

ASX Release

27 April 2016

## Pre-requisites for mining approvals application complete

### Key Points

- **Social and Environmental Impact Assessment formally submitted** to Ministry of Energy and Mines
- **Final step of Mining Licence Application** pre-requisites complete
- **Mining License Application** currently being finalised for submission

Danakali Limited (ASX:DNK) ("**Danakali**" or the "**Company**") is pleased to announce that the formal submission of the Social and Environmental Impact Assessment ("**SEIA**") for the Colluli Potash Project ("**Colluli**") is complete. The Ministry of Land, Water and Environment has completed an adequacy assessment of the document relative to the SEIA terms of reference. The results of this assessment are positive. All criteria for the Colluli Mining License Application have been met.

Danakali Managing Director, Paul Donaldson, said:

*"We are very pleased to have passed the adequacy assessment for the social and environmental work and to have now completed the pre-requisites for the mining license application process. We are looking forward to submitting the mining license application in the near future, and working with the project stakeholders as we complete the permitting process. Colluli is rapidly advancing towards mine ready. The project demonstrates superior economic returns relative to other advanced sulphate of potash (SOP) projects throughout the world, has unrivalled diversification and growth potential, and is located at the epicentre of booming population growth. The project is positively unique and has no peer."*

### Next steps:

- Submission of the Mining License Application
- Establishment of the Mining Agreement
- Focussed stakeholder engagement and public disclosure in line with the SEIA

The SEIA documents compliment and build upon the detailed baseline studies which were submitted in 2015, and are aligned to the Colluli Definitive Feasibility Study ("**DFS**"). Following the submission of the DFS to the Ministry of Energy and Mines in February, DFS stakeholder engagements were held with representatives and members of communities proximate to Colluli and the transportation route. The results of these engagements have been integrated with the SEIA and Social and Environmental Management Plans ("**SEMP**"), which have been conducted according to the Equator Principles. The Equator Principles are a risk management framework adopted by financial institutions for determining, assessing and managing environmental and social risk in projects. The engagements revealed overwhelmingly positive support for the project.

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The SEMP includes details of the commitments for avoiding or reducing unwanted social and environmental impacts as well as plans for enhancing the benefits of the project to the regional population.

Socialisation of the SEIA and SEMP content with community representatives will now commence. This will build on the ongoing stakeholder engagement conducted over the previous years and the DFS specific focus group discussions and town hall meetings conducted in early 2016. The assessments and management plans will also be available on the Danakali website from the 2<sup>nd</sup> May until the 1<sup>st</sup> July 2016.

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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% K<sub>2</sub>O Equiv. The Mineral Resource is classed as 303Mt @ 11% K<sub>2</sub>O Equiv Measured, 951Mt @ 11% K<sub>2</sub>O Equiv Indicated and 35Mt @ 10% K<sub>2</sub>O 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% K<sub>2</sub>O Equiv. The Ore Reserve is classed as 286Mt @ 11% K<sub>2</sub>O Equiv Proved and 827Mt @ 10% K<sub>2</sub>O Equiv Probable. The Competent Person for the estimate is Mr Mark Chesher, a mining engineer with more than 30 years' experience in the mining industry. Mr. Chesher is a Fellow of the AusIMM, a Chartered Professional, a full-time employee of AMC Consultants Pty Ltd, and has sufficient open pit mining activity experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code. Mr Chesher consents to the inclusion of information relating to the Ore Reserve in the form and context in which it appears.

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