



**Circum Minerals Ltd  
ABM Chambers  
Road Town  
Tortola VG 1110  
British Virgin Islands**

## **Directors Update - June 2019**

Dear Shareholders,

Below is an update for Circum Minerals Limited.

### **Overall Strategy**

The Board approved strategy is to achieve a liquidity event for shareholders either through an outright sale or development of the project, after which shareholders will have the ability to exit in accordance with any agreements reached with the funders.

### **Strategic Sale/Partnering Process**

As advised previously, various parties are in the process of undertaking due diligence and given the size of the project this is a time consuming process, however, it is expected it will be concluded by year end. These parties could either acquire the company outright or contribute a significant portion of the equity leading towards the development of the project.

### **Debt Financing**

In the event that the project is taken forward to development, it is intended to finance it through a combination of debt and equity to enhance the project returns. A leading London based financial advisor was appointed in H2/2018 to structure a suitable debt package and excellent progress has been made in this regard, with Expressions of Interest being received from various commercial and development banks for the entire debt package. In addition, there have been strong indications of support by various Export Credit Agencies to provide the required commercial and political risk insurance.

### **Listing**

A listing is not being actively pursued due to the interest that has been generated to date by the strategic process but also because of the challenging capital markets. The company is, however, doing some preparatory work including debt and offtake workstreams for an IPO in the background and should market conditions change, this option could be activated.

### **Project Development**

The next step in the project development is the appointment of Circum's owners engineer, which will, in due course, lead to the shortlisting and selection of the various contractor/s required to execute the construction work programmes.



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### **Product Marketing**

Market testing of Circum's product has found it to be of an excellent quality which is in high demand globally. Various parties have been engaged on offtake/marketing arrangements, with contracts currently under discussion.

### **Potash Markets**

Potash prices have continued their recoveries from the 2017 lows, owing to tight global supply/demand fundamentals, aided by increasing market demand for both SOP and MOP. The SOP price premium over MOP has been increasing but is expected to taper as China has relaxed its regulations on SOP exports. Positioning on the cost curve will be the key to success, this is where Circum, as one of the lowest cost producers, will have an advantage over other producers.

### **Developments in Ethiopia**

The Ethiopian Government remains extremely supportive of the project and continues to progress the final major infrastructure work required to open the Danakil development. This includes a newly upgraded 600km road corridor to port in Djibouti as well as power lines linking the mine to Ethiopia's new sustainable hydroelectric supplies.

Ethiopia has featured prominently in the news recently with encouraging reports on many fronts including: Prime Minister Abiy Ahmed receiving the UNESCO Prize for Peace for his reconciliation with Eritrea; announcements of Ethiopia's ongoing economic growth at around 10% p.a.; successful attraction of foreign direct investment in the past year; political restructuring including empowering and unifying opposition parties to enable democratic elections in 2020; and Ethiopia's successful completion of new infrastructure around the county including business parks, the Addis Ababa rail links and international railway lines.

### **Way Forward**

The Board is optimistic that the positive developments noted above will result in a successful achievement of a liquidity event for shareholders in due course.

A handwritten signature in black ink that reads "Bradford A. Mills". The signature is written in a cursive, flowing style.

Bradford A. Mills  
Chief Executive Officer