

# Danakali Ltd

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## Danakali on track for strong finish to 2017 at Eritrean potash project

Danakali Ltd (ASX:DNK) is increasing its focus on firming offtake agreements and advancing debt and financing at the Colluli Potash Project in Eritrea.

This work comes as the company, which is seeking a secondary listing in the UK, finalises studies, including the front-end engineering design (FEED) phase.

These factors, along with a solid cash position, align Danakali for a strong finish to 2017.

They will also allow it to progress to full engineering and construction of Colluli.

## Negotiations for bankable offtake agreements

The company is working with a select group of potential offtake parties to secure bankable offtake agreements.

It has been well supported by Norton Rose Fulbright in developing the contract framework and completion of binding agreements is targeted for early 2018.

## READ: Danakali seeks London listing for increased liquidity and access to funds

The company also expects to be boosted by secondary listing on the London Stock Exchange (LSE), which is expected to be completed during the next quarter.

FEED results have improved Colluli's competitive position as a result of reduced development capital and higher sulphate of potash (SOP) output.

The company believes the project has a lower estimated capital cost per tonne of SOP than any other greenfields development.

## READ: Danakali lowers its industry-leading capital costs further

Equipment and supplier lists developed in the FEED phase provide key inputs to the procurement-led debt funding process.

Capital cost estimates for the second module of the two-stage development process are being finalised and will form part of the final FEED economics.

Danakali plans to release these results next month.

Capital optimisation work is expected to be completed this month while optimisation work on the site water intake and treatment area is expected to

**Price:** 0.32

**Market Cap:** \$102 m

### 1 Year Share Price Graph



### Share Information

**Code:** DNK

**Listing:** ASX

**52 week High Low**  
0.64 0.285

**Sector:** Rare earths & specialist minerals

**Website:** [www.danakali.com.au](http://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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further reduce development costs.

## **Project's world class attributes**

Throughout the study phases Danakali said the project has continued to demonstrate world class attributes.

Development capital and overall economics have progressively improved while capital intensity remains unrivalled in contrast with advanced stage peer developments.

The project offers unrivalled capital intensity and valuation metrics.

Colluli is the world's leading and most progressed SOP development project and Danakali said it is without peer on capital intensity or valuation bases.

Module I has post-tax IRR of 25.2% and when combined with Module II, the project stands at 29.3%, well above other similar projects.

Colluli is in the bottom quartile of cash costs, which protects margins and provides an opportunity for the project to displace high cost secondary SOP supply.

## **Underpinned by versatile resource**

Colluli is underpinned by a versatile resource.

As well as premium SOP, it can produce potassium chloride (MOP), potassium magnesium sulphate (SOP-M), magnesium sulphate and rock salt.

SOP has steadily growing demand with limited new supply coming online and a sustained 130% premium over MOP.

Another advantage of the project is that the resource is shallow, allowing for simple, low cost, open cut mining.

The unique combination of potassium bearing salts allows simple, energy efficient, commercially proven processing.

Colluli's strategic positioning puts it close to key fertiliser markets and population centres, including India, Middle East, China, Southeast Asia and Europe.

Danakali and joint venture partner Eritrean National Mining Corporation (ENAMCO) each have a 50% ownership interest in the Colluli Mining Share Company (CMSC).

## **What comes next at Colluli**

FEED optimisation will be completed in January with results released.

Final mining negotiations are due to be completed with shortlisted bidders in the first half of 2018.

Danakali will evaluate and finalise the preferred power provider's proposal in the March quarter.

Offtake negotiations are advancing and the company expects these to be finalised during the first quarter.

Debt arrangements with commercial lenders will be finalised in the first half of 2018 along with the dual LSE listing.

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