

[Home \(/\)](#) / [News \(/page/37\)](#) / [Articles \(/articles\)](#) / [ASX:DNK \(https://www.proactiveinvestors.com.au/ASX:DNK/Danakali-Ltd/\)](https://www.proactiveinvestors.com.au/ASX:DNK/Danakali-Ltd/)

Danakali's advanced Colluli Potash Project in Eritrea is a cut above the rest

16:54 20 Sep 2018

Share ▾

The company has already signed a binding offtake agreement with EuroChem for up to 100% (minimum 87%) of module I sulphate of potash (SOP) production.



1.1 billion tonne ore reserve and almost 200 year mine life

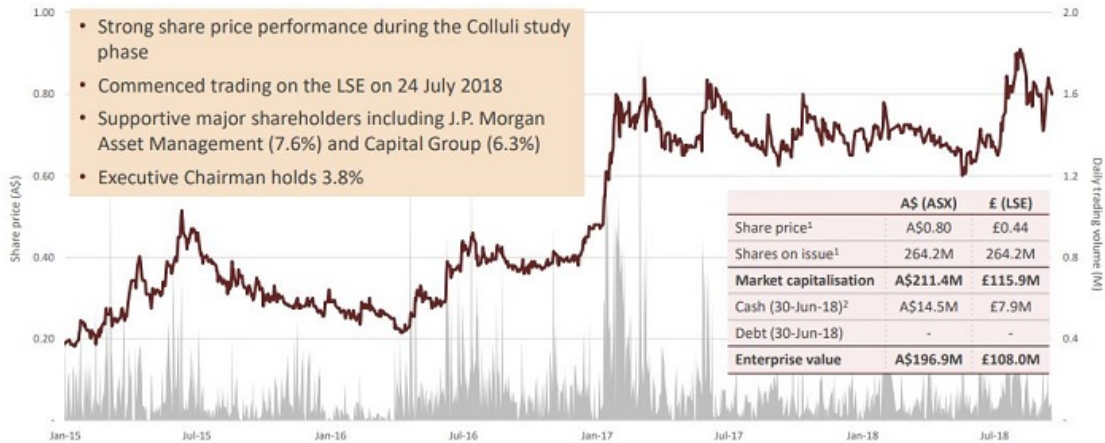
Danakali Ltd (<https://www.proactiveinvestors.com.au/ASX:DNK/Danakali-Ltd/>) (<https://www.proactiveinvestors.com.au/ASX:DNK/Danakali-Ltd/>) (LON:DNK) is focused on the development of the world-class Colluli Sulphate of Potash (SOP) Project in the East African country of Eritrea. **(ASX:DNK)**

Colluli is 100% owned by the Colluli Mining Share Company (CMSC), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (ENAMCO).

Front end engineering design (FEED) has confirmed a post-tax net present value of US\$902 million and post-tax internal rate of return (IRR) of 29.9% for the Colluli project.



SOP is a fertiliser used by farmers to grow high value, chloride-sensitive crops. SOP is currently under-supplied and demand is growing. Interestingly, there is no other known SOP greenfield development project that has completed FEED.




Strong share price performance during the Colluli study phase

FEED provides off-takers and funders with a high level of detail, accuracy and confidence, and provides a robust platform for project execution.

Danakali's modular development approach underpins a highly scalable, long life project.

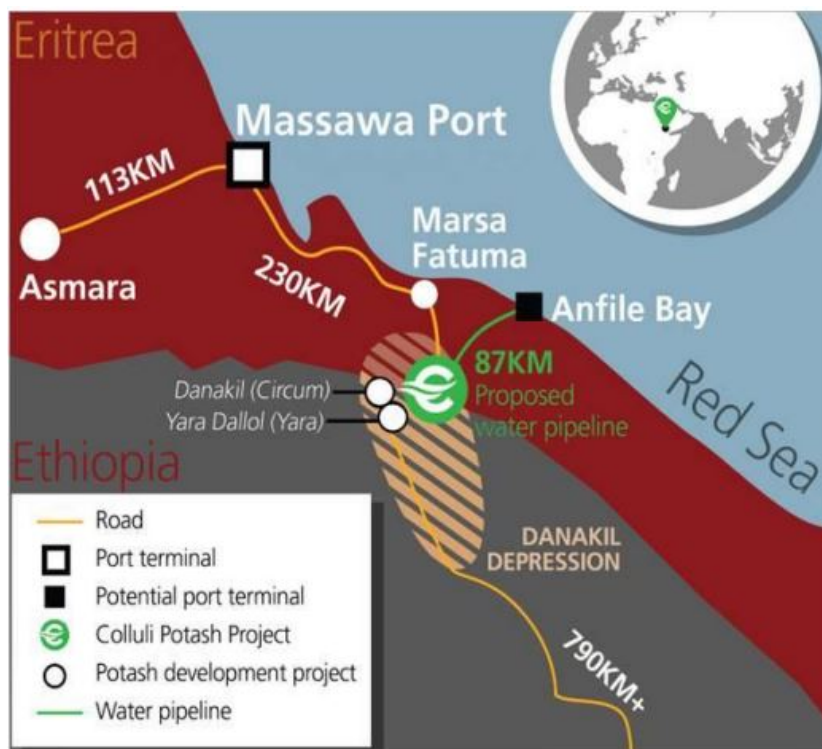
Module I is expected to produce 472,000 tonnes per annum (tpa) of premium SOP product. Module II will increase total SOP production to 944,000 tpa.

	 DANAKALI	Agrimin	Kalium
Market capitalisation	A\$211M	A\$137M	A\$51M
Project / location	Colluli / Eritrea	Mackay / Australia	Beyondie / Australia
Mineralisation style	Solid salts	Brine	Brine
Reserve	1.1Bt @ 18.5% K ₂ SO ₄ 203Mt K ₂ SO ₄	No reserve	5.1Mt, 12.4mg/L K ₂ SO ₄
Mining method	Open-cut	Trench	Trench & bore
Production	Module I: 472ktpa Modules I & II: 944ktpa	426ktpa	164ktpa
Mine life	Almost 200 years	20 years	21 years
Capital intensity (US\$/t)	Module I: US\$640/t Module II: US\$428/t Modules I & II: US\$534/t	US\$682/t	US\$1,230/t ¹
Mine gate cash costs	Module I: US\$165/t Modules I & II: US\$149/t	NA	US\$145/t ¹
Total cash costs (ex royalties)	Module I: US\$238 Modules I & II: US\$222/t	US\$222/t	US\$195/t ¹
Project NPV (post-tax, US\$)	Module I: US\$505M Module II: US\$902M	US\$453M	US\$246M ¹
Post-tax IRR (%)	Module I: 28.1% Module II: 29.9%	20.0%	16.5%

Comparison to ASX SOP development peers

Colluli is the closest SOP deposit to a coastline, only 75 kilometres from the Red Sea coast.

It is 230 kilometres from the established port of Massawa, which is equipped with bulk and container loading facilities.

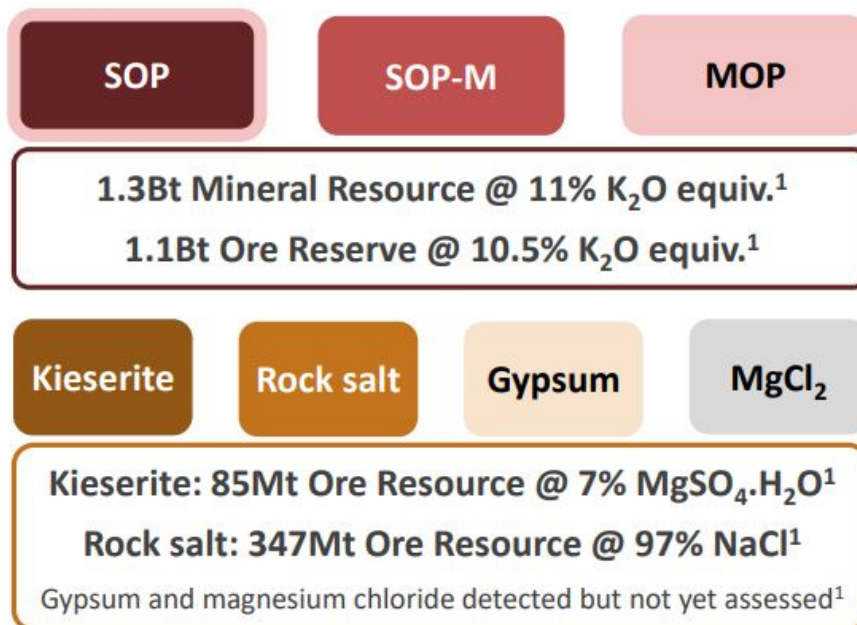


The port allows direct access to markets including India, Southeast Asia, the Middle East, Europe and Africa.

Fully permitted and top-tier resource

Colluli is fully permitted following the signing of the Mining Agreement in February 2017; and the subsequent awarding of the requisite Mining Licenses.

The deposit comprises a massive ore reserve estimate of 1.1 billion tonnes grading 10.5% potassium oxide for 203 million tonnes of contained SOP equivalent.



Colluli is amenable to simple, low cost, open-cut mining with a progressive working face that provides access to each of the mineralised layers simultaneously.

It is the shallowest evaporite deposit in the world, with mineralisation starting at just 16 metres allowing open-cut mining.

READ:

(<http://www.proactiveinvestors.com.au/companies/news/198659/danakali-signs-offtake-deal-for-full-production-from-colluli-potash-project-198659.html>) Danakali

(<http://www.proactiveinvestors.com.au/companies/news/198659/danakali-signs-offtake-deal-for-full-production-from-colluli-potash-project-198659.html>) signs offtake deal for full production from Colluli Potash Project

(<http://www.proactiveinvestors.com.au/companies/news/198659/danakali-signs-offtake-deal-for-full-production-from-colluli-potash-project-198659.html>)

Danakali and its partner have already signed a binding offtake agreement for up to 100% of module I SOP production.

The take-or-pay offtake agreement has been signed with EuroChem Trading GmbH, a leading global producer of nitrogen, phosphate and potash fertilizers.

Danakali is the only known SOP developer with a take-or-pay offtake agreement; instrumental in providing cash flow certainty to unlock project funding.

READ:

(<http://www.proactiveinvestors.com.au/companies/news/204787/danakali-achieves-key-milestones-towards-developing-colluli-potash-project-204787.html>) Danakali

(<http://www.proactiveinvestors.com.au/companies/news/204787/danakali-achieves-key-milestones-towards-developing-colluli-potash-project-204787.html>) achieves key milestones towards developing Colluli Potash Project

(<http://www.proactiveinvestors.com.au/companies/news/204787/danakali-achieves-key-milestones-towards-developing-colluli-potash-project-204787.html>)

Danakali executive chairman Seamus Cornelius recently said: "We have made significant progress in the first half of this year, achieving key milestones on the path to securing the necessary financing and commencing development of the Colluli Potash Project, including confirming a take-or-pay offtake agreement for up to 100% (minimum 87%) of Colluli Module I SOP production with EuroChem and listing on the LSE Main Market in July.

READ:

(<http://www.proactiveinvestors.com.au/companies/news/201455/danakali-lists-on-the-london-stock-exchange-201455.html>) Danakali
(<http://www.proactiveinvestors.com.au/companies/news/201455/danakali-lists-on-the-london-stock-exchange-201455.html>) lists on the London
Stock Exchange
(<http://www.proactiveinvestors.com.au/companies/news/201455/danakali-lists-on-the-london-stock-exchange-201455.html>)

"We have also made good progress on the development of operational and in-country readiness systems and structures, which puts us in a good position to commence the next stages in the project development on completion of financing.

"We are pleased to see that SOP demand growth continues to outpace low-cost supply growth, resulting in a robust pricing environment, and welcome the significant positive developments in Eritrean-Ethiopian relations including the peace treaty signing, which provides a platform of stability for the region."



Tharun George (/teams/details/293/Tharun%20George)

(/teams/details/293/Tharun%20George)

✉ (mailto:tharun@proactiveinvestors.com) 📡 (/teams/rss/293/Tharun%20George)

Share ▾

READ OUR BIG PICTURE ARTICLE ON DANAKALI LTD (/COMPANIES/NEWS/212745/DANAKALI-NEAR-FINANCING-A-POSITIVE-SIGN-FOR--SHOVEL-READY--ERITREAN-POTASH-PROJECT-212745.HTML)

REGISTER HERE TO BE NOTIFIED OF FUTURE DNK COMPANY ARTICLES » (/REGISTER)

VIEW FULL DNK PROFILE **VIEW PROFILE ([HTTPS://WWW.PROACTIVEINVESTORS.COM.AU/ASX:DNK/DANAKALI-LTD/](https://www.proactiveinvestors.com.au/asx:dnk/danakali-ltd/))**

DANAKALI LTD TIMELINE ([HTTPS://WWW.PROACTIVEINVESTORS.COM.AU/ASX:DNK/DANAKALI-LTD/TIMELINE/](https://www.proactiveinvestors.com.au/asx:dnk/danakali-ltd/timeline/))

ARTICLE

Mon

DANAKALI'S SHARE PRICE FAR BELOW VALUE ESTIMATES: INVESTORS CHRONICLE
**(/COMPANIES/NEWS/215170/DANAKALIS-SHARE-PRICE-FAR-BELOW-VALUE-ESTIMATES-
 INVESTORS-CHRONICLE-215170.HTML)**

VIDEO

February 06 2019

DANAKALI CHAIRMAN UPDATES ON FINANCING WITH CONSTRUCTION TO START BEFORE YEAR-END (/COMPANIES/STOCKTUBE/12119/DANAKALI-CHAIRMAN-UPDATES-ON-FINANCING-WITH-CONSTRUCTION-TO-START--BEFORE-YEAR-END-12119.HTML)

ARTICLE

January 30 2019

DANAKALI'S WORLD-CLASS COLLULI POTASH PROJECT HAS POTENTIAL TO BOOST ERITREA'S ECONOMY (/COMPANIES/NEWS/213562/DANAKALIS-WORLD-CLASS-COLLULI-POTASH-PROJECT-HAS-POTENTIAL-TO-BOOST-ERITREAS-ECONOMY-213562.HTML)

BIG PICTURE

January 18 2019

DANAKALI NEAR-FINANCING A POSITIVE SIGN FOR 'SHOVEL READY' ERITREAN POTASH PROJECT (/COMPANIES/NEWS/212745/DANAKALI-NEAR-FINANCING-A-POSITIVE-SIGN-FOR--SHOVEL-READY--ERITREAN-POTASH-PROJECT-212745.HTML)

VIDEO

December 13 2018

DANAKALI "SHOVEL-READY" AT COLLULI FOLLOWING EXECUTION OF US\$200M DEBT FINANCE MANDATE (/COMPANIES/STOCKTUBE/11605/DANAKALI-SHOVEL-READY-AT-COLLULI-FOLLOWING-EXECUTION-OF-US200M-DEBT-FINANCE-MANDATE-11605.HTML)

ARTICLE

December 06 2018