



## US\$200m debt finance mandate executed

- Debt finance mandate executed following signing of US\$200M term sheet
- African development financial institutions Afreximbank and AFC will act as Mandated Lead Arrangers

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali** or the **Company**) is pleased to announce that the Colluli Mining Share Company (**CMSC**) has executed a mandate to provide fully underwritten debt finance facilities of US\$200M to fund the construction and development of the Colluli Potash Project (**Colluli** or the **Project**) in Eritrea, East Africa (**Mandate**). African development financial institutions (**DFIs**) African Export-Import Bank (**Afreximbank**) and Africa Finance Corporation (**AFC**) will act as the Mandated Lead Arrangers. The Mandate follows the signing of a US\$200M non-binding indicative term sheet (**Term Sheet**).

The execution of the Mandate is a critical project financing and execution milestone. Afreximbank and AFC are highly reputable African DFIs with extensive experience in providing project financing to African projects across the continent and were chosen as Mandated Lead Arrangers due to their extensive African project finance experience and the strength of their investor reach. In 2017 Afreximbank was lead / co-lead arranger on 11 syndicated debt transactions totalling over US\$3Bn. In the same period AFC was mandated on over US\$1Bn of transactions.

Once the remaining aspects of due diligence are finalised and preconditions satisfied the Mandated Lead Arrangers will proceed to credit approval and execution of the syndicated loan facility with CMSC (**Facility**). Drawdown will follow after satisfaction of the conditions precedent to be agreed in the Facility. See Appendix A for a Colluli debt funding process overview.

**Chief Financial Officer of Danakali, Stuart Tarrant** said: *“The execution of the Mandate represents a significant milestone for the Colluli project funding. We are very pleased to be partnering with strong, experienced African financial institutions. Initial bank due diligence and subsequent negotiations have significantly advanced the project financing process and built on the finalisation of the binding offtake agreement with EuroChem placing CMSC in strong position to advance the Colluli Project .”*

Endeavour Financial is acting as debt financial adviser to Danakali and CMSC.

## 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 have won numerous awards for their work.

For more information, visit <https://afreximbank.com/>.

## 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 <http://www.africafc.org>.

For more information, please contact:

### **Danakali**

Seamus Cornelius  
Executive Chairman  
+61 8 6315 1444

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

### **Corporate Broker – Numis Securities**

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

### **UK IR/PR – Instinctif Partners**

David Simonson / George Yeomans /  
Sarah Hourahane  
danakali@instinctif.com  
+44 (0)207 457 2020

## Appendix A: Colluli debt funding process overview

### Debt milestones completed

	<b>Date</b>	<b>Area</b>	<b>Detail</b>
✓	Jan-18	Technical reports	• FEED completed and provided to potential debt financiers
✓	Feb-18	Formal kick-off	• Information Memorandum provided to potential debt financiers
✓	Feb-18	Due diligence	• Independent Marketing Report provided to potential debt financiers
✓	Jun-18	Due diligence	• Independent Social & Environmental and Technical Engineer Reports provided to potential debt financiers
✓	Jul-18	Due diligence	• Legal Due Diligence Report provided to potential debt financiers
✓	Jun-18	Offtake	• EuroChem offtake agreement provided to potential debt financiers
✓	Jul-18	Due diligence	• Bank club and Eritrea Government discussions
✓	Sep-18	Project contracts	• DRA Global (DRA) confirmed as preferred EPCM contractor
✓	Dec-18	Term Sheet	• Finalisation and execution of debt funding term sheet
✓	Dec-18	Mandate	• Afreximbank and AFC confirmed as Mandated Lead Arrangers

### Debt milestones remaining

<b>Area</b>	<b>Detail</b>
Project contracts	• Finalisation of contracts with DRA, Inglett & Stubbs International, and preferred mining contractor
Commitments	• Final credit approval from debt financiers
Commitments	• Execution of the Facility Agreement and related documents
Commitments	• Financial Close with conditions precedent met

— — — 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 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 **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.

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 "+300Mt 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.

## Danakali Limited

Level 1, 234 Churchill Avenue, Churchill Court, Subiaco, Perth, WA 6008

Tel: +61 8 6315 1444 / ABN 56 097 904 302



#### 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.