Interest grows in premium potash project

Not all potash projects are created equal, and with the giant Colluli deposit, Danakali (ASX: DNK) believes it has hit the jackpot. Ngaire McDiarmid reports. Ngaire McDiarmid reports

The resource also has the potential to produce another high-quality fertiliser product, potassium magnesium sulphate, and Danakali is now investigating other potash options to include the chloride-free fertiliser for the global markets, it meets all the criteria of a superior project. "We’ve been very focused on Phase I starting the SOP project, but beyond that we have decades of low-cost growth ahead and an expansion into a multi-agri-commodity business."

"With the depth of our resource, there is no reason that in the fullness of time this won’t be one of – if not the – biggest potash mine in the world; and it can grow with low risk, which is very unusual for a potash project because typically they are so deep.”

Donaldson said many potash projects started as a potassium-rich brine that needed expensive evaporation ponds and created a lag between capital expenditure and revenue. "Our potassium content is 25 times higher than a typical potassium-rich brine and we are the only resource that can open-cut mine,” he said.

"For us, the processing is simple, we’re at the mercy of the weather and we have a whole range of benefits including a predictable feed grade," he said. He said Eritrea was proving a positive country to develop a mining project in and he said having ENAMCO, which is involved in other partner-sharing projects, will help Danakali.

"With the depth of our resource, we’re not at the mercy of the brine and we are the only resource that can replicate the possibilities offered by the unique resource. Investors have demonstrated their support to develop the project through a recent $5.5 million capital raising. The debt-free company applied for a mining licence at the start of May and is now firming up discussions on off-take agreements and securing finance as it aims to produce SOP in 2019.

The price of the more common potash – potassium chloride or muriate of potash (MOP) – has slumped in recent years but Donaldson said the premium SOP price had held steady and was expected to rise, due to the increasing demand for food from a growing population and the lack of new supplies outside China. "We’re very confident of the market fundamentals for potassium sulphate,” he said. "The other aspect that makes our project fundamentally different to every project outside of China is that it has a similar cost structure to production of potassium chloride, and that never usually occurs."

"So what that means is we’ll be making a premium product with the same cost structure as the more common fertiliser product.”

Colluli can also produce MOP but Danakali has focused the start of its staged development plans on its premium SOP product.

The proposed processing plant at Colluli.

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MANAGING DIRECTOR & CEO

"People were able to see our process, the SOP quality and its potential to produce another high-grade SOP samples generated from the Colluli salts, thanks to pilot tests run during the definitive feasibility study. "Now our DFS has demonstrated the potential of Colluli continues to grow. "Now our DFS has demonstrated the scale and economics for our SOP project, we’d like people to get excited about the multi-commodity potential beyond SOP at Colluli,” he said.

"We’re working with Endeavour Financial on the funding and they are very experienced in putting together deals in jurisdictions including Eritrea,” he said. "We’ve got all the right groups working with us and 2016 is all about pulling these three things together, so as soon as we’ve got the finance we can start construction and we’ll have the off-take agreements in place to give the financiers confidence.”

Aside from these aims, Donaldson expects more news flow in the coming months as the development potential of Colluli continues to grow.

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