Danakali passes major financing milestone for executing Colluli Potash Project

Danakali Ltd (ASX:DNK) (LSE:DNK) has passed a major milestone along the road to executing the world-class Colluli Potash Project in Eritrea with credit approval received for a US$200 million senior debt facility.

Africa Finance Corporation (AFC) and African Export Import Bank (Afreximbank) have obtained formal credit approval to provide the Colluli Mining Share Company (CMSC) with the facility.

The facility will be part of the overall project funding package used for development and construction of the Colluli project in Eritrea’s Danakil Depression region.

Danakali’s chief executive officer Niels Wage said: “Final credit approval from leading development finance institutions AFC and Afreximbank for US$200 million 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”.

It is funded equally and 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).

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 represents the conclusion of an extensive due diligence process by the mandated lead arrangers and ECIC.

Due diligence included 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.

Wage said: “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.”

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.

Endeavour Financial is acting as debt financial adviser to Danakali and CMSC while Standard Chartered is acting as corporate financial adviser to Danakali, including with respect to discussions with potential strategic investors.

Danakali is 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.

Proactive Investors facilitate the largest global investor network across 4 continents in 4 languages. With a team of analysts, journalists & professional investors Proactive produce independent coverage on 1000's of companies across every sector for private investors, private client brokers, fund managers and international investor communities.

Contact us +61 (0)2 9280 0700 action@proactiveinvestors.com.au

No investment advice

The information on this Site is of a general nature only. It does not take your specific needs or circumstances into consideration, so you should look at your own financial position, objectives and requirements and seek financial advice before making any financial decisions. You acknowledge and understand that neither the Company, its related bodies corporate, the information providers or their affiliates will advise you personally about the nature, potential value or suitability of any particular security, portfolio of securities, transaction, investment strategy, or other matter. You should read our FSG and any other relevant disclosure documents and if necessary seek persona advice prior to making any investment decision.

You understand and agree that no Content (as defined below) published on the Site constitutes a recommendation that any particular security, portfolio of securities, transaction, or investment strategy is suitable or advisable for any specific person.

You understand that in certain circumstances the Company, its related bodies corporate, the information providers or their affiliates may have received, or be entitled to receive, financial or other consideration in connection with promoting, and providing information about, certain entities on the Site and in communications otherwise provided to you.

You understand that price and other data is supplied by sources believed to be reliable, that the calculations herein are made using such data, and that neither such data nor such calculations are guaranteed by these sources, the Company, the information providers or any other person or entity, and may not be complete or accurate. From time to time, reference may be made in our marketing materials to prior articles and opinions we have published. These references may be selective, may reference only a portion of an article or recommendation, and are likely not to be current. As markets change continuously, previously published information and data may not be current and should not be relied upon.

Before you act on any general advice we provide, please consider whether it is appropriate for your personal circumstances.