



AFC investment update

- Danakali and AFC have agreed on a deadline extension to satisfy remaining conditions precedent for Tranche 2 funding
- AFC remains committed to Colluli and reiterates confidence in delivery and success of the Project
- Danakali is well funded to complete current planned activities

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

As announced on 31 March 2020, the Tranche 2 funding had been deferred to allow for the stabilisation of market and global conditions. DNK and AFC have agreed to an extension to the deadline for Tranche 2 completion to on or before 21 November 2020. The extension allows time for satisfaction of the remaining CPs and is considered necessary in response to, amongst other things, the constraints arising from global restrictions imposed due to the COVID-19 pandemic.

With the receipt of Tranche 1 of AFC's investment of US\$21.5m (A\$31.8m) in December 2019, Danakali remains well funded for planned corporate initiatives and to complete the current activities related to EPCM Phase 2 (refer announcement 21 May 2020). Tranche 2 (US\$28.5m: A\$42.0m) is part of the overall funding package for the development and construction of the Colluli Sulphate of Potash Project (**Colluli** or the **Project**) in Eritrea. The Project remains on track for production during 2022 as outlined in DNK's Quarterly Report (refer to announcement 30 April 2020).

Niels Wage, Chief Executive Officer, commented: *"We are pleased to announce this extension. The progress reflects the constructive dialogue and partnership between the Company and AFC, which is highlighted by the recent appointment to the Board of AFC's Samaila D Zubairu, President and CEO, and Taiwo Adeniji, Senior Director for Investment Operations and Execution as Non-Executive Directors."*

Samaila D Zubairu, President and CEO of AFC, commented: *"AFC continues to be a great supporter of Colluli and we are confident in Danakali's competence to successfully deliver the Project. We remain committed to our US\$150m funding across the CMSC Senior Debt and equity investments."*

Announcement authorised for release by the Board of Danakali.

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About AFC

AFC is Africa's leading infrastructure solutions provider 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.

AFC invests in five sectors of infrastructure: Power, Natural Resources (Oil & Gas, and Mining), Heavy Industries and Telecommunications, Transport & Logistics and has to date invested over US\$6 billion across 30 African countries. AFC is the second highest investment grade rated multilateral financial institution in Africa with an A3/P2 rating from Moody's Investor Service, and its members include 27 African countries and Member States. For more information, visit www.africafc.org

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 also executed a Subscription Agreement to make a US\$50M strategic equity investment in Danakali. The receipt of the first tranche of US\$21.5M (A\$31.8M) 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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