



Danakali

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Colluli salt resource sweetens the deal for Danakali Limited

Danakali Limited (ASX:DNK) has enhanced the economic potential of its Colluli potash project in Eritrea with a significant rock salt resource, expected to generate another income stream for the developing mine.

Rock salt in Area A of the Colluli resource has been estimated to total 347 million tonnes grading 96.9% sodium chloride, also known as halite.

Additional material in Area B of the resource adds a further 52 million tonnes at 97.2% sodium chloride.

The inventory represents a waste product that overlays the potash resource, but which may now be a commercially significant by-product.

Mine planning work to date indicates the annual volume of rock salt to be mined is between 1-2 million tonnes per annum for a 425,000-tonne sulphate of potash (SOP) production module.

Extraction will be conducted by open-cut mining.

Danakali managing director Paul Donaldson commented:

"We believe that the favourable geographic location of the project and highly favourable ambient conditions provide the foundations to establish a salt business of relative significance over the passage of time."

The biggest industrial application of rock salt is in the production of chlorine and sodium hydroxide via a processing method known as chlor-alkali production.

Although the mineral is otherwise most commonly known for use in the civil maintenance of ice and food production, important applications exist in products such as sodium carbonate, or soda ash, which finds markets in the manufacture of glass, chemicals and other specialised industrial products.

The resource at Colluli will be able to produce a diverse range of salt types, including high-purity solar and vacuum salts suitable for soda ash production for highly accessible markets in Africa, Asia, Europe and the Middle East.

The definition of the rock salt resource allows Colluli to engage in discussions with potential off-takers for the product.

Further evaluation of the long-term potential of a large-scale salt business to complement the planned SOP development will be conducted following completion of a definitive feasibility study in the fourth quarter of 2015.

Analysis

The rock salt resource represents excellent upside potential for Colluli with a potential additional revenue stream.

Technical advantages of the Colluli material include its suitability for de-icing and other applications in nearby jurisdictions as well as its close proximity to the coast. Salt is one of the cheapest and most efficient ways of de-icing dangerously frozen roads.

The rock salt resource reinforces Colluli's primary business model of commercialising its massive 205 million tonne

Price: A\$0.34

Market Cap: A\$59.229M

1 Year Share Price Graph



Share Information

Code: DNK

Listing: ASX

Sector: General Mining

Website: www.danakali.com.au

Company Synopsis:

Danakali (ASX:DNK) formally known as South Boulder Mines is focussed on the world class Colluli Potash Project in Eritrea.

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resource of SOP, a prized strain of potash useful for fertilising crops in low-rainfall regions.

Colluli is forecast to generate sustainable industry-leading returns in any commodity market cycle due to a bottom quartile cost curve position.

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