

Danakali Ltd

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Danakali hopes to secure Eritrean potash JV financing and move to Colluli project execution

- Danakali spent \$674,000 in the September 2019 financial quarter after raising \$502,000 from investors who exercised their options.
- The Western Australian company ended September 2019 with 'sufficient working capital' of \$4.9 million.
- Perth-based Danakali hopes to advance Colluli project in Eritrea in the December 2019 quarter and has budgeted \$1.8 million for its efforts.
- A \$1.4 million sum to go towards its 50:50 project JV with the Eritrean government, as the partners prioritise the project to finalise financing and move to project execution.

Danakali Ltd (ASX:DNK) (LON:DNK) (OTCMKTS:SBMSF) (OTCMKTS:DNKLY) is continuing to target 2019 for a start to project execution at its 200-year Colluli Potash Project in the East African country of Eritrea.

The multi-listed Western Australian company is ready to execute an engineering, procurement and construction contract with DRA Global in the country which borders its now friendly neighbour Ethiopia and the Red Sea.

A March 2020 quarter start date is being targeted for mining services contracting at Danakali's flagship East African project Colluli.

About Colluli project

Colluli has a very large ore reserve estimate of 1.1 billion tonnes grading 10.5% potassium oxide for 203 million tonnes of contained SOP equivalent.

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

EuroChem has agreed to take, pay, market and distribute up to 100%, or a minimum of 87% at CMSC's option, of the partners' Colluli Module I SOP production at the project for at least 10 years.

December quarter outcomes

Colluli owner CSMC's future project execution team is to include personnel from multinational professional services company Turner & Townsend, with an appointment expected in the December 2019 quarter.

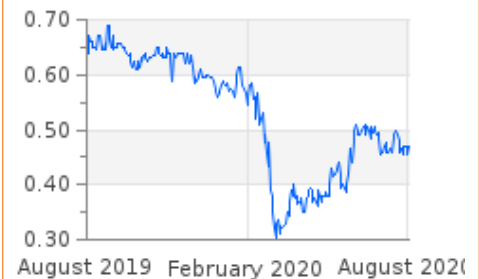
CSMC has prepared a mine development notice that it is expecting to send off this quarter to the Eritrean Ministry of Energy and Mines.

The CSMC parties have a high-value US\$200 million senior debt facility they are progressing through well-advanced documentation stages they expect to

Price: 0.47

Market Cap: \$149.81 m

1 Year Share Price Graph



Share Information

Code: DNK

Listing: ASX

52 week High Low
0.7 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.

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wrap up this quarter before they move to then executing the facility.

A US\$42 million credit approval from Afreximbank has been received by the JV, to back the building of an ISI power plant at Colluli.

'Strong engagement' on financing

Danakali posted its quarterly results to market today and said significant progress was being made on the project's other financing requirements as "strong engagement and detailed negotiations with potential strategic partners" took place.

The Perth company wrote, "Danakali and CMSC are working with EPCM provider DRA Global and owner's team support Turner & Townsend (multinational professional services company) to ensure that an efficient start-up can be achieved once project financing is confirmed.

"Danakali project director Tony Harrington is based in (the Eritrean capital city) Asmara to finalise preparations.

"Once sufficient funding has been achieved, the owner's team and DRA Global will commence project execution."

'Sufficient working capital'

Danakali ended September 2019 \$4.9 million and said today the cash holding was "considered sufficient working capital to take the company through to commencement of project execution."

The company plans to spend \$1.8 million in the December 2019 quarter, directing \$1.4 million to the Colluli JV and its planned work program.

Inflection points

Dankali is expecting the following outcomes this quarter:

- CSMC will finalise its senior debt documentation.
- Discussions with investors will allow the JV to meet its project financing requirements.
- CSMC will submit its notice of mine development for Colluli to the Eritrean government.
- Turner & Townsend will be appointed and start project execution for EPCM phases I and II.
- Other key staffers will be hired.
- Additional in-country readiness activities will take place.

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