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ASX Release:

17 June 2021

Colluli Project Update:

Detailed Test Work Confirms Production Rates and Optimisation has Delivered Lower Opex and Capex

Highlights

- SOP Production rates in line with FEED and confirmed at above spec grade
- Production of high purity Sulphate of Potash (SOP) proven using only filtered Red Sea seawater drives capital and operating cost savings
- Colluli ore proven to produce world class SOP product with very low (< 0.5%) Chloride
- Column flotation preferred in SOP production, reducing maintenance and capital costs

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali, the Company**) is pleased to announce that CMSC has completed its Test Work and optimised the process plant design and mass balance using filtered seawater, significantly reducing capex, opex and maintenance costs. The results prove that Colluli ore will produce predictable high grade (51.0%, K₂O) SOP at low chloride levels (< 0.5%) at the stated 472,000 tonnes per annum from Module 1 & 2.

These Test results are the outcome of six (6) months detailed analysis conducted in collaboration with world leading industry experts Saskatchewan Research Council (SRC), Global Potash Solutions (GPS), DRA Global, and CasCan. We worked closely with our offtake partners, EuroChem, to ensure high quality SOP was produced in line with international standards.

This Test Work builds on the previous FEED study and optimises CMSC process design using industry standard equipment and process combining:

- the use of filtered seawater;
- column flotation & equipment testing;
- co-processing of carnalitite and sylvinitite ore;
- mass balance determination;
- Colluli ore (unique);
- decomposition results;
- desliming & leaching;
- particle size & collector dosage

all that reduce project, environmental, operational, finance and market risk. This reinforces the benefits at Colluli with its unique natural resources and in situ supplemental potassium that result in significant economic advantages.

Dr Rod McEachern discusses the results with Executive Chairman, Seamus Cornelius **see Video link:** <https://www.danakali.com.au/medias/project-videos>

The Colluli Potash Project (**Project, Colluli**) is 100% owned by Colluli Mining Share company (**CMSC**), a 50:50 Joint Venture between Danakali Limited (**DNK**) and Eritrean National Mining Corporation (**ENAMCO**)



Codes:

ASX: DNK, LSE: DNK,
SO3-FRA, SO3-BER.
US Level 1 ADR's OTC-
DNKLY,
CUSIP.23585T101

Highlights:

The world's largest JORC compliant solid salt, Sulphate of Potash (SOP) reserve, 1.1Bt

Aiming to be the worlds first Zero Carbon SOP Producer

Development underway towards production

Financial facts:

Issued capital: 367.25m
Share price: A\$0.46
Market cap: A\$168.9m



Executive Chairman, Seamus Cornelius commented: “Colluli has been extensively studied by CMSC and the latest Test Work builds on and confirms earlier work. While I am aware of the view that we have done “too much study” the latest results more than justify the work. Colluli is unique in the proper sense of the word and its exceptional size, grade and overall quality merit and reward the extra work. Every study has increased our certainty that Colluli is the asset that will dominate the SOP industry and change agriculture for the better in Eritrea, across Africa and beyond. Actually, knowing we can produce high quality SOP from Colluli ore using filtered sea water and a fully tested process because we have done it is another significant advantage for Colluli”.

Figure 1: Overall Reaction for Colluli

OVERALL REACTION FOR COLLULI

The product from Carnallite/Sylvinite flotation is KCl, while the product of Kainite flotation is Leonite.
Leonite reacts with KCl in the presence of water to produce SOP:

$K_2SO_4 \cdot MgSO_4 \cdot 4H_2O + H_2O + 2 KCl \rightarrow 2 K_2SO_4 + Mg^{2+} + 2 Cl^-$

Product Specifications, developed in consultation with our offtake partner:

	TYPICAL	GUARANTEE
	K ₂ O (%) 51.0	K ₂ O (%) 50
	Chloride (%) 0.5	Chloride (%) <1

Guaranteed purity is aligned with industry norms, but Colluli typical assays will be significantly better than our competitors

This announcement authorised for release by the Executive Chairman of Danakali Limited.

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About Danakali

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali**, or the **Company**) is an ASX- and LSE-listed potash company focused on the development of the Colluli Sulphate of Potash Project (**Colluli** or the **Project**). The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (**ENAMCO**).

The Project is located in the Danakil Depression region of Eritrea, East Africa, and is ~75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Mineralisation within the Colluli resource commences at just 16m, making it the world's shallowest known potash deposit. The resource is amenable to open cut mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining, and is highly advantageous for modular growth.

The Company has completed a Front-End Engineering Design (**FEED**) for the production of potassium sulphate, otherwise known as Sulphate of Potash or **SOP**. SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride (or **MOP**). Economic resources for production of SOP are geologically scarce. The unique composition of the Colluli resource favours low energy input, high potassium yield conversion to SOP using commercially proven technology. One of the key advantages of the resource is that the salts are present in solid form (in contrast with production of SOP from brines) which reduces infrastructure costs and substantially reduces the time required to achieve full production capacity.

The resource is favourably positioned to supply the world's fastest growing markets. A binding take-or-pay offtake agreement has been confirmed with EuroChem Trading GmbH (**EuroChem**) for up to 100% (minimum 87%) of Colluli Module I SOP production.

Development Finance Institutions, Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance. The credit documentation was executed in December 2019, allowing drawdown of CMSC senior debt on satisfaction of customary conditions precedent. This represents the majority of funding required for the development and construction of the Colluli.

Project execution has commenced and the Company's vision is to bring Colluli into production using the principles of risk management, resource utilisation and modularity, using the starting module (**Module I**) as a growth platform to develop the resource to its full potential.

Forward looking statements and disclaimer

The information in this document is published to inform you about Danakali and its activities. Danakali has endeavoured to ensure that the information enclosed is accurate at the time of release, and that it accurately reflects the Company's intentions. All statements in this document, other than statements of historical facts, that address future production, project development, reserve or resource potential, exploration drilling, exploitation activities, corporate transactions and events or developments that the Company expects to occur, are forward looking statements. Although the Company believes the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include market prices of potash and, exploitation and exploration successes, capital and operating costs, changes in project parameters as plans continue to be evaluated, continued availability of capital and financing and general economic, market or business conditions, as well as those factors disclosed in the Company's filed documents.

There can be no assurance that the development of Colluli will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. To the extent permitted by law, the Company accepts no responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in this document. Recipients should make their own enquiries in relation to any investment decisions.

Mineral Resource, Ore Reserve, production target, forecast financial information and financial assumptions made in this announcement are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 23 September 2015, 15 August 2016, 1 February 2017, 29 January 2018, and 19 February 2018 which continue to apply and have not materially changed. The Company is not aware of any new information or data that materially affects assumptions made.

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