



Clean energy zero carbon SOP

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**) is 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 Company is continuing the process of evaluating its renewable energy options of solar, wind and geothermal energy with a view to becoming zero carbon in the production of Sulphate of Potash (**SOP**).

Solar and Wind

The early assessment work on the solar and wind energy potential of Colluli has been completed and this has confirmed that both of these renewable energy sources can be incorporated into the future generation of power for the Project. The Company will now work with its preferred power provider, Aggreko (LSE:AGK) on further developing these solutions. Aggreko announced on 26 January 2021¹ its ambition to be carbon net zero, aligning with the Paris Climate Agreement, by helping its customers meet their sustainability targets.

Geothermal

Colluli is located in the Danakil depression which lies within the East African Rift Valley, one of the world's most geothermally endowed rifts. Significantly, the mining license area is in close proximity to known geothermal gradients including at Alid, located on the axis of the Danakil depression, between the Red Sea and the Afar Triple Junction. Alid has been recognised by the Eritrean Ministry of Mines and Energy (**MoEM**) as a potential high geothermal resource due to the evidence of various surface manifestations and the presence of underground magma.

In 1996, detailed geological and geochemical work funded by USAID and conducted by United States Geological Survey (USGS) and MoEM identified a high temperature reservoir at Alid. Samples collected indicate a reservoir temperature of a hydrothermal-convection system likely to be in the range of 250°-300°C², which is extremely promising as a geothermal power source. Follow up work in 2015 demonstrated structural trends and temperature permeability that are very favourable for an electric grade geothermal resource.

The importance of geothermal and other renewable energy sources is set out in Eritrea's national renewable energy policy and development framework. Danakali will utilise the impressive body of work already conducted in Eritrea to develop its plans and further its commitment to carbon neutral SOP production.

Executive Chairman of Danakali, Seamus Cornelius, said: *"We are determined to embrace renewable energy and run our business in a way that delivers positive environmental impacts for Eritrea and the world. Our initial goal is to create a responsible, environmentally friendly, zero carbon, premium fertilizer business that clearly links Colluli SOP with the production of nutritious crops, bolsters global food and nutrition security, and improves millions of lives. We know very well that with an asset like Colluli, the extensive studies we have done to date provide us with a useful baseline and the ceiling won't even be glimpsed until after many decades of growth."*

¹ 26 January 2021 Aggreko sets industry-leading net zero targets to support customers through the energy transition

² Abraham Ruth, (6 February 2021), Geothermal Energy in Eritrea, Ministry of Information, www.shabait.com.

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Announcement authorised for release by the board 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 made a strategic equity investment in Danakali of US\$21.5M (A\$31.8M) allowing the commencement of the development for the Project.

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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