



Colluli Project Update: Appointment of Preferred Power Contractor

- **Aggreko** appointed as Preferred Power Contractor for Colluli
- 5-year Buy Own Operate Transfer (**BOOT**) contract with lower overall cost than FEED estimations
- 12.36MW thermal Heavy Fuel Oil (**HFO**) solution chosen as the most effective option for Module 1

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**), is pleased to announce that the Colluli Mining Share Company (**CMSC**) has appointed Aggreko, (**LSE:AGK**) as its preferred power supply contractor for its 12MW **HFO** power plant at Colluli. Aggreko will provide full scope of support services for the supply, commissioning, and maintenance of the power plant, then transfer to CMSC, under 5-year BOOT contract, (the **Agreement**). Aggreko will provide the funding for the power solution which provides certainty over delivery of this preferred solution.

The agreement is a 'Buy Own Operate Transfer' contract, as the equipment is available now and does not need to be built, and de-risks our development schedule. The equipment can therefore be mobilised at short notice as required during the development of the project.

The costs of the power solution provided by Aggreko over the 5-year contract period is lower than the FEED study results. Aggreko is funding the capex required for the power plant and all equipment will be transferred to CMSC at no extra cost at the end of the contract period. This power solution is scalable and can increase/decrease according to CMSC's needs.

The Agreement is subject to:

- (a) the conclusion of ongoing negotiations to optimise the scope of works, contract pricing and execution; and
- (b) Board approval of the Final Investment Decision (FID).

Niels Wage, CEO of Danakali, commented: *"We are very pleased to announce the appointment of Aggreko as our single power provider. With 55 years of experience in delivering high-quality, reliable service to a large number of projects we are confident they have the capabilities to provide our power needs for Colluli. At the early stages of the project development, the HFO solution will provide us with flexibility and reliability, and as confirmed by SEIA, Colluli will have a relatively small impact on the environment. Going forward, once project development is in more of a steady state we will look to diversify our energy sources towards renewables available in the Danakil region, as per our commitment to sustainable and environmentally friendly solutions".*

John Lewis, Managing Director, Africa - Aggreko commented: *"We are delighted to have been chosen as the preferred power contractor to work with Danakali and its partners on the Colluli Project. Our extensive experience in Eritrea and knowledge of the local market means that we are ideally placed to provide a solution which meets the specific needs of Danakali and deliver a reliable power supply for this project."*

About Aggreko:

Aggreko (AGK-LSE), has nearly 60 years of experience in delivering complex power plant solutions to projects in challenging locationsⁱ. They are world leading providers of mobile, modular, temperature control and energy services.ⁱⁱ Aggreko provides short-term hire and longer-term power solutions to a diversified customer base in mining, oil & gas, utilities, petrochemicals & refining. Operating in around 100 countries around the world, of which 35 are in the African continent, including providing off-grid power solution to a mining company in Eritrea since 2012ⁱⁱⁱ.

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Announcement authorised for release by the CEO of Danakali.



An example of the power solution to be provided by Aggreko.

Source: Aggreko October 2020

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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.

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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ⁱ Nasdaq IR, Exchange rate AUD:GBP 0.56, 5 October 2020

ⁱⁱ Aggreko Annual report & accounts 2019

ⁱⁱⁱ Aggreko Annual report & accounts 2019 & Aggreko Proposal September 2020

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