



For Immediate Release

6 August 2015

## **Circum Minerals Ltd.**

### ***Circum's Ethiopian Danakil Project completes Definitive Feasibility Study***

***Project will deliver lowest cost potash production in the world***

***Robust economics due to low capital intensity per annual tonne***

***Proven and Probable Reserves sufficient for minimum 26 year project life***

The Chairman and Co-founder of Circum Minerals Ltd. ("Circum" or the "Company") Stephen Dattels, today announced that Circum has completed its Definitive Feasibility Study ("DFS") on its world-class potash project in the Danakil Basin in Ethiopia.

Circum's Danakil Project is operated by Plinian Capital Limited managed by Brad Mills who commented, "The Danakil Project is expected to be one of the largest potash projects in the world. With its large scale, low cost profile it is on track to become the world's lowest cost potash producer and a major supplier to the Asian and South East Asian markets."

### **Highlights**

- Measured, Indicated and Inferred Resources of 4.9 billion tonnes at 18.1% KCl
- Proven and Probable Reserves of 107.8 million tonnes of KCl equivalent
- Expected annual production of 2 million tonnes of MOP and 750,000 tonnes of SOP for Phase I
- Reserves support 26 year mine life for Phase I, with three year ramp-up period
- Development capital for Phase I of US\$2.58 billion (including contingency)
- Lowest quartile mine gate cash costs of US\$39/t of MOP and US\$114/t of SOP
- Total operating costs (FOB Djibouti) of US\$83.89/t of MOP and US\$ 158.95/t of SOP
- Assumed prices of US\$350/t of MOP and US\$580/t of SOP
- After-tax Net Present Value of US\$ 2.1 Billion, at 10% discount rate
- After-tax Internal Rate of Return of 22.4%

Circum owns a 100% interest in an exploration license encompassing 365 square kilometers in the Danakil Basin in North-Eastern Ethiopia (the "Danakil Project" or the "Project"). The Company acquired the rights to the deposit in 2013 and has been privately financed to date with total equity raised of approximately US\$50 million inclusive of share issuances for acquisition costs and service agreements. As well as the founders, Stephen Dattels and Mike Beck, the Company's shareholders

include Plinian Capital Limited (“Plinian”) (which is also the operator), led by former BHP Senior Executive, Brad Mills, and African Minerals Exploration & Development Fund II SICAR (“AMED”), an African focused, natural resources private equity group.

The DFS was completed to the standard of a NI 43-101 Canadian securities code compliant Feasibility Study under the overall supervision of Senet (Pty) Ltd of South Africa. K-UTEC AG Salt Technologies of Germany provided resource definition and well field and plant design. Umvoto Africa (Pty) Ltd. provided water resource modeling and Environmental Resource Management (ERM) conducted the Environmental and Social Impact Assessment (“ESIA”).

Brad Mills commented: “The results of the DFS have demonstrated that Circum’s Danakil potash project has the potential to be one of the lowest cost, lowest capital intensity, large scale potash projects in the world with excellent economics and expansion potential. The development of the Danakil potash basin will make Ethiopia one of the world’s leading exporters of potash and related mineral salts. When combining the low capital and operating costs with the lowest logistic costs to the Indian and Asian markets we expect the Danakil to rapidly become an important competitive force in the potash industry. Circum is perfectly positioned to become the largest producer in the region with excellent long term growth potential.”

The next steps for the Danakil Project will be to complete a Mine Development Agreement with the Ethiopian Government, start the value-added engineering process to further refine the DFS and reduce capital costs, commence a scoping study to expand production at the Project to 5 million tonnes per annum and conduct detailed rail and logistic studies to further reduce the long term operating costs of the Project.

Circum will also start the search for a strategic development partner as it continues to refine its overall financing plan for the Project.

### **Key Competitive Attributes**

Production of 2 million tonnes of MOP and 0.75 million tonnes of SOP is being targeted from mid-2018 onwards from Circum’s Danakil Project in Ethiopia with shipments from the Tadjoura Port of Djibouti.

### ***High quality extensive resources with significant upside***

- The current NI 43-101 compliant Mineral Resource has drill tested 40% of the concession area.
- The Measured and Indicated Resource is 2.8 billion tonnes of potash salts at depths of less than 100 meters to 500 meters. The Inferred Resource is another 2.1 billion tonnes giving a total Mineral Resource of 4.9 billion tonnes of potash salt.
- Seismic data confirms the continuity of the potash layers throughout the rest of the concession area with maximum depths of about 600 to 800 meters in the central part of the basin but shallower along the eastern and western edges. This suggests an overall resource size of 11 to 13+ billion tonnes of potash bearing salt beds within the concession boundary.
- Average thickness of the Upper Sylvinitic layer is 6.2 meters at a grade of 27.5% KCl in the

western deposit.

- Average thickness of the Lower Kainitite layer is 8.8 meters with a grade of 19% KCl (as K<sub>2</sub>SO<sub>4</sub>) in the western deposit.

#### ***Low risk in-situ leaching extraction method***

- Due to the shallow nature of the deposit, it is easily amenable to low cost solution mining.
- Circum is presently conducting a full scale pilot test leaching program with a large diameter production well (0.45 meters) to confirm cavern design, leach rates, solution quality and evaporation characteristics.
- Due to the extremely hot surface temperatures (+50 degrees Celsius) in summer, the Danakil Project will be able to use solar evaporation all year round as the primary concentration method for its brines.
- There are abundant nearby water resources in the large alluvial fans to the west.

#### ***Low cost, low capital intensity project***

- MOP ex-mine cash costs are expected to be US\$39/tonne and FOB at Djibouti of US\$83.89/tonne.
- SOP ex-mine cash costs are expected to be US\$114/tonne and FOB at Djibouti of US\$158.95/tonne
- The Danakil Project is projected to have one of the lowest capital intensity per annual tonne of production of any major potash project in the world. The DFS estimates Phase I development capital at US\$940/tonne of annual production versus US\$2000/tonne for recently completed or planned projects in Canada and Belarus.

#### ***Significant infrastructure support from the Ethiopian Government***

- The Ethiopian Government is currently upgrading local roads and has recently completed a paved road from the city of Mekele (where Circum's logistics base is located) to the Danakil Basin.
- The Ethiopian Electric Power Corporation has informed the Company of their intention to expand the national grid from the city of Mekele to the Danakil region.
- The Government has agreed to build a reinforced concrete main production haulage road for potash transport out of the Danakil Basin to the main rail line (approximately 400 km).
- Rail transport is being evaluated by Circum with the intention of incorporating it into the project economics once production in the Danakil Basin exceeds 5 million tonnes per annum.

#### ***Significant scale project with serial expansion capability***

- The initial Danakil Project is designed to produce 2 million tonnes of MOP and 0.75 million tonnes of SOP (Phase I). This will give the Project a life of 26 years based on the current Proven and Probable Reserves only. Conversion of the current Inferred Resource has the

potential to more than double this.

- The Project is easily scalable and Circum will complete a scoping study in 2016 on the expansion of production to 5 million tonnes per annum.
- Circum's current Kainitite resource is the largest naturally occurring Kainitite (SOP) deposit in the world.

#### ***Excellent logistics and transportation cost to the South East Asian Markets***

- The primary exit from Ethiopia will be the Tadjoura port of Djibouti. It is expected that this port will provide the lowest transportation cost of any major potash producing region to the Indian, Malaysian, Indonesian, Thai and Southern Chinese markets.
- Discussions are underway with the Djibouti Government-owned Port Authority for Circum to be allocated an area for product storage facilities at the brand new bulk terminal at the port expected to be completed in 2016.

#### ***Short pathway to production, low risk development***

- The Phase 1 DFS is complete (July 2015).
- Circum anticipates that the mining license for the development of the Project will be granted in the second half of 2015 once the Ethiopian Government has reviewed the DFS and the ESIA.
- All of the technology to be employed is well proven industry standard.
- Infrastructure development is well advanced.

#### ***Fair Fiscal Regime in Ethiopia, stable government and strong support from EBRD, World Bank and the US***

- Ethiopia has put several tax incentives in place to encourage investment in mining projects.
- Large-scale mining projects are taxed at 25% (compared to the standard corporate tax rate of 30%). Losses may be carried forward for 10 years and mining companies can depreciate assets at a rate of 25% per year for tax purposes.
- Tax holidays have been negotiated for similar projects in Ethiopia, and the DFS assumes a nine year tax holiday for the Project. This will be confirmed during negotiations with the Ethiopian Government for the mining license.
- Mining licenses in Ethiopia are subject to royalties ranging from 2% to 8% of revenue. MOP and SOP are classified as industrial minerals, with a royalty rate of 4%. There is no royalty payable to a licensor.

#### **Strategic Alternatives**

Circum is in the process of engaging a major international investment bank to advise the Company on its strategic alternatives given the Danakil Project's importance to the potash industry and the Asian markets. Circum has already identified interest from a number of Asian and Middle Eastern Groups in becoming involved in various aspects of this highly valuable Project's development.

## **About Circum Minerals Ltd.**

Circum Minerals Ltd. is a private company focused on the development of a significant potash deposit in the Danakil Basin of Ethiopia. Through its wholly-owned subsidiary, Circum Minerals Potash Ltd., the Company holds a 100% interest in an exploration license covering 365 square kilometers. For more information regarding Circum visit its website at [www.circumminerals.com](http://www.circumminerals.com).

For additional information please contact:

Chris Gilchrist  
Chief Operating Officer  
Circum Minerals Ltd.  
[chris@gilchristmining.com](mailto:chris@gilchristmining.com) +353419883409

Toby Hall  
Public Relations Advisor  
GTH Communications  
[tobyh@gth.co.uk](mailto:tobyh@gth.co.uk) +447713341072

*Certain statements in this press release are forward looking statements. These forward looking statements are not based on historical facts but rather on management's expectations regarding the Company's future growth, results of operations, performance, future capital and other expenditures, competitive advantages, planned exploration and development activity and the results of such activity, business prospects and opportunities. Such forward looking statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, the results of exploration and development drilling and related activities, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligations to update publicly or otherwise revise any forward-looking information.*