

Danakali Ltd

16:10 16 Jun 2020

Danakali's first sustainability report extols virtues of Colluli Potash Project to Eritrea

Danakali Limited's (ASX:DNK) (LSE:DNK) (OTCMKTS:SBMSF) maiden sustainability report has extolled the future virtues of Colluli Sulphate of Potash (SOP) Project to the East African nation of Eritrea.

The first Sustainability Report for the SOP project in the Danakali Depression region, which is on the verge of construction, outlines ongoing and planned contributions to sustainable development in Eritrea.

Positive contribution

It highlights Colluli's potential to positively impact Eritrea through its significant commitment to responsible business, strong alignment with 13 of the 17 UN Sustainable Development Goals (SDGs) and that the operational management systems under development will align with:

- Equator Principles
- IFC standards for Environmental and Social Performance; and
- World Bank Group Environment, Health and Safety Guidelines.

The Equator Principles (EPs) is a risk management framework, adopted by financial institutions, to determine, assess and manage environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.

Colluli is 100%-owned by the Colluli Mining Share Company (CMSC), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (ENAMCO).

Progressing to production

Danakali chief executive officer Niels Wage said: "As we are nearing construction and then progressing to production, the team is working hard on ensuring all foundations are in place and is driven by the responsibility, dedication and focus that this project deserves.

"We are pleased with the progress we have made so far, and the steps we are taking to ensure full alignment with international and Eritrea's standards across all operational management systems.

"The release of the inaugural Sustainability Report is yet another step in our commitment to responsible business throughout the construction and operation of Colluli and consistent ESG disclosure that meets investors' expectations for measurable performance data."

An independent United Nations Development Program (UNDP) report in January 2019 said Colluli had significant potential to contribute to the Eritrean economy.

Associated potential benefits to the country's sustainable development agenda will be generated through the creation of direct and indirect local jobs across different sectors, contribution to export and GDP, potential transformation of

Price: 0.41

Market Cap: \$130.68 m

1 Year Share Price Graph



Share Information

Code: DNK

Listing: ASX

52 week High Low
0.67 0.285

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.

action@proactiveinvestors.com.au

regional agriculture and food security, all of which will help Eritrea meet 13 out of the 17 UN SDG's.

The report states that the shared value in Colluli can be implemented in four possible initial channels: through supporting local firms; identifying and developing appropriate training and skills provision for local population; making available the fertilisers for use by farmers within Eritrea in the first instance and for farmers in wider Africa in the next step, and by implementing zero carbon approaches.

Accessible project

Colluli is about 75 kilometres from the Red Sea coast, making it one of the most accessible potash deposits globally and mineralisation commences at just 16 metres, making it the world's shallowest known potash deposit.

The resource is amenable to open cut mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining and is highly advantageous for modular growth.

Danakali has completed a Front End Engineering Design (FEED) for the production of potassium sulphate, a chloride-free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride (or MOP).

Economic resources for production of SOP are geologically scarce.

A binding take-or-pay offtake agreement has been confirmed with EuroChem Trading GmbH (EuroChem) for up to 100%, with a minimum of 87%, of Colluli Module I SOP production.

Financing progress

Development Finance Institutions, Africa Finance Corporation (AFC) and African Export Import Bank (Afreximbank), have obtained formal credit approval to provide CMSC with US\$200 million in senior debt finance. In addition, AFC has also executed a Subscription Agreement for a US\$50 million strategic equity investment in Danakali.

The receipt of the first tranche of US\$21.6 million (A\$31.8 million) allowed the commencement of the development Project execution and SOP production is expected during 2022.

Due to the quality of the Colluli asset, the primary SOP modules can be leveraged to create a much larger project utilising the volume, multi-salt ore body to commercialise by-products and add additional commodity lines, such as Rock Salt.

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Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

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