



AFC investment update

Danakali Limited (ASX: DNK, LSE: DNK, “Danakali” or the “Company”), provides today an update on Tranche 2 of Africa Finance Corporation’s (“AFC”) equity funding (“Tranche 2”), which was first announced on 3 December 2019.

Danakali and AFC have been working in good faith to satisfy the conditions precedent for AFC’s Tranche 2 of US\$28.5m. The Board of Danakali now considers it unlikely that all such conditions precedent will be satisfied prior to the deadline of 21 November 2020 (refer announcement 1 June 2020). Therefore, Tranche 2 will not complete in accordance with the terms of the subscription agreement.

As an international financial institution with a mandate to support infrastructure and industrial development in Africa, AFC’s support of the development of the Colluli Project remains firm. As Danakali’s largest shareholder and one of the two mandated lead arrangers and lender under the Colluli Project’s US\$200m Debt Financing, AFC is in discussion with Danakali with a view to finding a funding structure suitable to both parties that will ensure the commencement of construction of the project as soon as possible.

Samaila D Zubairu, President and CEO of AFC, commented: “AFC’s mandate is to develop Africa and ensure that more of the value of the continent’s resources benefit the continent’s people through the creation of jobs and opportunities along with improving living standards. AFC are fully committed to seeing Colluli developed as quickly and safely as possible and look forward to working with the key stakeholders, ENAMCO, Afreximbank and Danakali on this important objective and ensure the project is fully funded as soon as possible so production commences in 2022.”

Announcement authorised for release by the Board of Danakali.

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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 invested US\$21.5M (A\$31.8M) in equity which 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.

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