Danakali Ltd’s advanced Colluli Potash Project in Eritrea is a cut above the rest

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The company has already signed a binding offtake agreement with EuroChem for up to 100% (minimum 87%) of module I sulphate of potash (SOP) production.

1.1 billion tonne ore reserve and almost 200 year mine life

Danakali Ltd (ASX:DNK) is focused on the development of the world-class Colluli Sulphate of Potash (SOP) Project in the East African country of Eritrea.

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).

Front end engineering design (FEED) has confirmed a post-tax net present value of US$902 million and post-tax internal rate of return (IRR) of 29.9% for the Colluli project.
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SOP is a fertiliser used by farmers to grow high value, chloride-sensitive crops. SOP is currently under-supplied and demand is growing. Interestingly, there is no other known SOP greenfield development project that has completed FEED.

Strong share price performance during the Colluli study phase

• Commenced trading on the LSE on 24 July 2018
• Supportive major shareholders including J.P. Morgan Asset Management (7.6%) and Capital Group (6.3%)
• Executive Chairman holds 3.8%

FEED provides off-takers and funders with a high level of detail, accuracy and confidence, and provides a robust platform for project execution.

Danakali’s modular development approach underpins a highly scalable, long life project.

Module I is expected to produce 472,000 tonnes per annum (tpa) of premium SOP product. Module II will increase total SOP production to 944,000 tpa.
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Comparison to ASX SOP development peers

Colluli is the closest SOP deposit to a coastline, only 75 kilometres from the Red Sea coast.

It is 230 kilometres from the established port of Massawa, which is equipped with bulk and container loading facilities.

Fully permitted and top-tier resource

Colluli is fully permitted following the signing of the Mining Agreement in February 2017, and the subsequent awarding of the requisite Mining Licenses.

The deposit comprises a massive ore reserve estimate of 1.1 billion tonnes grading 10.5% potassium oxide for 203 million tonnes of contained SOP equivalent.
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Colluli is amenable to simple, low cost, open-cut mining with a progressive working face that provides access to each of the mineralised layers simultaneously.

It is the shallowest evaporite deposit in the world, with mineralisation starting at just 16 metres allowing open-cut mining.

READ: (http://www.proactiveinvestors.com.au/companies/news/198659/danakali-signs-offtake-deal-for-full-production-from-colluli-potash-project-198659.html) Danakali and its partner have already signed a binding offtake agreement for up to 100% of module I SOP production. The take-or-pay offtake agreement has been signed with EuroChem Trading GmbH, a leading global producer of nitrogen, phosphate and potash fertilizers. Danakali is the only known SOP developer with a take-or-pay offtake agreement; instrumental in providing cash flow certainty to unlock project funding.

READ: (http://www.proactiveinvestors.com.au/companies/news/204787/danakali-achieves-key-milestones-towards-developing-colluli-potash-project-204787.html) Danakali executive chairman Seamus Cornelius recently said: "We have made significant progress in the first half of this year, achieving key milestones on the path to securing the necessary financing and commencing development of the Colluli Potash Project, including confirming a take-or-pay offtake agreement for up to 100% (minimum 87%) of Colluli Module I SOP production with EuroChem and listing on the LSE Main Market in July."
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"We have also made good progress on the development of operational and in-country readiness systems and structures, which puts us in a good position to commence the next stages in the project development on completion of financing.

"We are pleased to see that SOP demand growth continues to outpace low-cost supply growth, resulting in a robust pricing environment, and welcome the significant positive developments in Eritrean-Ethiopian relations including the peace treaty signing, which provides a platform of stability for the region."

Danakali lists on the London Stock Exchange


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