concrete, steel and high-density polyethylene (HDPE). Approximately 8,000m³ of concrete and 2,000m³ of steel have been estimated in the FEED study.

Commercial limitations suggest these items will be procured from overseas however during detailed design commercial tenders will be issued to local companies for concrete and HDPE supply.

With construction activities yet to begin, negligible materials were consumed in 2018 and 2019 and no recycling was recorded.

Energy

The Colluli Project will be entirely self-sufficient in energy generation. Approximately 12 megawatts of electrical power generation will be installed at the Project site in the form of medium-speed heavy fuel oil generators. At the water intake site at Anfile Bay a diesel generator will produce approximately 700 kilowatts of power for the desalination facility.

Supporting management plans:

- Hazardous Materials

Energy efficiency has been embedded within the design of the Colluli Project and it is anticipated that over time further opportunities will be identified and implemented. Under the approved design the power consumption, in addition to the mobile equipment fleet, equates to approximately 7 million litres of diesel and 26 million litres of HFO consumed every year. Carbon emission from this generation is expected to be in the region of 95 kilotonnes of CO₂.

Investigations were conducted during the design of the Project to understand the feasibility of renewable energy generation however technology limitations and prohibitive costs meant this was excluded for the initial operating phase of the Project.

2019: Consumption of hydrocarbons was 11,899 litres of diesel and 215 litres of oil from a combination of site based power generation and overland travel in light vehicles.

Water

We recognise the importance of water to the country and particularly the region in which CMSC operates. The Project will be self-reliant on water through the extraction of sea and bore water with a portion being desalinated for Project use. Water recycling and efficiency are embedded within the plant design and subsequent iterations of the engineering have seen water consumption drop, on a per tonne of product basis. Mine site desalination plant reject water is planned to be recycled into the processing plant along with treated effluent water from the sewerage system.

Supporting management plans:

- Groundwater
- Waste and Wastewater
- Surface Water
- Marine



It is anticipated that for the first year of construction water extraction from the onsite saline water bore holes will be approximately 400 mega litres. This water will be desalinated and both the potable and reject water will be used.

Water efficiency will be further developed in detailed design immediately ahead of construction and initiatives will be continuously sought for implementation.

2019: With minimal camp occupation at Colluli, water consumption was approximately 25,000 litres.

No water was discharged with all effluent captured in septic tanks.

Biodiversity

The completion of the wildlife and vegetation management plans and the accompanying Department of Environment approval of these has set the platform for developing and implementing the systems and processes which will support the management of biodiversity in the region.

Supporting management plans:

- Wildlife Habitat Livestock Land Use
- Land, Vegetation and Weeds
- Marine

Extensive management measures have been identified across the Project's timeline and will be implemented in accordance with the planned schedule. Processes needed to be implemented before construction activities are being developed including land disturbance approval processes which consider wildlife, surface water and cultural heritage.

Conservation significant wildlife exist in the area of which the African Wild Ass is considered critically endangered. We will be working with the government agencies to assist in the development of conservation areas and in the management and protection of these species.

Protecting the local oases is of critical importance to CMSC and to the local Afar communities who recognise the importance of these watering holes to the local wildlife. The Project has been designed to avoid these sensitive areas and further protection measures will be implemented prior to construction.

During 2018 and 2019, continued monitoring of wildlife watering holes has added to the baseline understanding of local fauna.

Waste

During 2018 we finalised our Waste and Wastewater Management Plan, our Mine and Process Waste Management Plan and our Hazardous Waste Management Plan. Comprehensive management measures have been designed which will be developed over the course of 2020 and 2021 in line with Project activities and the relevant associated risks.

Supporting management plans:

- Hazardous Waste
- Waste and Wastewater
- Mine and Process Waste
- Traffic and Transport

Waste types have been identified for the Project and spill response processes prepared. A focus has been applied to the management of the transport of all materials including hazardous wastes recognising that the transport corridor passes along public roads from the mine site to the port of Massawa.

Recycling of wastes will be a key focus of the Project.

2019: Negligible volumes of waste were generated in 2019.

No hazardous wastes were generated, transported, imported or treated.



Awet Solomon CMSC Environmental Technician

Q: Describe how the baseline studies have helped the understanding of wildlife in the Afar region.

I have been working since 2010 as geologist on supervision of the potash drilling as well as water production drilling activities since December. Presently, I am fully engaged as Environmental Technician and I have been working with the environmental related survey and monitoring tasks parallel to the drilling supervision.

I have been there for 8 years and still love working on my career in a harmony with my colleagues and the community. I look forward to developing my environmental career with additional training to widen my environmental skills in mining.

Q: What environmental monitoring you do?

The Afar community is very cautious and understand environmental conservation through wisdom. The Afar do not harm or degrade the environment in general and wildlife in particular. For example, the community protect the ecosystem by preventing damage to trees, shrubs or bushes existing in the surroundings of study area and they do not hunt land animals. In addition to their knowledge through wisdom, the baseline studies have been surveyed through different villages and towns of Gelealo and Tio sub-zobas. During that time, wildlife and its conservation issue was well practiced because of the routine interaction of CMSC workers and consultants with the Afar community.

Q: Tell us about the environmental monitoring you do – what you measure, how often you measure?

I monitor the weather with automated weather stations at the Colluli deposit area and at Anfile Bay. Every 2 months I collect surface water data from four rivers; namely-Sukara, Galli Colluli, Sanda & Sariga. Data from piezometric bores and production bores is downloaded every four months at the deposit area. And every 2 months the

environmental team inspects the Colluli camp & pit area for environmental and safety compliance.

Q: How would you describe the environment in the region?

The Danakil Depression is located in an arid and semi-arid part of the region. I originally thought it would have been a challenge how to mine the potash from an environmental perspective. But the closest community is 20km away from deposit area and majority of the area is barren land. Hence, due to remoteness of the community habitat from the deposit area coupled with lack of vegetation and wildlife it made the mining relatively easier as compare to other mines which existed in Eritrea.

Q: What is the importance of the African Wild Ass and any other endangered species in the area?

The community considers the availability of African Wild Ass and other threatened species like ostriches and some gazelle species as a blessing and natural beauty. Since it is noticed that African wild ass and other wildlife species are on the verge of extinction, the community assures that there is protection of floras and faunas during their daily activity.

CMSC have been taking measures on mitigating wildlife disruption especially along the site access road and are planning more protection measures as Project activates.

Q: Which local community members do you work with and how does CMSC benefit them?

Local community members have been working with CMSC and acquiring experience on electrical and mechanical set up, general potash geology when assisting the drilling processes and participating on the monitoring of hydrology, hydrogeology and weather during the routine field activities. This experience has been really positive for the communities and it will continue as the Project develops.



Environmental Compliance

The Eritrean Ministry of Land, Water & Environment's Department of Environment has confirmed acceptance of the finalised Colluli SEMP. The acceptance follows an extensive review process by the Impact Review Committee, Chaired by Astier Redaezghi.

We have enjoyed a constructive working relationship with the Eritrean Government environmental departments and express our thanks to their support in forming robust management plans outlining our commitments in the way we will operate the Project.

No breaches of environmental compliance were recorded in 2019.

Supplier Environmental Compliance

The CMSC socio-environmental management plans not only apply to CMSC but to all employees, contractors and sub-contractors whilst engaged in the development and operation of the Project across all of the Project's activities.

All commercial tenders are assessed on the strength of the bidding party to meet or exceed the commitments made by CMSC. We have designed an organisation which will have the capability and resources to audit ourselves and our contractors and sub-contractors to the standards we have set. These standards will apply universally regardless of the size, origin or maturity of the business or individual.

Performance



CMSC Economic contributions

CMSC cashflow spend since incorporation (14 March 2014)

USD	2014	2015	2016	2017	2018	Total (since incorporation)
Internal spend (In-courtry)	409,199	615,275	951,710	1,275,085	842,556	4,093,825
External spend	5,293,270	10,532,875	2,061,114	5,000,331	3,280,779	26,168,369
Total Spend	5,702,469	11,148,150	3,012,824	6,275,416	4,123,335	30,262,194

Included in internal spend:

Salaries	247,814	169,273	122,736
Withholding Tax	308,031	263,731	534,157

Local procurement

Supporting management plans:

- Community Development.

The community Development Management Plan was completed and approved by the Department of Mines in 2018.

CMSC is in the process of finalising and implementing a procurement framework, which provides specification on the procurement principles and supplier qualifications.

Within the overall CMSC procurement framework will be a local procurement framework to promote local supplier development.

Information will be made available for potential local suppliers to understand CMSC requirements and how the company works. CMSC will establish and implement criteria for eligibility as a 'local supplier' to promote economic benefits in the Project Area and Local Region. Local procurement from a mix of Project-affected communities will be prioritised to minimise any potential local effects.

This framework will be designed to encourage capacity building and competition among suppliers in the Project supply chain. The main objective will be to maximise where practicable local purchasing, by directly working with local enterprises and by incentivising the Project's contractors to contract locally.

"Considering two development phases, during the period 2018-2030 Colluli could generate accumulated fiscal incomes (ENAMCO Dividends, Royalties and Corporate tax) of US\$1.2 billions..."

Report content



"...The potential fiscal effects of the first two development phases of Colluli exemplify the substantial potential of the project that according to their geological reserves and future extraction plans could be developed for more than 100 years"

Report content



CMSC will identify local procurement opportunities by undertaking a pre-qualification survey of local / regional businesses and their potential capacity to provide goods and services locally.

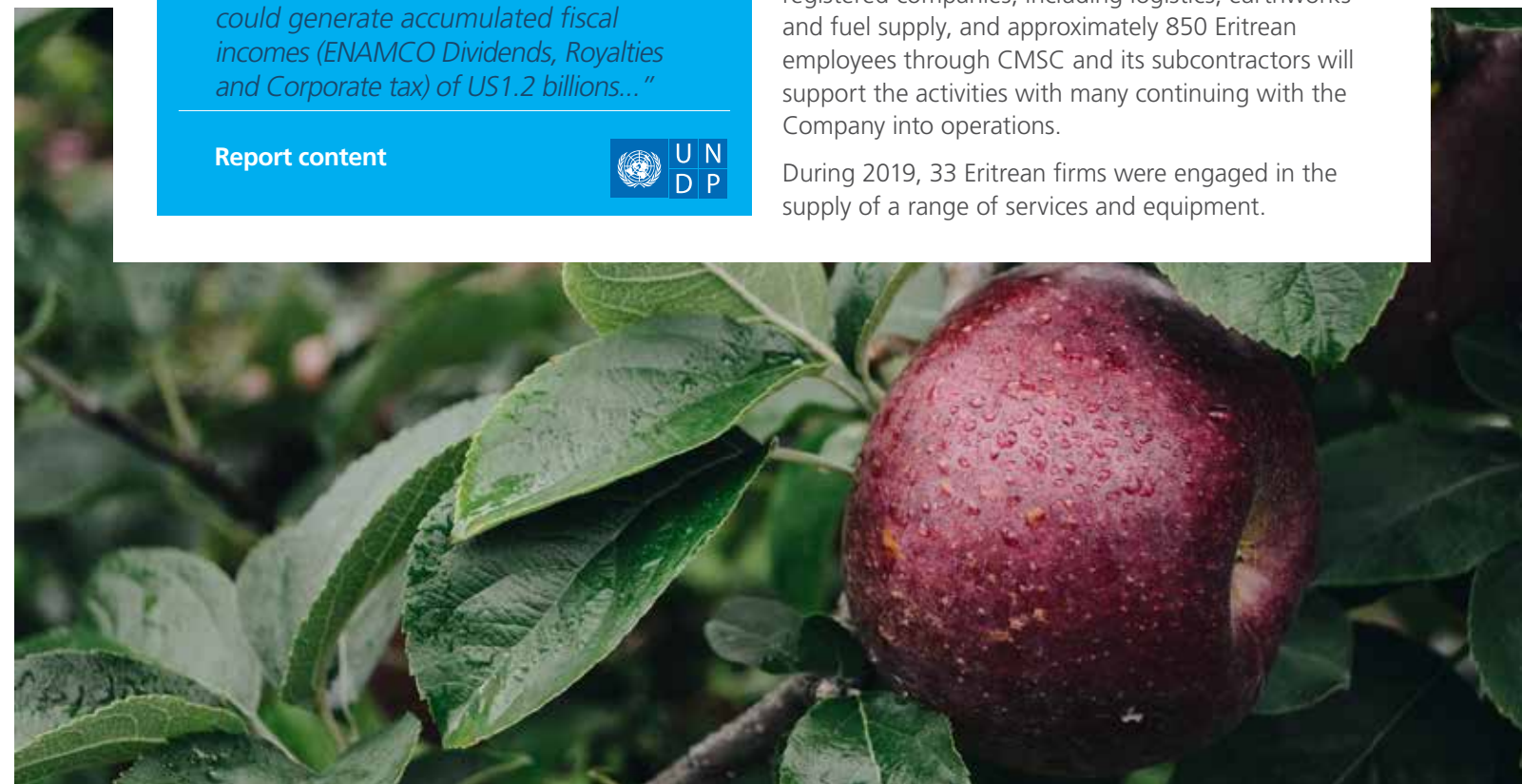
CMSC will encourage capacity building of local small and medium enterprises (SMEs) and suppliers through provision of targeted SME supplier training and development through a supplier development programme, to ensure local sourcing and procurement opportunities can be met (and fostered) through local suppliers (discussed further in the Human Resources Management Plan (MBS 2016).

The procurement of goods and services will not discriminate on any grounds e.g. gender, age, ethnicity, religion, or any such demographic or cultural traits.

All contractors will be required to consider Project Area and Local Region businesses in their procurement plans.

We expect that during Development 10-12 Eritrean registered companies, including logistics, earthworks and fuel supply, and approximately 850 Eritrean employees through CMSC and its subcontractors will support the activities with many continuing with the Company into operations.

During 2019, 33 Eritrean firms were engaged in the supply of a range of services and equipment.





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