Danakali Ltd

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Danakali progresses towards goal of becoming leading sulphate of potash producer and exporter

Danakali Ltd (ASX:DNK) (LON:DNK) (OTCMKTS:SBMSF) is confident that its unique Colluli Sulphate of Potash (SOP) Project development in Eritrea, Africa, is set to become a global game changer.

The project hosts the world’s largest and only solid salt, near-surface SOP resource (mineralisation commences at just 16 metres) with unrivalled reserves of 1.1 billion tonnes of high-grade ore able to deliver around 200 years of production.

Danakali is aiming for a 2022 production target date, pending the closing out of funding and commencement of construction early this year.

Project development

Process test-work continues to be undertaken before EPCM Phase 3 (detailed design) commences, the results of which will increase the accuracy of equipment selection allowing future schedule risk mitigation.

This test-work is progressing as planned for completion late in the current quarter.

Robust economics

Notably, Colluli has strong economics with the first two modules of SOP (each 472,000) delivering robust returns for the company at a net present value of US$439 million and an internal rate of return of 31%.

The project also has already secured US$221 million of financing through senior debt and equity with African Export-Import Bank (Afreximbank) and Africa Finance Corporation (AFC).

As of December 31, consolidated cash on hand was A$9.74 million, which the company estimated as sufficient for more than five quarters.
Colluli Front End Engineering Design (FEED) economic estimates and outcomes.

**Proximal to growing SOP markets**

Colluli is strategically positioned near the established and developing SOP markets of Europe, the Middle East, South East Asia and Africa and is the closest SOP project to port infrastructure (Massawa) in the world.

The proposed future port at Anfile Bay has the potential to create an unrivalled global logistics advantage just 87 kilometres from the project.

Danakali’s 10-year take or pay offtake agreement with EuroChem Trading GmbH for up to 100% (minimum 87%) of Colluli Module I SOP production is expected to leverage these markets, especially Africa.

In addition, the project’s location unlocks its potential to expand to become a multicommodity fertiliser producer with large volumes of SOP waste products able to be commercialised once Anfile Bay is developed, which in turn offers the opportunity to diversify revenue.

**Zero carbon production**

A key difference for the project to its peers is the company’s plans to make Colluli the world’s first carbon neutral producer of SOP.

The project has unrivalled access to one of the world’s greatest geothermal energy systems, the Great African Rift.

In addition, natural climate conditions in the region are also ideal for solar and wind energy with the Danakali desert nearby and prevailing coastal winds a potential resource.

As part of its Phase 2 expansion, the company is working on plans to shift to these renewable energy sources.
The project has a high degree of expandability and multi-commodity potential.

**Humanitarian Impact**

Danakali has been operating in Eritrea since 2009 and has found the country to be a safe, stable and development focused jurisdiction.

The United Nations Development Program (UNDP) has indicated Colluli has a significant long-term positive humanitarian impact in the region, with key benefits including job creation, economic development, and an increase in food security.

The company’s ESG framework is contributing to 13 of 17 Sustainable Development Goals while the project has been highlighted by UNDP as a blueprint for mining in developing countries.
Danakali has a market cap of approximately A$129.1 million while shares have traded up to A$0.38 today.
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Contact us +44 (0)207 989 0813 action@proactiveinvestors.com

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