

Danakali Ltd

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Danakali primed to execute world-class Colluli Sulphate of Potash Project

Danakali Ltd (ASX:DNK) (LON:DNK) (FRA:SO3) (OTCMKTS:SBMSF) is primed to execute the world-class Colluli Sulphate of Potash (SOP) Project in Eritrea with the imminent securing of Mandated Lead Arranger credit approvals a key milestone.

Once credit approvals are confirmed, Danakali is set to begin executing the project later this year.

All material permits are in place, a binding take-or-pay offtake agreement has been secured with EuroChem and a US\$200 million senior debt term sheet executed.

"Outstanding economics"

The company's head of Corporate Development & External Affairs Will Sandover outlined the company's progress towards production during this week's Proactive CEO Sessions in Sydney and Melbourne.

He said studies had shown the advanced stage project had "outstanding economics with significant margins".

These economics were supported by strong and growing demand for fertiliser, particularly from developing nations in Africa, the Middle East, Latin America and South East Asia.

The majority of the expected increase in population is coming from these nations, which also had growing middle classes seeking enhanced nutrition from premium crops.

READ: Danakali aims for transformative year with Colluli SOP project in Eritrea

Colluli is owned by the Colluli Mining Share Company (CMSC), a 50:50 joint venture vehicle of Danakali and state-owned company ENAMCO.

Price: 0.59

Market Cap: \$156.7 m

1 Year Share Price Graph



Share Information

Code: DNK

Listing: ASX

52 week	High	Low
	0.82	0.575

Sector: Rare earths & specialist minerals

Website: www.danakali.com.au

Company Synopsis:

Danakali Ltd (ASX:DNK) is developing the Colluli Potash Project, a world class greenfield SOP development project.

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As well as producing the in-demand and undersupplied premium form of potash in sulphate of potash (SOP), Colluli would have a major logistics advantage over its competitors as it was the world's closest known SOP deposit to a coastline.

The advanced project has a 1.1 billion tonne ore reserve with a mine life of almost 200 years at an industry-significant production rate.

Being the shallowest known evaporite deposit, commencing at just 16 metres, allows for open-cut mining and simple, commercially proven processing.

Danakali will develop Colluli utilising a modular approach with the first module involving annual production of 472,000 tonnes of premium SOP and in module II this will increase to 944,000 tonnes.

First quartile operating costs

Sandover told investors that this would involve industry-leading capital intensity at first quartile operating costs.

Project NPV is estimated at US\$902 million with Danakali's share being US\$439 million and its IRR being 31.3% for modules I and II.

READ: Danakali aims to bring Colluli Sulphate of Potash project into development this year

"The project has a suite of attributes that allows for simple, proven, low risk and low-cost mining, processing and logistics," Sandover said.

"If the project had been operating in 2018, Danakali would have been the world's lowest cost SOP producer."

As well as SOP, Colluli has potential to produce other fertiliser products, such as SOP-M, MOP and gypsum, along with rock salt.

There is also potential for kieserite and mag chloride to be commercialised with minimal further processing required.

Price target of \$1.20

The advanced project's attributes have been attracting attention from investors and brokers with Bell Potter and Numis recently completing positive research reports with price targets of around A\$1.20.

This represents considerable upside to the current price of 71 cents.

Danakali has a market cap of approximately A\$185.1 million (£111.1 million) and an enterprise value of approximately A\$177.5 million (£106.9 million).

The company has supportive major shareholders, including Well Efficient with 13.2% and JP Morgan Asset Management with 7.6% while board and senior management hold more than 5%.

Niels Wage was appointed CEO earlier this year, bringing extensive industry experience, leadership capabilities, and passion for the project.

This has been a timely appointment as Danakali finalises project funding and moves quickly towards project execution.

Read Will Sandover's presentation on Danakali here.

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