

Danakali Ltd

15th September 2016

Danakali Ltd progresses towards construction of Colluli Potash Project

Thursday, September 15, 2016

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[Danakali Ltd \(ASX:DNK\)](#) has shortlisted three firms that will progress to a competitive bidding process for the engineering, procurement and construction (EPC) contract for the Colluli Potash Project located in Eritrea, East Africa.

The shortlist comprises companies with significant experience in Africa, Eritrea and potash.

A site visit for the engineering firms is planned in early October.

Colluli is one of the most advanced greenfield sulphate of potash (SOP) projects globally. It has an exceptionally long expected mine life, unrivalled product diversification potential and significant upside.

Paul Donaldson, managing director, commented: "We are happy to have successfully reached the significant and exciting milestone of initiating the formal bidding process with highly reputable and experienced groups for the EPC contract for the project."

Background

The definitive feasibility study on Colluli was completed in November 2015 and the project is currently awaiting mining license approvals.

Danakali has a 50% equity interest in Colluli through a joint venture with the Eritrean National Mining Company.

The study forecast the project to have industry leading capital intensity, bottom quartile operating costs and an ore reserve of 1.1 billion tonnes.

Funding discussions are underway and the company has signed memorandums of understanding for 800,000 tonnes of SOP per annum and 200,000 tonnes of sulphate of potash magnesia (SOP-M) per annum.

During June 2016, representatives from the relevant government ministries assigned to the license approvals process visited the Colluli site to commence project evaluation.

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Next steps

Danakali plans to complete a second round of post definitive feasibility study stakeholder engagements.

This will be a key milestone in advancing the project towards development.

There will also be a focus on the continuation of off-take and financing discussions, and the identification of potential off-takers and volumes for SOP-M.

Broker spotlight

Danakali maintains research coverage from three Australian brokers.

All three brokers have Buy recommendations with price targets ranging from \$0.50 to \$1.03.

Shares in Danakali are trading at \$0.375.

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