



## US\$50M strategic investment from AFC

- AFC has agreed to make a US\$50M (A\$74M) strategic equity investment in Danakali
- Subscription price of A\$0.60 per Share represents a 5% discount to Danakali's 30-day VWAP
- Facilitates commencement of project execution activities
- On track for production during 2022

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**) is pleased to announce that it has entered into a Subscription Agreement with Africa Finance Corporation (**AFC**) for a placement of fully paid ordinary shares (**Shares**) to raise US\$50M (**Placement**).

The Placement will be part of the overall funding package used for the development and construction of the Colluli Sulphate of Potash Project (**Colluli** or the **Project**) in the Danakil Depression region of Eritrea, East Africa. Colluli is fully permitted and construction ready, with both the EPCM contract and senior debt documentation well advanced. The Placement facilitates commencement of project execution activities which places Colluli on track for production during 2022.

The Placement takes AFC's total participation to US\$150M (US\$50M in Danakali equity plus US\$100M of credit approved Colluli Mining Share Company (**CMSC**) senior debt) demonstrating their major and long-term commitment to the Project, Danakali and Eritrea.

### Key terms of the Placement

The Placement will be undertaken in two tranches to raise a total of US\$50M (A\$74M) (subject to satisfaction or waiver of conditions precedent, set out in Appendix B)

- The first tranche will consist of approximately 53 million new Shares issued to AFC at an issue price of A\$0.60 per Share to raise A\$31.8 million (US\$21.5 million) (**Tranche 1**); and
- The second tranche, which is subject to Danakali shareholder approval and execution of senior debt documentation, will consist of approximately 70 million new Shares at the same issue price as Tranche 1 to raise the remaining A\$42.0 million (US\$28.5 million) (**Tranche 2**).

The offer price of A\$0.60 per Share represents a:

- 6% discount to Danakali's latest close price; and
- 5% discount to Danakali's 30-day VWAP.

AFC has received confirmation of approval from the Australian Foreign Investment Review Board (**FIRB**) of its application in relation to the Placement.

The Placement, upon completion of both tranches (and assuming no other issues of Shares take place prior to completion of the issue of Shares under Tranche 1) would result in AFC holding 32% of Danakali. As part of its equity investment, AFC will be granted the right to nominate up to two directors to Danakali's Board. Maintenance of these nominee Board positions will rely on AFC's Danakali ownership remaining above certain thresholds.

A summary of the key terms of the Placement and Subscription Agreement, including conditions precedent, is set out in Appendix B.

**Chief Executive Officer of Danakali, Niels Wage,** said: *“I am very pleased to have secured AFC as a strategic equity investment partner. It marks a significant milestone for Danakali and continues our momentum towards financial close. Danakali has made good progress over the past 12 months having secured a large proportion of the development capex for Module 1 and demonstrated a sustainable approach to the future development of Colluli. An investor with the reputation of AFC is a great endorsement of the project and will provide a strong platform to attract further investment. We are excited to commence project execution activities and look forward to providing updates to our shareholders and other stakeholders.”*

**Chief Executive Officer of AFC, Samaila D. Zubairu,** said: *“We assess hundreds of potential investment opportunities across Africa every year. Colluli stands apart from other opportunities due to its long life, low cost, low technical risk and proximity to infrastructure. We look forward to a cooperative alliance with Danakali in delivering the Colluli Sulphate of Potash Project.”*

### Indicative timetable

The issue of Shares to AFC under Tranche 1 is scheduled to settle on or about 9 December 2019. Admission of such Shares to the Official List (Standard Segment) and to trading on the Main Market of the London Stock Exchange is expected on or about 9 December 2019.

Completion of AFC’s subscription for Tranche 2 is subject to conditions precedent, including the approval of Danakali shareholders at a general meeting expected to be held in February 2020 and execution of the final US\$200M CMSC senior debt facility with AFC and Afreximbank (the **Facility**) documentation. Danakali will dispatch a Notice of Meeting to shareholders containing detailed information about the funding package and include an Independent Expert’s Report (**IER**).

Events	Expected date
Tranche 1 settlement	<ul style="list-style-type: none"> <li>On or about 9 December 2019</li> </ul>
Notice of Meeting materials (including IER) dispatched to shareholders	<ul style="list-style-type: none"> <li>Mid to late January 2020</li> </ul>
General Meeting to approve Tranche 2 share placement	<ul style="list-style-type: none"> <li>Late February 2020</li> </ul>
Settlement of New Shares issued under Tranche 2	<ul style="list-style-type: none"> <li>Early March 2020</li> </ul>

The above timetable is indicative only and subject to change without notice.

### Remaining project financing requirements

Danakali has previously announced credit approval for the US\$200M CMSC senior debt Facility from AFC and Afreximbank (refer ASX announcement dated 5 August 2019). The Facility, together with the Placement, represents the majority of Colluli’s Module 1 project funding requirements. Completion of Tranche 2 of AFC’s investment is conditional upon the execution of definitive documentation for the Facility.

The Company now has a clear pathway towards completing all funding for the Project and is currently well progressed with assessment of a range of options for the balance required.

### Advisers

Standard Chartered Bank is acting as corporate financial adviser to Danakali.

Norton Rose Fulbright is acting as legal adviser to Danakali.



**DANAKALI**

*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.*

*Announcement authorised for release by board of Danakali Ltd.*

For more information, please contact:

**Danakali**

Niels Wage  
Chief Executive Officer  
+61 8 6189 8635

William Sandover  
Head of Corporate Development & External Affairs  
+61 499 776 998

**Corporate Broker – Numis Securities**

John Prior / James Black / Paul Gillam  
+44 (0)20 7260 1000

**UK IR/PR – Instinctif Partners**

Mark Garraway / Sarah Hourahane / Dinara  
Shikhametova  
danakali@instinctif.com  
+44 (0)207 457 2020

Visit the Company's website: **[www.danakali.com](http://www.danakali.com)**

Follow Danakali on LinkedIn: **[www.linkedin.com/company/danakali-limited](https://www.linkedin.com/company/danakali-limited)**

Subscribe to Danakali on YouTube: **[www.youtube.com/channel/UChGKN4-M4IOvPKxs9b-IJvw](https://www.youtube.com/channel/UChGKN4-M4IOvPKxs9b-IJvw)**

## Appendix A: About AFC



AFC is a private sector-led investment bank and development finance institution created to help mobilise and channel required capital towards driving Africa's economic development. AFC offers a unique value proposition as an Africa-focused multilateral financial institution covering 3 complementary service areas: project development, financial advisory and principal investing. In addition to these core services AFC has significant experience and expertise in project management and will ensure that the objectives of all parties involved are met through careful monitoring of the project from beginning to end. AFC's core mission is to address Africa's infrastructure development needs while seeking a competitive return on capital for its shareholders.

For more information, visit [www.africafc.org](http://www.africafc.org).

## Appendix B: Summary of AFC Subscription Agreement

Term	Description
<b>Tranche 1</b>	
Amount	<ul style="list-style-type: none"> <li>A\$31.8M / US\$21.5M</li> </ul>
Subscription price	<ul style="list-style-type: none"> <li>A\$0.60/share</li> </ul>
Number of shares	<ul style="list-style-type: none"> <li>52,958,908</li> </ul>
Conditions precedent	<p>Tranche 1 is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>no insolvency event occurring in relation to any of Danakali or its group companies; and</li> <li>no indication being received from ASX that it will refuse to grant quotation of Shares issued under the Subscription Agreement or otherwise make quotation conditional</li> </ul>
Settlement	<ul style="list-style-type: none"> <li>On or about 9 December 2019</li> </ul>
<b>Tranche 2</b>	
Amount	<ul style="list-style-type: none"> <li>A\$42.0M / US\$28.5M</li> </ul>
Subscription price	<ul style="list-style-type: none"> <li>A\$0.60/share</li> </ul>
Number of shares	<ul style="list-style-type: none"> <li>70,042,323</li> </ul>
Conditions precedent	<p>Tranche 2 is subject to the following conditions:</p> <ul style="list-style-type: none"> <li>Danakali shareholder approval (for the purposes of item 7, section 611 of the Corporations Act);</li> <li>the IER concluding that the issue of the Tranche 2 Subscription Shares is either (i) fair and reasonable, or (ii) not fair but reasonable;</li> <li>no indication being received from ASX that it will refuse to grant quotation of Shares issued under the Subscription Agreement or otherwise make quotation conditional;</li> <li>the Company having not used the Tranche 1 proceeds for any purpose other than agreed between Danakali and AFC;</li> <li>execution of senior debt documentation in relation to the Facility; and</li> <li>Tranche 1 completion having occurred</li> </ul>
Strategic arrangements	<ul style="list-style-type: none"> <li>AFC will have a right to nominate a maximum of two Directors to the Danakali Board as follows: <ul style="list-style-type: none"> <li>AFC holding between 10% and 15% of Danakali, one director; and</li> <li>AFC holding more than 15% of Danakali, one additional director</li> </ul> </li> <li>Subject to ASX granting a waiver from Listing Rule 6.18, anti-dilution right to participate in any new issues of shares in Danakali on the same terms as other participants provided that AFC's shareholding remains at 10% or more</li> </ul>

— — — ENDS — — —



## 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 potash deposit. The resource is amenable to open pit 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**, together the **Mandated Lead Arrangers**), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance.

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.

### Competent Persons Statement (Sulphate of Potash and Kieserite Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @ 11% K<sub>2</sub>O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K<sub>2</sub>O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K<sub>2</sub>O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K<sub>2</sub>O Equiv. and 9% Kieserite of Inferred Resource.

The information relating to the Colluli Mineral Resource estimate is extracted from the report entitled "Colluli Review Delivers Mineral Resource Estimate of 1.289Bt" disclosed on 25 February 2015 and the report entitled "In excess of 85 million tonnes of Kieserite defined within Colluli Project Resource adds to multi agri-commodity potential" disclosed on 15 August 2016, which are available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

### Competent Persons Statement (Sulphate of Potash Ore Reserve)

Colluli Proved and Probable Ore Reserve is reported according to the JORC Code and estimated at 1,100Mt @ 10.5% K<sub>2</sub>O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K<sub>2</sub>O Equiv. Proved and 815Mt @ 10.3% K<sub>2</sub>O Equiv. Probable. The Colluli SOP Mineral Resource includes those Mineral Resources modified to produce the Colluli SOP Ore Reserves.

The information relating to the January 2018 Colluli Ore Reserve is extracted from the report entitled "Colluli Ore Reserve update" disclosed on 19 February 2018 and is available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

### Competent Persons Statement (Rock Salt Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 347Mt @ 96.9% NaCl. The Mineral Resource estimate contains 28Mt @ 97.2% NaCl of Measured Resource, 180Mt @ 96.6% NaCl of Indicated Resource and 139Mt @ 97.2% NaCl of Inferred Resource.

The information relating to the Colluli Rock Salt Mineral Resource estimate is extracted from the report entitled "+300M Tonne Rock Salt Mineral Resource Estimate Completed for Colluli" disclosed on 23 September 2015 and is available to view at [www.danakali.com.au](http://www.danakali.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the



relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

#### AMC Consultants Pty Ltd (AMC) independence

In reporting the Mineral Resources and Ore Reserves referred to in this public release, AMC acted as an independent party, has no interest in the outcomes of Colluli and has no business relationship with Danakali other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC and the Competent Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

#### Quality control and quality assurance

Danakali exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals.

The samples are derived from HQ diamond drill core, which in the case of carnallite ores, are sealed in heat-sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory.

Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-Umwelttechnik GmbH, Sondershausen, Germany, utilising flame emission spectrometry, atomic absorption spectroscopy and ion chromatography. Kali-Umwelttechnik (KUTECH) has extensive experience in analysis of salt rock and brine samples and is certified according to DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungsstelle GmbH (DAR). The laboratory follows standard procedures for the analysis of potash salt rocks chemical analysis ( $K^+$ ,  $Na^+$ ,  $Mg^{2+}$ ,  $Ca^{2+}$ ,  $Cl^-$ ,  $SO_4^{2-}$ ,  $H_2O$ ) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

#### 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.

No representation or warranty, express or implied, is or will be made by or on behalf of the Company, and no responsibility or liability is or will be accepted by the Company or its affiliates, as to the accuracy, completeness or verification of the information set out in this announcement, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Company and each of its affiliates accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement or any such statement.

The distribution of this announcement outside the United Kingdom may be restricted by law and therefore any persons outside the United Kingdom into whose possession this announcement comes should inform themselves about and observe any such restrictions in connection with the distribution of this announcement. Any failure to comply with such restrictions may constitute a violation of the securities laws of any jurisdiction outside the United Kingdom.