



# Danakali Ltd

Mar 21<sup>st</sup> 2016

## Danakali Ltd funded to secure project financing, offtake for Colluli potash

Danakali Ltd (ASX:DNK), an emerging agri-commodity company, has received commitments from professional and sophisticated investors to raise up to A\$5.5 million through the issue of up to 25 million shares at A\$0.22 each.

The placement includes one free attaching unlisted option exercisable at A\$0.35 with an expiry date 2 years from issue, for every two placement shares.

Danakali has received support from its largest shareholder, Well Efficient Limited, which is a Hong Kong based investment vehicle with experience in Eritrea.

Funds raised will be used to progress Colluli development, and lock in project funding and off-take.

Colluli is 100% owned by the Colluli Mining Share Company, which is a 50:50 joint venture between Danakali and the Eritrean National Mining Company.

Paul Donaldson, managing director for Danakali, commented: "We are very pleased with this successful placement.

"We thank our existing shareholders for their continued support and welcome the addition of new shareholders to our register."

### Placement details

The allotment of the first tranche of the placement for up to 23.3 million shares and 11.7 million options is not subject to shareholder approval and will fall within the company's 15% placement capacity.

The placement is strongly supported by Danakali's directors.

The second tranche of up to 1.6 million shares and 0.8 million options, are to be issued subject to shareholder approval at the company's Annual General Meeting scheduled to take place in May 2016.

### Danakali's investment case

Globally, Colluli is a stand-out potash resource given large size, scalability, strategic location and diversification potential.

The project is located at the epicentre of booming population growth in Africa and Asia, while lying close to traditional Middle Eastern and European markets.

The DFS demonstrates the lowest capital intensity of all advanced SOP projects.

The opportunity comes from the predicted bottom quartile cost curve position means Colluli will generate sustainable industry-leading returns throughout the commodity cycle.

The modular development approach optimises fundability, risk and economic return, and Colluli leads other prospective potash developments with respect to these aspects.

**Price:** A\$0.26

**Market Cap:** A\$43.943M

### 1 Year Share Price Graph



### Share Information

**Code:** DNK

**Listing:** ASX

**Sector:** General Mining

**Website:** www.danakali.com.au

### Company Synopsis:

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

**Author:**

**Proactive Investors** +61 2 9299 5001

action@proactiveinvestors.com.au



The Danakil region has unrivalled potential to produce a diversity of fertiliser products and provide valuable strategic options across multiple product markets.

Danakali said the initial development focus is on producing premium potash products.

Funding discussions are underway with off-takers, strategic partners and financiers.

DFS results:

- DFS confirms low capex, high margin, long life project;
- Project post tax NPV of US\$860m and IRR of 29%;
- Capital payback period of 3.5 years for Phase I;
- Commissioning targeted for Q4 2018;
- Mining approvals process has commenced, with formal submission of DFS documents to Eritrean Ministry of Energy and Mines; and
- Post DFS stakeholder engagements completed in local communities.

Analysis

Danakali is now well funded and can focus on progressing Colluli throughout 2016, including the securing of project funding and offtake.

The international profile of Colluli is rapidly growing.

This world class project at the centre of booming Asian and African population centres is destined to support a globally significant agri-commodity business for decades to come.

What sets the project apart, is the resource has the unique capability of producing a diverse range of potash products including SOP, potassium magnesium sulphate (SOP-M or sulphate of potash magnesia) and potassium chloride (MOP or muriate of potash).

Other advantages includes logistics, being only 75 kilometres from the Red Sea coast, 50 kilometres from coastal road and 180 kilometres from established export infrastructure.

Colluli also has shallow mineralisation which results in massive resource to reserve conversion and potential monetisation of waste materials, which include rock salt and magnesium chloride.

Perhaps not as widely known, DNK's bottom quartile cost position provides insulation in the event of a SOP price decline. While the projected rock salt production (which would otherwise be overburden) should further reduce cash costs.

On a global scale, DNK ranks higher than peers in terms of potash reserves.

With the Colluli DFS providing the development case and key price catalysts ahead (off-takers, strategic partners and financiers) in 2016, we see a major re-rating ahead for the stock to bring more into line with ASX listed peers.

Proactive Investors is a global leader reporting financial news, media, research and hosts events for listed emerging growth companies and investors across four continents.

You understand and agree that no content published constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person. You further understand that none of the information providers or their affiliates will advise you personally concerning the nature, potential advisability, value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or



other matter.

You understand that the Site may contain opinions from time to time with regard to securities mentioned in other products, including company related products and that those opinions may be different from those obtained by using another product related to the Company. You understand and agree that contributors may write about securities in which they or their firms have a position, and that they may trade such securities for their own account. In cases where the position is held at the time of publication and such position is known to the Company, appropriate disclosure is made.

However, you understand and agree that at the time of any transaction that you make, one or more contributors may have a position in the securities written about. You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate.

From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

The contributors make every effort to ensure that the information and material contained in this report is accurate and correct and has been obtained from reliable sources. However, no representation is made about the accuracy or completeness of the information and material and it should not be relied upon as a substitute for the exercise of independent judgment. Proactive Investors does not accept any liability, including negligence, for any loss or damage arising from the use of, or reliance on, the material contained in this report. There are general risks associated with any investment in securities. Investors should be aware that these risks might result in loss of income and capital invested.

**WARNING:** No recipients should rely on any recommendation (whether express or implied) contained in this document without obtaining specific advice from their advisers. All investors should therefore consider the appropriateness, in light of their own objectives, financial situation and/or needs, before acting on the advice.

**DISCLOSURE:** The Company, its directors, associates, employees or representatives may not effect a transaction upon its or their own account in the investments referred to in this report or any related investment until the expiry of 24 hours after the report has been published.