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ASX Release:

14 October 2021

## Colluli SOP Price Update:

### Danakali receives updated Sulphate of Potash Price Forecast Analysis from CRU

#### Highlights

- Muriate of Potash (MOP) prices surged higher across multiple global markets from January 2021
- Medium term Sulphate of Potash (SOP) price is forecast to increase and long-term outlook predicts SOP prices increasing further
- Colluli's FEED sensitivity analysis indicates that for every 10% increase in SOP price Colluli Project NPV increases by US\$250M
- Colluli is fully permitted, all studies complete, process flow design finalised and de-risked

Danakali Limited (ASX: DNK) (**Danakali, the Company**) is pleased to announce it has received updated Sulphate of Potash Price Forecast Analysis from CRU International Limited (**CRU**).

As referred to in FEED, the Colluli NPV is most sensitive to SOP price and WACC. For every 10% increase in SOP price, Colluli Project NPV increases by US\$250M (FX: AUD: USD, \$0.70), (see Figure 1). The current NPV in the Colluli FEED study uses US\$569/t for standard grade SOP and applies a 10% price premium for its granular grade premium product. Colluli will sell 56% of its production as standard grade and 44% of its production as granular (premium grade).

The long-term outlook for the weighted average netback price to Massawa for the target markets of Colluli SOP is US\$668 (see Figure 2). The CRU expects all specialty potash fertiliser prices to move higher through 2021-23 with a pull back from 2024-2027, then a steady price rise until 2040 (see Figure 2).

The global potash market has come alive in 2021 as rising demand, poor international crop yields, surging crop prices and margins (Figure 5) and supply-side risks in Belarus have combined to drive regional potash prices up 200%-300% to above US\$700/t (CFR Brazil Spot) and USD\$520/t (CFR SE Asia Spot) (see Figure 4). Prompt availability remains very limited with China and India running down stockpiles (see Figure 6) and global crop prices are largely persisting at historically high levels (see Figure 5). According to Green Markets, Bloomberg, North America's nutrient gauge (fertiliser prices) surged past the 2008 peak to hit a new record of US\$996.32. Historically, the ten (10) year average premium of SOP to MOP is US\$221 with current MOP prices FOB Vancouver at over US\$550/t (see Figure 3).

**Danakali Chairman, Seamus Cornelius** said: "Colluli is a unique game changing asset on so many levels. We are excited to see this SOP forecast from CRU which is well above the long run average price we have used in FEED particularly as we are on the cusp of coming into production. It's more than fair to say that given Colluli will operate in the bottom quartile of the cost curve, if we were producing today at these prices the margins on this project would be nothing short of spectacular".

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, 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 world's first Zero Carbon SOP Producer

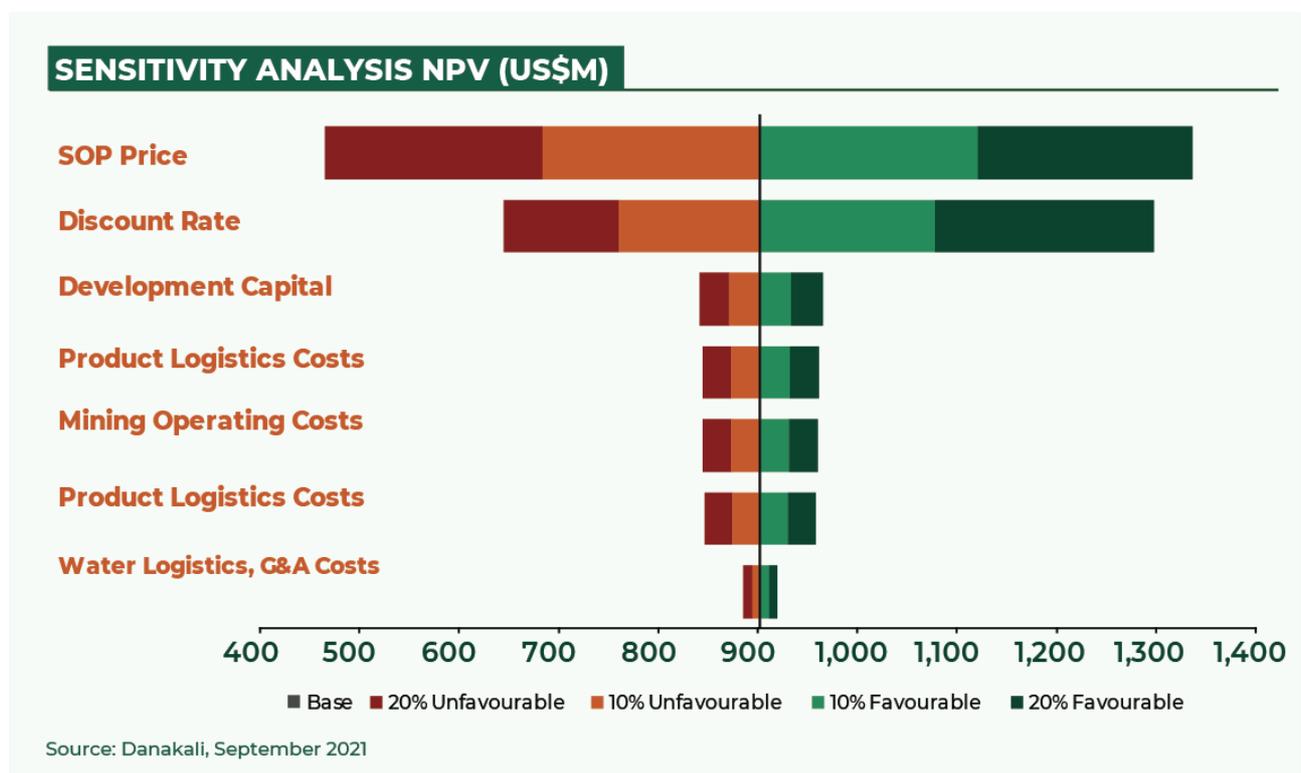
Development underway towards production

#### Financial facts:

Issued capital: 367.25m  
Share price: A\$0.43  
Market cap: A\$157.9m



**Figure 1: FEED: Colluli Price Sensivity Analysis.**



**Figure 2: SOP Weighted average price analysis**

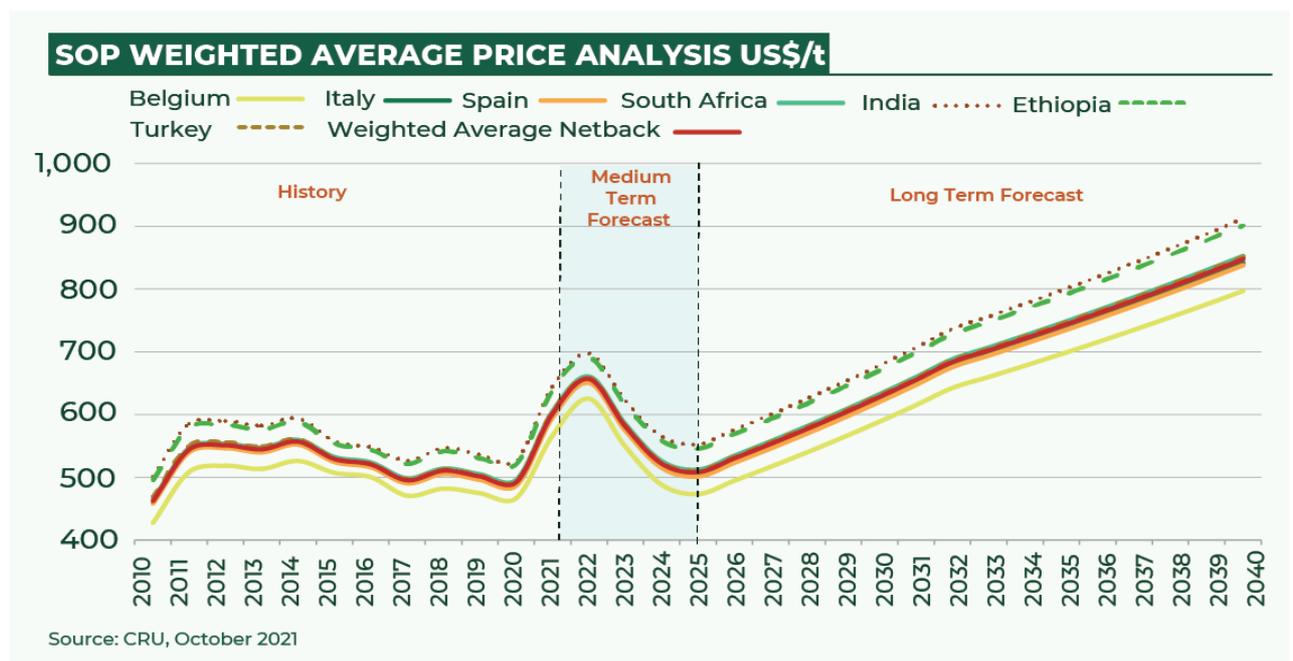




Figure 3: LRMC FOB Vancouver MOP Prices 2010-2040.

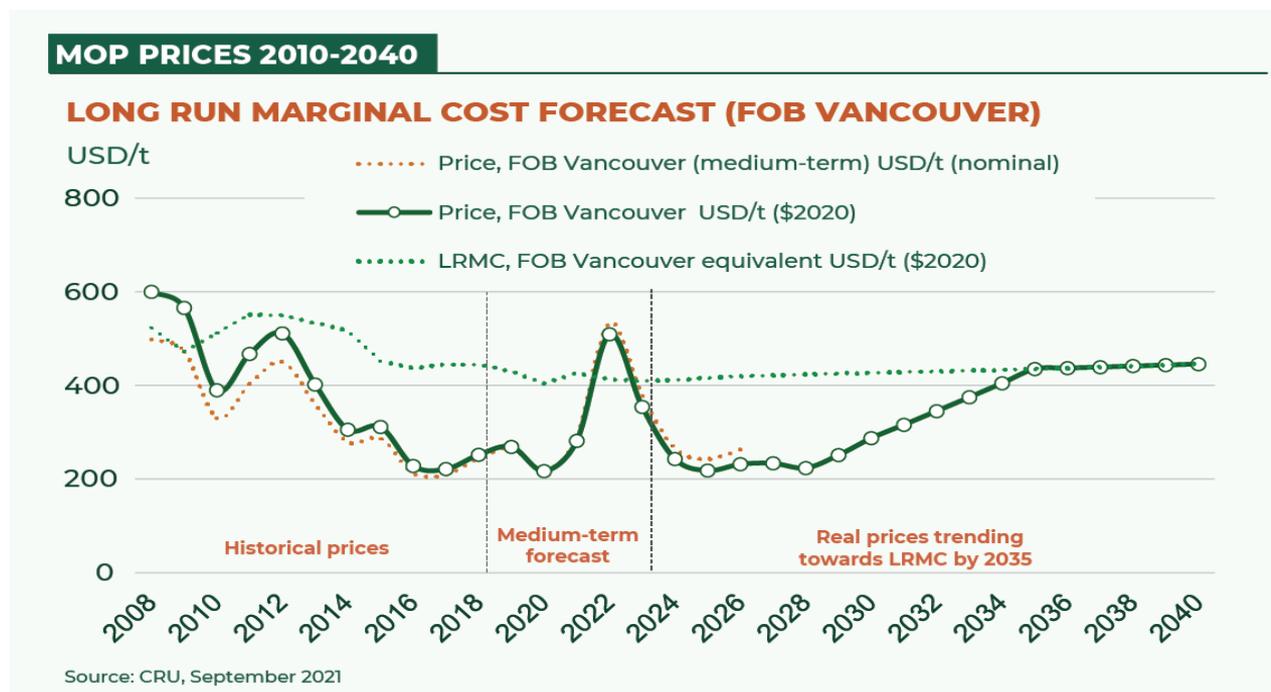


Figure 4: Potash price rise metrics and drivers.

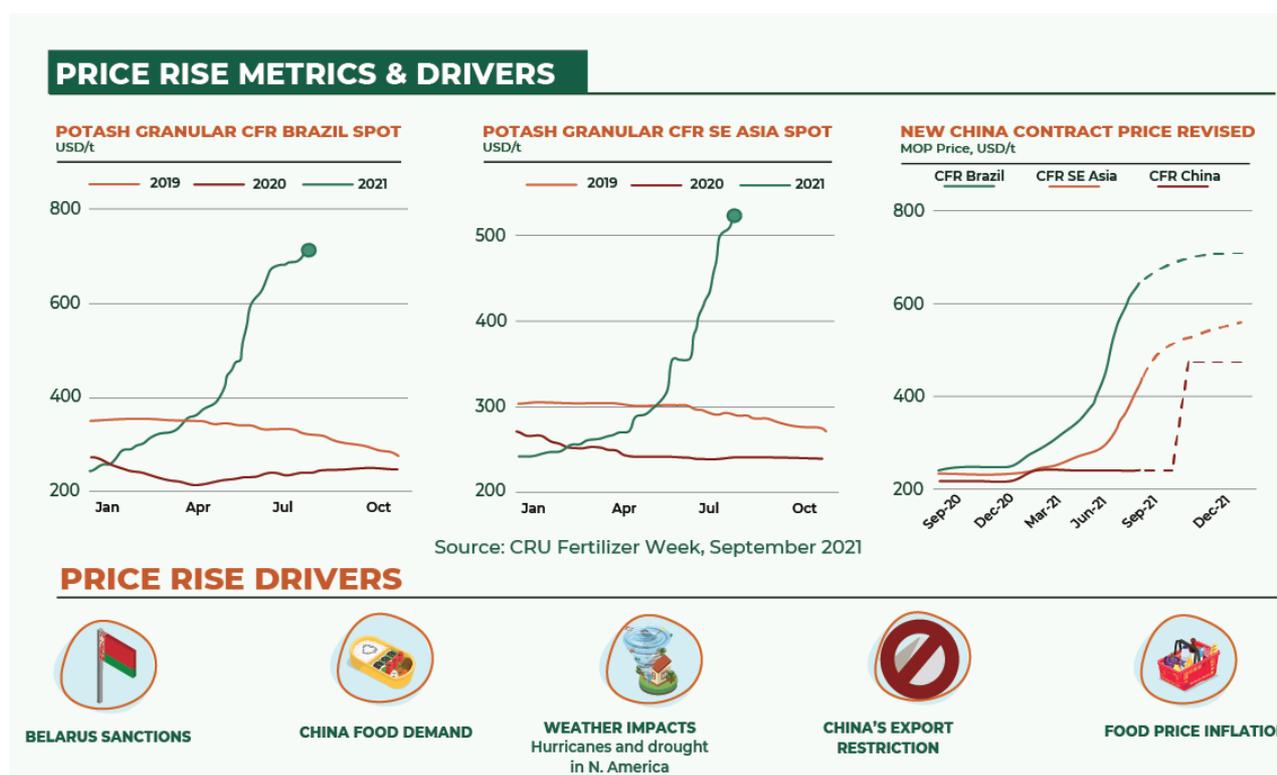




Figure 5: Crop Prices and Farmer Profits.

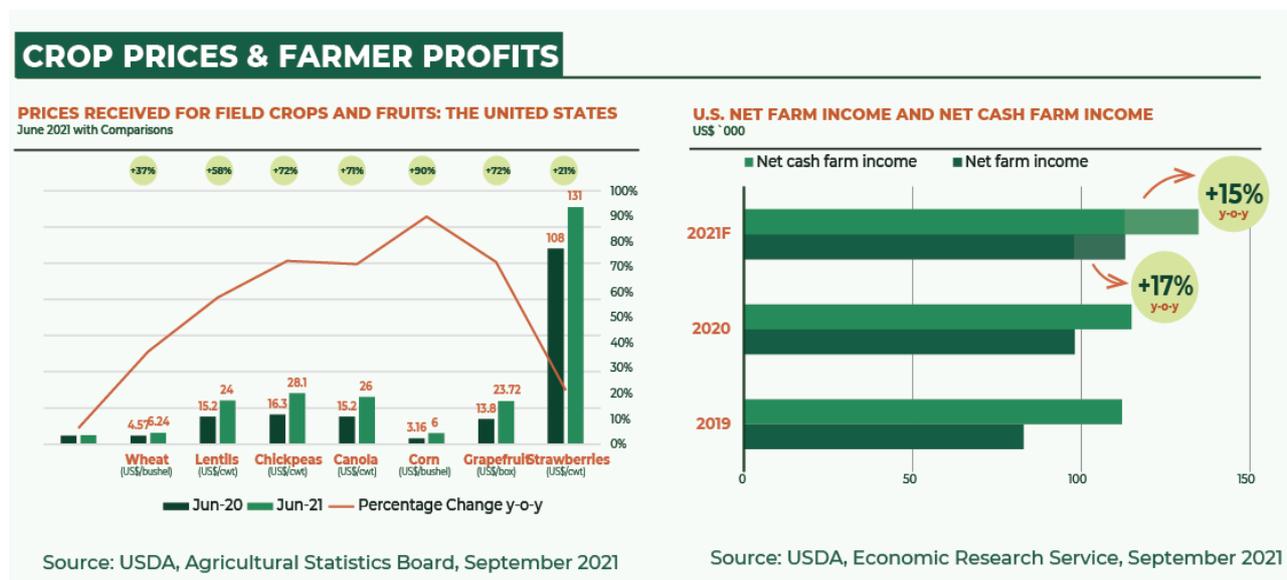
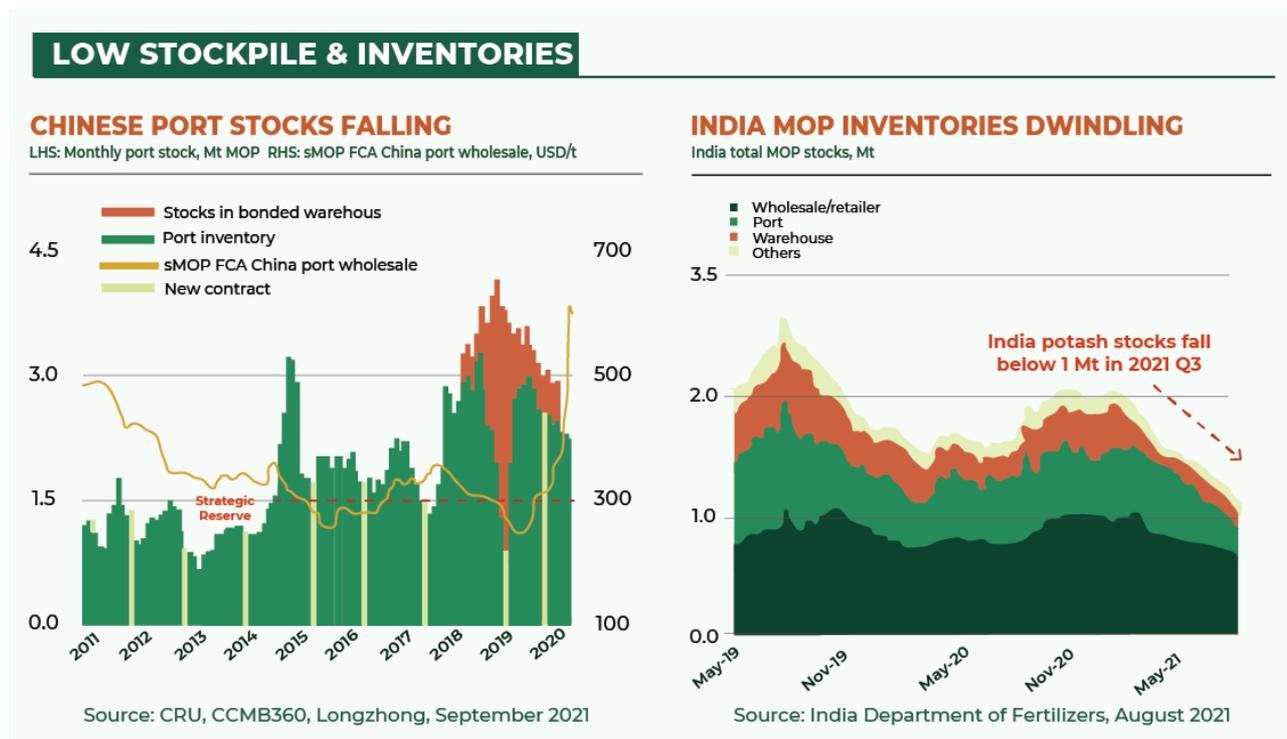


Figure 6: Low Potash stockpile and inventories.





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This announcement authorised for release by the Board of Danakali Limited.

For more information, please contact:

## **Danakali**

Seamus Cornelius

Executive Chairman

+61 8 6266 8368

Mark Riseley

Head of Corporate Development & IR

+61 8 6266 8368

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## About Danakali

Danakali Limited (ASX: DNK,) (**Danakali**, or the **Company**) is an ASX 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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