

# Danakali Ltd

13:30 27 Oct 2016

## Danakali Ltd receives Buy rating and A\$1.05 price target

Danakali Ltd (ASX:DNK) has received a Buy recommendation from broker Somers & Partners, with a A\$1.05 price target.

Danakali last traded at A\$0.39. The following is an extract from the report.

## A quarter of placements, MOUs and progress at Colluli

### MOUs signed for 200ktpa of SOP-M complement MOUs for 800ktpa of SOP

Whilst MOUs are still a long way from binding offtake we are pleased to see discussions are well underway on the second potential product and revenue stream from the tier 1 Colluli project.

We remain confident that there will be significant demand for the variable, high quality and flexible (SOP, SOP-M and MOP) product from Colluli.

The ability to demonstrate a product from test work is a clear advantage over peers with brine projects that as yet have not produced product in test work.

SOP-M could be produced at minimal additional cost from Colluli and is an example of the diverse and flexible product stream available from Colluli.

SOP-M is currently supply constrained and trades at a premium to MOP and discount to the primary output from Colluli of SOP.

### A\$6.7m placement strengthens balance sheet and institutional support

During the quarter, JP Morgan Chase became a 9% shareholder in the company.

JPM has a successful track record in Eritrea through its investment in TSX-listed Eritrean base metals miner Nevsun.

DNK now has a strong supportive cornerstone investor to help grow the business as well as the funds to commence early stage engineering works at its world class Colluli SOP project.

JPM's investment can be seen as a significant tick in the box for the company.

The mining license application has been lodged and we hope the mining licence will be approved later this calendar year with funding and offtake to follow that.

### 85Mt of kieserite adds to diversified product portfolio

**Price:** A\$0.395

**Market Cap:** A\$78.472M

#### 1 Year Share Price Graph



#### Share Information

**Code:** DNK

**Listing:**

52 week	High	Low
	0.46p	0.215p

**Sector:** General Mining

**Website:** [www.danakali.com.au](http://www.danakali.com.au)

#### Company Synopsis:

*Danakali Ltd (ASX:DNK) is focussed on the world class Colluli Potash Project in Eritrea.*

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The 200-year Colluli project hosts a substantial kieserite resource that could potentially be sold at no additional mining cost to serve the local markets of Sub-Saharan Africa and Southern Asia.

Colluli has the best product diversification of the sector and kieserite adds additional options.

A head of marketing was appointed during the quarter to assist sourcing markets for all products.

### **Maintain BUY rating and increase price target to A\$1.05/share**

Our SOTP valuation based price target remains largely unchanged, the slight increase in target price reflects the rolling forward of our model since our initiation note earlier this year.

Our forecast cash balance at 30 September of A\$10.2m was largely inline with actuals of A\$10.6m.

We maintain our view that Colluli is a world class project.

We hope to see offtake and funding discussions advanced this quarter with a positive result set to substantially de-risk the project.

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