



Danakali

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Danakali transitions from studies to funding and approvals at Colluli Potash

Danakali Limited's (ASX:DNK) December 2015 quarterly report demonstrates continued positive progress on the Colluli potash project in Eritrea, East Africa.

The company completed a positive Definitive Feasibility Study (DFS) throughout the quarter, and delivered a robust project with industry leading capital intensity, bottom quartile operating costs and one of the most fundable sulphate of potash (SOP) projects in the world.

The management team have developed a strong track record of success, delivering a positive Pre-Feasibility Study, a metallurgical optimisation testwork program, an independent technical review of the Pre-Feasibility Study design and a definitive feasibility study, all within the 2015 calendar year.

The DFS capital costs achieved a 30% improvement on the prefeasibility study results, by simplifying the logistics, reducing water consumption and optimising pit designs.

Highlights for the quarter

- Delivery of a positive definitive feasibility study which demonstrates highly attractive economics, industry leading capital intensity, bottom quartile operating costs and long mine life:
- Release of product specifications for SOP in standard, granular and soluble form:
- Completion of JORC 2012 compliant 300 million tonne quality rock salt resource:
- Continued discussions with potential product off takers:
- Appointment of a new chief financial officer: and
- Increased shareholding by company management.

Positive feasibility study

In November 2015, Danakali delivered a highly attractive DFS. The DFS considers a modular development approach comprising two 425ktpa production plants commissioned 5 years apart.

The first module demonstrates highly favourable economics as a standalone project. Module two will be funded from cashflows from the first module.

Danakali completed metallurgical optimisation testwork prior to completion of the DFS, resulting in a 70% reduction in water consumption in the processing plant.

Pit optimisation work also substantially reduced mining strip ratios and pre-stripping by reducing the number of pits from two to one.

Product logistics have been simplified by selecting to use the port of Massawa, Eritrea's key import/export facility, in preference to building a facility at Anfile Bay.

Industry leading capital intensity and bottom quartile operating costs

The DFS demonstrated industry leading capital intensity, which Danakali attributes to the extraction of potassium salts

Price: A\$0.25

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

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in solid form for subsequent processing, and a highly favourable suite of potassium bearing salts for high yield, ambient temperature conversion to SOP.

Primary production of SOP typically occurs from potassium brines which carry around 10kg SOP per tonne of water, and require substantial evaporation infrastructure to generate harvest salts.

In contrast, the extraction of the Colluli feed salts directly from the resource substantially reduces the evaporation pond footprint, and negates the need for pumping large volumes of high density, metal carrying fluids.

Large, long life, expandable resource

The Colluli resource contains over 1.3 billion tonnes of potassium bearing salts. The DFS indicates a reserve of 1.1 billion tonnes, containing over 200 million tonnes of SOP.

The massive resource to reserve conversion is attributable to the open cut mining method that will be used to exploit the resource.

With mineralisation commencing at just 16m, Colluli is the shallowest known evaporite deposit in the world. Salts will be extracted using surface miners and traditional haul trucks.

With the two stage DFS development approach, the reserve will give a mine life in excess of 200 years. The incremental capital for module two is exceptionally low at US\$175 million, making future expansions highly attractive with low commercial risk.

One of the most fundable long life, high quality projects in the world

In contrast with all greenfield SOP projects at DFS level, Colluli is a stand out project.

In addition to lowest capital intensity and bottom quartile operating costs, the project carries the lowest overall development capital. With a phase I development capital of US\$298 million, Colluli has the lowest buy in price of any large, long life, expandable resource containing SOP.

DFS level greenfield SOP projects

ColluliC Potash YaraCircum

Capital US \$million

298
1018
740
2580

Capital Intensity US\$/ta

701
1612
1233
938

Annual production ('000 tonnes)

425
650



600
750

Close proximity to coast and key markets of the future

At 180 kilometres from the Port of Massawa, Eritrea's key import/export facility, Colluli has favourable access to the global export market.

The key growth markets of the future including India, Middle East and Africa are on the doorstep of Eritrea, at the epicentre of booming population growth.

Substantial project upside

The release of a JORC 2012 compliant, 300 million tonne high quality rock salt resource with an average grade of >96.5% NaCl in September 2015 demonstrates some of the potential project upside.

In addition to rock salt, Danakali reports that the resource also contains appreciable amounts of magnesium sulphate, magnesium chloride and gypsum, all of which have the potential to be monetised due to the close proximity of the resource to the coast.

In addition, the resource has the capacity to produce both potassium chloride (MOP) and sulphate of magnesia (SOP-M), allowing the diversification of potash types as the project develops beyond the second module.

Management changes and increased ownership

The appointment of experienced mining financial executive, Chris Els adds both skills and experience to the Danakali executive leadership team as it progresses to post DFS funding discussions.

Throughout the quarter management also increased its ownership in the company, led primarily by Non-Executive Chairman Seamus Cornelius, and Managing Director Paul Donaldson.

Product Specifications Issued and engagements with potential offtakers ongoing

Danakali has released specifications for standard, granular and soluble products from pilot tests utilising Colluli potash salts.

The product specifications indicate high purity product, with potassium levels at the upper end of the SOP quality range.

Product samples for marketing purposes were produced during the pilot program, and Danakali have indicated that they have been advancing discussions with regard to product offtake for both SOP and rock salt.

Management continues to deliver

The Danakali management team have continued to advance the Colluli project with a disciplined approach. It is now one of only four SOP projects in the world at DFS level.

With over 30% reduction in capital following optimisation testwork, management have focussed on the strengths of the resource to deliver a highly fundable, industry leading capital intensity project with expected bottom quartile operating costs, low cost expansion and a massive ore reserve that will underpin long term growth for the project.

Colluli will further differentiate itself through product upside in the potassium salt suite, as well as rock salt, magnesium sulphate, magnesium chloride and gypsum which have yet to be defined by the company.



Company progressing to approvals and FEED process

The company is now planning to advance the approvals process in the upcoming quarter, and initiate front end engineering and design (FEED) to proceed to construction by the end of the calendar year once project funding is secured.

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