

Danakali Ltd

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Danakali Ltd continues off-take and financing talks for Colluli Potash

Danakali Ltd (ASX:DNK) has mapped out a clear plan for the September 2016 quarter, as the company continues to advance the Tier 1 Colluli Potash Project, which is located in the East African country of Eritrea.

The company has a 50% equity interest in Colluli through a joint venture with the Eritrean National Mining Company.

Danakali plans for the current quarter to complete the second round of post DFS stakeholder engagements.

This will be a key milestone in advancing the project towards development.

There will also be a focus on the continuation of off-take and financing discussions, and the identification of potential off-takers and volumes for Sulphate of potash magnesia (SOP-M).

SOP-M represents the second premium, chloride free, multi-nutrient potash type from the Colluli resource, which is one of the closest potash deposits to a coastline globally, and is the shallowest known evaporite deposit in the world.

There is little to none of this supply coming on stream in the medium term, providing the opportunity for Danakali.

During June 2016, representatives from the relevant government ministries assigned to the license approvals process visited the Colluli site to commence project evaluation.

The Definitive Feasibility Study on Colluli completed in November 2015 forecast the project to have industry leading capital intensity, bottom quartile operating costs and an ore reserve of 1.1 billion tonnes.

Danakali held A\$5.2 million in cash at the end of June 2016.

July broker comment from Baillieu Holst

Australian broker, Baillieu Holst, noted in a report this month:

"The next step in Danakali's development of its Colluli project is the funding package (to be done this half).

"Debt is likely to come from a mixture of European, African, Middle Eastern and Asian banks whose governments appear to be favourably disposed to seeing Eritrea's economy grow and lift the country's overall standard of living.

"We are also factoring in an equity raising of around US\$90 million to fund

Price: 0.62

Market Cap: \$164.66 m

1 Year Share Price Graph



Share Information

Code: DNK

Listing: ASX

52 week High Low
0.82 0.575

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.

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CMSC's equity portion of the development.

"The government is supportive of DNK's project and is invested in it being successful - it has not changed the fiscal regime or mining legislation since it was proclaimed, so currently infrastructure is run down, but it is set to improve as income from mining contributes to the economy."

Baillieu Holst maintains a Buy recommendation on Danakali. Other broker support comes from Hartleys with a \$0.66 price target, and Somers and Partners with a \$1.03 price target.

Danakali's share price is up 50% over the past 3 months, currently trading at \$0.42.

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