Danakali Ltd

Apr 19th 2016

Danakali Ltd signs offtake agreements for Colluli sulphate of potash

Danakali Ltd (ASX:DNK) has now signed non-binding memorandums of understanding (MOU’s) with eight multinational parties throughout Northern Africa, Europe, Middle East and North America for the offtake of sulphate of potash from Colluli.

Sulphate of potash, is a high quality, chloride free potash type with limited economically exploitable primary resources.

Danakali provided high quality representative samples produced from the project for quality control assessment by the prospective customers.

Paul Donaldson, managing director, commented: "We are happy with the progress that has been made to date on the Colluli project.

"The outcomes of the DFS demonstrate that Colluli is positively unique.

"No other potash project in the world has the growth, product diversification and upside potential of Colluli.

"The signed MoU's and negotiations underway with potential offtakers highlight that SOP is, and will continue to be, a product in high global demand."

Colluli is 100% owned by the Colluli Mining Share Company, which is a 50:50 joint venture between Danakali and the Eritrean National Mining Company.

The project is located at the epicentre of booming population growth in Africa and Asia, while lying close to traditional Middle Eastern and European markets.

Details on the MoU's

The combined offtake volumes in the MOUs exceed 800ktpa in both standard and granular form, which compares to Colluli’s design production capacity of 425ktpa (Module I only).

Engagement with potential Asian customers has yet to commence, and represents strong potential for additional product volume interest.

Approvals process

The Colluli DFS has been submitted to the Eritrean Ministry of Energy and Mines. DFS due diligence will be conducted as a pre-requisite to the award of a mining license.

Social and environmental impact assessments and associated management plans have been completed to the Equator Principles (a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects). Danakali and CMSC have completed post DFS stakeholder engagements.

Analysis

The favourable suite of potassium bearing salts, shallow mineralisation, proximity to coast and simple, proven processing technology combine to give Colluli an industry leading capital intensity, bottom quartile operating costs, low
incremental growth capital and unrivalled product diversification potential.

These outcomes are underpinned by a massive 1.1 billion ore reserve which delivers an estimated mine life of over 200 years at the DFS production volumes.

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