The new realms of mining prospects in Eritrea

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Mining in Eritrea: Development prospects, social, corporate responsibility and human rights implications

Eritrean Side Event – United Nations, Geneva
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Overview

• Danakali
• The Colluli project
• Global, environmental, social and economic benefits
• Our sustainable development framework
• Working in Eritrea – experience and challenges to date

Projects of Colluli’s quality are rare
About Danakali

- ASX listed junior mining company
  - Established in 2003
  - Run by highly credible and experienced team of industry professionals
  - Head office in Perth
  - Country office in Asmara
  - Operating in Eritrea since 2009
  - Commenced exploration drilling at Colluli in 2010
  - Completed feasibility studies in 2015
The Colluli project

The Colluli resource:
- Located adjacent to the Eritrean-Ethiopian border in the mid-Southern region of Eritrea
- Is the shallowest known evaporite deposit in the world
- Contains over 1.5 billion tonnes of potassium, sodium, calcium and magnesium salts\(^1\)
- Contains ore reserves of over 1.1 billion tonnes\(^2\)

The Colluli project:
- Most fundable greenfield potash project in the world
- Will initially focus on the production of sulphate of potash (SOP) fertiliser
- Has an estimated minelife of over 200 years at modelled production rates\(^3\)
- Will generate benefits for local and regional communities through employment, skills development and community development

The Colluli potential:
- A multi agri-commodity business producing potash, salt, gypsum and magnesium sulphate
- A platform for a chemical business including chlorine, bromine, calcium chloride, magnesium products and soda ash

Over 1.1 billion tonne ore reserve and 200+ year mine life

\(\text{\(1\) ASX announcements February 2015, September 2015}\
\text{\(2\) ASX announcement, November 2015}\
\text{\(3\) ASX announcement, November 2015}\

Global, environmental, social and economic benefits

Global benefits
- Agricultural yields need to increase by 70% by 2050 to feed the growing population\(^1\)
- Increased fertiliser application is required due to declining arable land
- Chloride free fertilisers are preferable for high value crops including fruits, vegetable and nuts

Environmental benefits
- Chloride free fertiliser with significantly lower salt index than traditional potash
- 25% of the world’s irrigated land is affected by salinity\(^2\)
- 2000 hectares of farm soil lost daily to salt induced degradation

\(^1\) Food and agriculture organisation of the United Nations
\(^2\) United Nations University

Potash demand is fundamentally a population growth story
Global, environmental, social and economic benefits

Social benefits
- Jobs creation – over 450 national jobs$^1$
- Skills development – from operator to engineer
- Disposable income – more than 20x current in local area$^2$
- Improved infrastructure – roads, power and water
- Local supply chain – supporting local business development

Economic benefits
- National level – over US$200 million per year in taxes, royalties and dividends$^3$
- Over US$10 million per annum in local wages$^3$
- Community investment
- Local supply chain

Social, environmental impact assessments and management plans have been completed consistent with the equator principles

1. Colluli DFS
2. Colluli social, environmental impact assessment
3. Colluli DFS economic model
Overwhelming community support

ENGAGEMENT WITH COMMUNITY AND KEY STAKEHOLDERS HAS GENERATED STRONG SUPPORT FOR COLLULI DEVELOPMENT

Colluli will create over 300 permanent jobs for locals and Eritrean nationals by 2019, and over 450 by 2025
We are developing the project within our sustainable development framework.
Eritrea – a misunderstood jurisdiction

DANAKALI HAS BEEN OPERATING IN ERITREA SINCE 2009 AND HAS FOUND IT TO BE SAFE, STABLE AND DEVELOPMENT FOCUSED

- The Danakali experience in Eritrea:
  - Safe and friendly
  - High degree of focus on health and education
  - Development focussed with an emphasis on the agricultural, industrial and mining sectors
  - Stable government
  - Building up a track record of success in a maturing mining industry
  - No evidence of corruption
  - Gender equality

- CMSC (ENAMCO and Danakali) are progressing a sustainable development framework that addresses the policy, management plans and compliance monitoring in key areas including:
  - Human rights
  - Anti-corruption
  - Communities
  - Health and safety
Challenges – allegations considered fact

The Use of Forced Labour at the Colluli Potash Project in Eritrea

The systematic stripping of Eritrea’s mineral resources continues. It is not enough for the Eritrean government to give foreign companies such as Nevsun 60% ownership of the Bisha Mining, which has benefited the president and a handful of cohorts, but has yet to trickle down to the Eritrean population which continues to go without electricity even in hospitals where recent blackouts caused many deaths.

The Eritrean government’s rapaciousness continues as they enter into a partnership with South Boulder Mines Ltd. The South Boulder Mines Ltd is an Australian mining company, and its headquarters is based in North Perth, Western Australia.

The high grade, rich and concepted Potassium Sulfate deposit is found in Colluli, in South East Eritrea, about 670 km from the capital Asmara, 184km from the port of Massawa and is very near to the town of Gelele.

A feasibility study has been carried out and, preparation for the exploitation of potash is underway. As part of the preparation, the road from Colluli to Marena coastline is being fortified and rebuilt using the forced labour of underfed and overworked Eritreans in terrible living and working conditions.

Eritrea: Human Rights Concern allege use of forced labour at mine; South Boulder Mines refutes allegations

Human Rights Concern alleged the use of forced labour at an Eritrean mine operated by Colluli Mining Share Company, a subsidiary of South Boulder Mines and the Eritrean National Mining Company. In a press release, South Boulder Mines, has refuted the allegations, saying the Eritrean government does not force the employment of people in national service.

The project “is forcibly removing... the indigenous community in Eritrea from their homeland...”

Incorrect and fabricated

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Summary

• Colluli is a world class project

• It is being developed within the framework of the CMSC sustainable development framework which is underpinned by the principles of ethical work practices, zero harm, business performance and stakeholder engagement

• The project will have significant global, environmental, economic, social and community benefits

• The longevity of the project will facilitate skills development – from operator through to professional roles

• Eritrea is a misunderstood jurisdiction. External messages don’t align with reality
Thank you