



Credit approval received for US\$200M senior debt facility

- AFC and Afreximbank have confirmed that formal credit approval has been obtained for a US\$200M senior debt facility to fund construction and project execution for Colluli
- Afreximbank and AFC are experienced African development finance institutions with extensive involvement in providing financing to African projects across the continent
- Represents a major further step towards completing a ground-breaking project financing for Danakali, CMSC and Eritrea

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**) is pleased to announce that Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**, together the **Mandated Lead Arrangers**), have obtained formal credit approval to provide the Colluli Mining Share Company (**CMSC**) with US\$200M in senior debt finance (the **Facility**). The Facility will be part of the overall project funding package used for development and construction of the Colluli Potash Project (**Colluli** or the **Project**) in the Danakil Depression region of Eritrea, East Africa.

The Facility, funded equally by the Mandated Lead Arrangers, remains subject to completion of final documentation and will be subject to conditions precedent to drawdown. It will be underwritten by the Mandated Lead Arrangers and includes formal approval of export credit support from the Export Credit Insurance Corporation of South Africa SOC Limited (**ECIC**). ECIC is South Africa's statutory export credit and foreign investment insurance provider, and this milestone transaction will represent the first time they have provided export credit support to a non-South African bank.

Credit approval is a critical project financing and execution milestone, and an outstanding achievement for Danakali, CMSC and Eritrea. It represents the conclusion of an extensive due diligence process by the Mandated Lead Arrangers and ECIC which included:

- Colluli site visits by the Mandated Lead Arrangers and independent experts;
- meetings with the Eritrean National Mining Corporation (ENAMCO), Eritrean Ministries and other key Eritrean stakeholders; and
- extensive technical, marketing, environmental, social and legal evaluations including the assessment of independent expert reports.

Successful completion of the credit approval process is a strong endorsement for Eritrea, the calibre of the Project, the strength of the binding take-or-pay offtake agreement executed with EuroChem and the quality of the Front-End Engineering Design (FEED) study. CMSC and the Mandated Lead Arrangers will now proceed to final documentation and ultimately execution of the Facility, which is on track to be the first mining senior debt project financing drawdown in Eritrea.

Credit approved key Facility terms

The Facility remains subject to the agreement and execution of definitive documentation, final board approvals, and satisfaction of conditions precedent. Facility drawdown will also be subject to the Company achieving the remainder of its project funding requirements.

The key terms of the Facility are set out below.

Key terms	Details
Facility type and value	<ul style="list-style-type: none"> Senior secured loan facilities of US\$200M
Mandated Lead Arrangers	<ul style="list-style-type: none"> AFC and Afreximbank
Credit risk insurance	<ul style="list-style-type: none"> ECIC
Borrower	<ul style="list-style-type: none"> CMSC
Tenor	<ul style="list-style-type: none"> 7 years from financial close, based on a scheduled amortisation profile
Availability	<ul style="list-style-type: none"> For a period of up to 24 months after financial close and after satisfaction of all conditions precedent

Note: the key terms summarised above are indicative and remain subject to definitive agreement and final documentation.

Colluli is a globally significant, advanced and economically attractive Sulphate of Potash greenfield development project. The Project promises to be a major contributor to Eritrean economic development and positive social outcomes. A recent report, prepared by independent consultants that was initiated and funded by the United Nations Development Programme, outlines that the Project is expected to significantly contribute to the advancement of Eritrea's sustainable development agenda including through exports, the emergence of adjacent industries, training and employment.

Chief Executive Officer of Danakali, Niels Wage said: *“Final credit approval from leading development finance institutions AFC and Afreximbank for US\$200M of senior debt represents outstanding progress and a significant de-risking milestone for the Colluli project financing. The Facility is set to provide the majority of the funding required for construction and project execution. We look forward to working with the Mandated Lead Arrangers to complete conditions precedent and reach financial close. I am very pleased to achieve credit approval as it represents one of the last remaining milestones prior to project execution.”*

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

The Company is currently assessing a range of options for funding the balance of the capital required to bring Colluli into production, including advanced discussions with a number of potential strategic investors who have expressed interest in supporting the development of the Project. Standard Chartered is acting as corporate financial adviser to Danakali, including with respect to discussions with potential strategic investors.

See Appendix A for an overview of the Mandated Lead Arrangers and ECIC.



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Appendix A: About the Mandated Lead Arrangers and ECIC

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 <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>.

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



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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 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.

Development Finance Institutions, Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**, together the **Mandated Lead Arrangers**), have obtained formal credit approval to provide CMSC with US\$200M in senior debt finance.

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% K₂O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K₂O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K₂O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K₂O 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. 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% K₂O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K₂O Equiv. Proved and 815Mt @ 10.3% K₂O 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. 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. 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

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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 (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.

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