



Advancement of Colluli SOP Project

EPCM Phase 2 deliverables received, test work commenced and further opportunities pursued

- Draft EPCM Phase 2 deliverables including Capital Estimate and Project Schedule have been received from DRA
- Test work necessary to advance the project has commenced
- Potential optimisation opportunities have been identified, rationalised by CMSC and investigations commenced to improve outcomes

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali**, or the **Company**) is pleased to provide this project update of the Colluli Potash Project (**Colluli** or the **Project**), located in Eritrea, East Africa. 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**).

EPCM Phase 2

Preliminary materials have been delivered by DRA Global (**DRA**), which provide contemporary information allowing advancement to the next phase of Project Development and identifies focus areas to manage the design and process risks during the Detailed Design phase. The CMSC Project Team are now in the process of reviewing the deliverables.

Additional test work and potential opportunities

EPCM Phase 2 identified and commenced additional test work that was planned to be undertaken as part of the Phase 3 detailed engineering. CMSC took the opportunity with the COVID 19 travel restrictions to advance these test work items immediately. The output of this test work supports Environmental and Capital optimisation opportunities. Contracts have been awarded in support of this test work. These proactive steps by CMSC maintain forward momentum of the Project Development within this current period.

WITA opportunity

Within the Water Intake Treatment Area (**WITA**) a number of potential opportunities have been identified to improve Environmental outcomes. The key opportunities are identified as the use of filtered sea water in the processing plant and using beach wells as the water intake alternative. A desktop study is underway to evaluate the beach well intake option. The use of filtered sea water in the process plant is being assessed as part of the additional test work that has commenced.

Announcement authorised for release by the Chief Executive Officer of Danakali.

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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. AFC has also executed a Subscription Agreement to make a US\$50M strategic equity investment in Danakali. The receipt of the first tranche of US\$21.5M (A\$31.8M) allowed commencement of the development.

Project execution has commenced and SOP production is expected during 2022. 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.

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