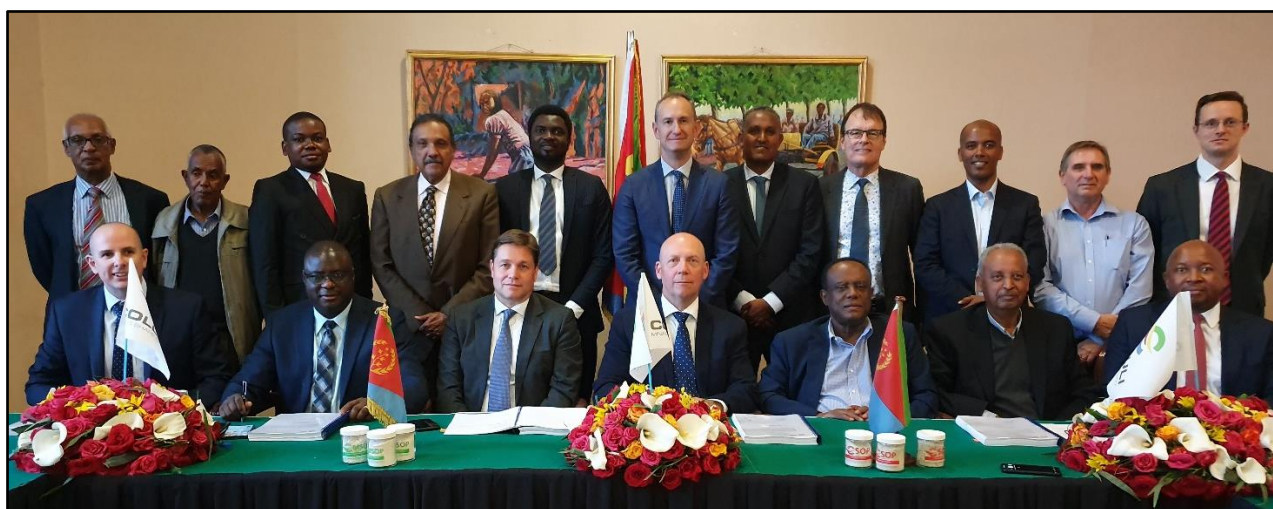




## US\$200M senior debt documentation executed

- CMSC has executed the documentation for the US\$200M senior debt facility with AFC and Afreximbank
- Allows drawdown of CMSC senior debt on satisfaction of customary conditions precedent
- Confirms total funding commitment to date of US\$250M for Colluli, following the recently announced US\$50M equity commitment from AFC
- Colluli project execution has commenced, and production is expected in 2022

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**) is pleased to announce that the Colluli Mining Share Company (**CMSC**, 50% owned by Danakali), Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**, together with AFC the **Mandated Lead Arrangers**), have executed definitive documentation for the provision of US\$200M in senior debt finance to CMSC (the **Facility**). US\$100M from each Mandated Lead Arranger. This Facility represents the majority of the funding required 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.



*Personnel from Danakali; CMSC; Eritrean National Mining Corporation (ENAMCO) – including Hagos Gebrehiwet, Head of Economic Affairs, Eritrea, and Director of ENAMCO and CMSC, and Berhane Habtemariam, Minister of Finance, Eritrea, General Manager, ENAMCO, and Director of CMSC (pictured second and third from the right in the first row); AFC; Afreximbank; Borrower's and Lender's counsel and Endeavour Financial at the signing of the Facility documentation in Asmara, Eritrea*

The finalisation of the Facility documentation follows the recent announcement of AFC's US\$50M equity commitment to Danakali (the first tranche of US\$21.6M has since been received, refer 3 December 2019 and 10 December 2019 announcements). The execution of Facility documentation satisfies one of the conditions precedent to the second tranche of AFC's US\$50M equity investment.

With US\$250M of funding commitment completed in December project execution has commenced and production is expected in 2022. The Company is well progressed with a range of options for the balance of funding required.

The Export Credit Insurance Corporation of South Africa SOC Limited (**ECIC**) will provide credit support for AFC's portion of the Facility. ECIC is South Africa's statutory export credit and foreign investment insurance provider.

**Chief Executive Officer of Danakali, Niels Wage**, said: *"The finalisation of the US\$200M CMSC senior debt facility is another major milestone for Colluli. Danakali is very pleased to be working with two leading development finance institutions, AFC and Afreximbank, to advance Colluli through construction and into production, fostering sustainable development in Eritrea and delivering value for our shareholders."*

**ENAMCO General Manager, Berhane Habtemariam**, said: *"The finalisation of debt funding for Colluli brings it one step closer to making a significantly positive impact on the Eritrean economy and its people. Colluli has the potential to significantly boost the Eritrean economy while providing benefits to Eritreans through improved agricultural productivity, training and employment."*

**Chief Executive Officer of AFC, Samaila D. Zubairu**, said: *"AFC is excited by the opportunity to accelerate development in Eritrea through investment in Colluli. Our strategic focus relies on financially and technically strong partnerships and we look forward to continuing to foster economic growth and industrial development alongside the Eritrean Government."*

**President of Afreximbank, Benedict Okey Oramah**, said: *"The Colluli Project will bring significant positive impact to the Eritrean economy. Afreximbank is proud to have been given the opportunity to be a financier of this important project. We see the project as a continuation of the rapid and positive changes that are taking place in Eritrea and look forward to future opportunities to support the country and its people."*

## Key terms of the Facility

The Facility will provide CMSC with US\$200M (subject to satisfaction of customary conditions precedent).

Term	Description
<b>Facility type and value</b>	<ul style="list-style-type: none"> <li>Senior loan facility of US\$200M</li> </ul>
<b>Issuer</b>	<ul style="list-style-type: none"> <li>CMSC</li> </ul>
<b>Mandated Lead Arrangers / Lenders</b>	<ul style="list-style-type: none"> <li>AFC; and</li> <li>Afreximbank</li> </ul>
<b>Guarantors</b>	<ul style="list-style-type: none"> <li>Danakali, STB Eritrea Pty Ltd (fully owned subsidiary of Danakali) and ENAMCO</li> </ul>
<b>Tenor</b>	<ul style="list-style-type: none"> <li>7 years from financial close repaid quarterly</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>Secured senior debt facility</li> </ul>
<b>Availability</b>	<ul style="list-style-type: none"> <li>From satisfaction of conditions precedent until the completion of the construction and execution of the Project</li> </ul>
<b>Margin</b>	<ul style="list-style-type: none"> <li>8.5% p.a. over 3 month USD LIBOR</li> </ul>
<b>Covenants</b>	<ul style="list-style-type: none"> <li>Customary positive, negative and financial covenants and undertakings for a funding facility of this nature</li> </ul>
<b>CMSC shareholder distributions</b>	<ul style="list-style-type: none"> <li>Occur on satisfaction of the project completion tests; and</li> <li>when six consecutive repayments have been made to the senior lenders</li> </ul>
<b>Conditions precedent</b>	<ul style="list-style-type: none"> <li>Conditions precedent are typical for a project financing facility of this kind and include: <ul style="list-style-type: none"> <li>all project approvals required to develop the project; and</li> <li>the balance of the equity contribution having been raised</li> </ul> </li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>Fees and early repayment terms typical of such a project financing facility</li> </ul>

## Advisers

Endeavour Financial is acting as financial adviser for the Facility.

Norton Rose Fulbright is acting as legal adviser for the Facility.

For more information, please contact:

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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 the board of Danakali.

## Appendix A: About AFC, Afreximbank and ECIC



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).

### About Afreximbank



Afreximbank is the foremost Pan-African multilateral financial institution devoted to financing and promoting intra- and extra-African trade. The bank was established in October 1993 by African governments, African private and institutional investors, and non-African investors. Afreximbank's mission is to stimulate a consistent expansion, diversification and development of African trade while operating as a first class, profit-oriented, socially responsible financial institution and a centre of excellence in African trade matters. Afreximbank has won numerous awards for their work.

For more information, visit [afreximbank.com/](http://afreximbank.com/).

### About ECIC



ECIC is a self-sustained, state-owned national export credit agency that provides political and commercial risk insurance primarily to South African exporters of capital goods and related services. It has a particular focus on emerging markets in Africa. Its overarching goal – and its mandate from the South African government as its sole shareholder – is to make South African exporters attractive to international buyers to attract foreign income, stimulate domestic economic growth and create local jobs. ECIC's various insurance products are formulated to protect all parties involved in cross-border projects, from the institutions that provide financing, to the foreign buyers, to the exporters themselves. Based in Pretoria, ECIC has exposure in Ghana, Zambia, Zimbabwe, Mozambique, Tanzania, Iran, Liberia, Angola, Lesotho, Sierra Leone, and now Eritrea.

For more information, visit <https://www.ecic.co.za/>.

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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**, together the **Mandated Lead Arrangers**), have executed documentation for the provision of US\$200M in senior debt finance to CMSC. AFC has also executed a Subscription Agreement to make a US\$50M strategic equity investment in Danakali.

Project execution has commenced and SOP production is expected in 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.

## 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

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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 (KUTEC) 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.

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