

Danakali Ltd

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Danakali's US\$50 million AFC investment facilitates start of Colluli project execution activities

Danakali Ltd (ASX:DNK) (LON:DNK) is on track for first production from Colluli Sulphate of Potash Project in Eritrea during 2022 after Africa Finance Corporation (AFC) agreed to a US\$50 million strategic equity investment.

The company has entered into a subscription agreement with AFC for a placement of fully paid ordinary shares to raise the funds, which will facilitate the start project execution activities.

Part of overall funding

This placement is equivalent to around A\$74 million and will be part of the overall funding package used for the development and construction of the Colluli project in Eritrea's Danakil Depression region.

Colluli is fully permitted and construction-ready, with both the EPCM contract and senior debt documentation well advanced.

"Milestone for Danakali"

Danakali's chief executive officer 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 I and demonstrated a sustainable approach to the future development of Colluli."

The placement takes AFC's total participation to US\$150 million which demonstrates their major and long-term commitment to the project, Danakali and Eritrea.

This amount comprises US\$50 million in Danakali equity plus US\$100 million of credit approved Colluli Mining Share Company (CMSC) senior debt.

"Endorsement of project"

Wage said, "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."

Two tranches

Price: 0.6275

Market Cap: \$166.66 m

1 Year Share Price Graph



Share Information

Code: DNK

Listing: ASX

52 week High Low
0.82 0.575

Sector: Rare earths & specialist minerals

Website: www.danakali.com.au

Company Synopsis:

Danakali Ltd (ASX:DNK) is developing the Colluli Potash Project, a world class greenfield SOP development project.

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The placement will be undertaken in two tranches:

- The first tranche will consist of about 53 million new shares issued to AFC at an issue price of A60 cents per share to raise A\$31.8 million (US\$21.5 million); and
- The second tranche, which is subject to Danakali shareholder approval and execution of senior debt documentation, will consist of about 70 million new shares at the same issue price as Tranche 1 to raise the remaining A\$42 million (US\$28.5 million).

The offer price of A60 cents per share represents a 6% discount to Danakali's latest close price and a 5% discount to Danakali's 30-day VWAP.

Colluli "stands apart"

AFC's chief executive officer 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."

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

Upon completion of both tranches would result in AFC holding 32% of Danakali, which grants it the right to nominate up to two directors to Danakali's Board of Directors.

Majority of Module I funding

Danakali has previously announced credit approval for a US\$200 million CMSC senior debt facility from AFC and Afreximbank.

This facility, together with the placement, represents the majority of Colluli's Module I project funding requirements.

The company now has a clear pathway towards completing all funding for the project and is well progressed with assessing a range of options for the balance required.

Standard Chartered Bank is acting as corporate financial adviser to Danakali and Norton Rose Fulbright is acting as legal adviser.

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