
ASX Release

11 July 2016

Project approvals on track and positive outcomes from Social and Environmental Impact Assessment and Management Plan review

Highlights

- Public review period for Colluli Social and Environmental Impact Assessment (SEIA) and associated management plans (SEMP) now complete
- All documentation was made publically available for the two-month review period
- Only positive feedback was received on content, quality and comprehensiveness of the assessment and management plans
- Colluli SEIA and SEMP completed consistent with the Equator Principles
- Review period commenced immediately following the submission of the SEIA and SEMP documentation to the Ministry of Energy and Mines
- Over 500 local residents have been included in stakeholder engagements with overwhelming support by local and regional communities
- Ongoing community, local government and stakeholder engagements planned throughout the rest of the year leading up to construction activities
- Mining license application process continues with positive progress and relevant government ministry representation visiting the future Colluli mine site last week

Danakali Limited (ASX:DNK) (“**Danakali**” or the “**Company**”) is pleased to announce that, consistent with the requirements of the Equator Principles, opportunity for public review of the social and environmental impact assessment (**SEIA**) and associated management plans (**SEMP**) was provided and the two-month review period is now complete. The Equator Principles is a framework adopted by financial institutions for determining, assessing and managing environmental and social risks in projects. Feedback received from the public review process has been positive. No issues have been raised from the public review and feedback process. The documentation was submitted on behalf of the Colluli Mining Share Company (**CMSC**) which owns 100% of the world class Colluli Potash Project.

Managing Director, Paul Donaldson said *“This is a great outcome and reinforces the excellent work done to date to support the project development. The work was effectively made available to the international community, and received only positive feedback. We are also happy to have hosted a site visit, in recent weeks, from the relevant Eritrean ministries to support the mining license application process.”*

The Colluli project's definitive feasibility study (**DFS**) was completed in November 2015, and is currently awaiting mining license approvals. Representatives from relevant government ministries assigned to the approvals process visited site in June to assist with evaluation of the social, environmental impact assessments and associated management plans. Funding discussions are underway and the company has signed memorandums of understanding for 800,000 tonnes of sulphate of potash per annum. The DFS indicates industry leading capital intensity, bottom quartile operating costs and an ore reserve of 1.1 billion tonnes.

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About Danakali Limited

Danakali is an ASX listed company and 50% owner of the Colluli Potash Project in Eritrea, East Africa. The company is currently developing the Colluli Project in partnership with ENAMCO. Colluli is 100% owned by CMSC, which is a 50:50 joint venture between Danakali and ENAMCO.

The project is located in the Danakil Depression region of Eritrea, and is c. 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.

In November 2015, Danakali released a positive DFS for Colluli which demonstrates industry leading capital intensity and the lowest development costs relative to all SOP projects at DFS level in the world. Bottom quartile operating costs are predicted and mine life is estimated at over 200 years at the DFS production rate, providing the project with substantial growth potential.

SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride. Economic resources for production of SOP are geologically scarce. The unique composition of the Colluli resource favours low energy input, high potassium yield conversion to SOP using commercially proven technology. One of the key advantages of the resource is that the salts are present in solid form (in contrast with production of SOP from brines) which reduces infrastructure costs and substantially reduces the time required to achieve full production capacity.

The potassium bearing resource of the Danakil Depression has the unique capability to produce three of the four potash types in the global potash market which comprises potassium chloride (muriate of potash or MOP), potassium sulphate (sulphate of potash or SOP), potassium magnesium sulphate (sulphate of potash magnesia or SOP-M) and potassium nitrate (nitrate of potash or NOP). While CMSC is concentrating on achieving SOP production in the near-term, the focus is on developing a multi agri-commodity and salt business in the medium term.

The resource is favourably positioned to supply the world's fastest growing markets.

Our vision is to bring the Colluli project into production using the principles of risk management, resource utilisation and modularity, using the starting module as a growth platform to develop the resource to its full potential.

Mineral Resource Statements

The 2015 Colluli Potash Mineral Resource is reported according to the JORC Code and estimated at 1,289Mt @11% K₂O Equiv. The Mineral Resource is classed as 303Mt @ 11% K₂O Equiv Measured, 951Mt @ 11% K₂O Equiv Indicated and 35Mt @ 10% K₂O Equiv Inferred. The Competent Person for this estimate is Mr. Stephen Halabura, M. Sc., P. Geo., Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and a geologist with over 25 years' experience in the potash mining industry. Mr. Halabura is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan, a Recognised Professional Organisation (RPO) under the JORC Code and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code.

The 2015 Colluli Rock Salt Mineral Resource is reported according to the JORC Code and estimated at 347Mt @96.9% NaCl. The Mineral Resource is classed as 28Mt @ 97.2% NaCl Measured, 180Mt @ 96.6% NaCl Indicated and 139Mt @ 97.2% NaCl Inferred. The Competent Person for this estimate is Mr. John Tyrrell, a geologist with more than 25 years' experience in the field of Mineral Resource estimation. Mr Tyrrell is a member of the AusIMM, is a full time employee of AMC Consultants Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code.

Mr. Tyrrell & Mr. Halabura consent to the inclusion of information relating to the Mineral Resource Statements in the form and context in which they appear.

Ore Reserve Statement

The November 2015 Colluli Ore Reserve is reported according to the JORC Code and estimated at 1,113Mt @10% K₂O Equiv. The Ore Reserve is classed as 286Mt @ 11% K₂O Equiv Proved and 827Mt @ 10% K₂O Equiv Probable. The Competent Person for the estimate is Mr Mark Cheshier, a mining engineer with more than 30 years' experience in the mining industry. Mr. Cheshier is a Fellow of the AusIMM, a Chartered Professional, a full-time employee of AMC Consultants Pty Ltd, and has sufficient open pit mining activity experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code. Mr Cheshier consents to the inclusion of information relating to the Ore Reserve in the form and context in which it appears.

In reporting the Mineral Resources and Ore Reserves referred to in this public release, AMC Consultants Pty Ltd acted as an independent party, has no interest in the outcome of the Colluli Project and has no business relationship with Danakali Ltd other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC Consultants Pty Ltd and the Competent Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.