



Circum Minerals Ltd.
ABM Chambers
P.O. Box 2283
Road Town
Tortola, VG 1110
British Virgin Islands

Directors' Update – 19 November 2021

Dear Shareholders,

In May 2021 it was noted that a further update for Circum Minerals Ltd would be provided after completion of the DFS, details of this are set out below.

In June 2020, shareholders were apprised of the Board's decision to:

- Appoint Novopro to complete a new DFS for an initial production of ~375,000 tons per annum (tpa) of Sulphate of Potash (SOP), later scalable up to 750,000 tpa of SOP from internal funding.
- Engage the Ethiopian government to secure the timely and orderly implementation of this new approach.
- After completion of the DFS re-engage with the financial institutions with whom debt funding was being discussed.
- Approve a new 2020/2021 budget.
- Approve a financing to raise up to \$12.5m to finance the company, US\$10m of which was to be underwritten by AMED Fund III, a fund managed by AMED Funds. A total funding of \$12.2mm was ultimately committed and as at 31 December 2021, Circum will still have \$2.2m to draw from this financing.

The Board of Directors has been provided with the output from the work undertaken by Novopro who have now completed their work programme and issued the DFS which has been compiled to a standard that adheres to the requirements of Canadian National Instrument (NI) 43-101. In addition, the basic engineering and procurement has been completed to a level to support both Construction and Sustaining Capital estimates to $\pm 15\%$ accuracy, and an Operating Cost estimate to $\pm 10\%$, with the overall study meeting the requirement for Association for the Advancement of Cost Engineering (AACE) Class III guidelines. As originally envisaged, the initial product level is set at 375,000 tpa of SOP across three products – standard, granular and water soluble with a ramp up to 750,000 tpa of SOP of production at later date.

The overall project returns are competitive for a project of this size and scale, with a capital cost lower than originally envisaged which ultimately will facilitate an easier path to financing. The phase 1 CAPEX is \$430mm and the project delivers a post royalty, pretax, real NPV at a 10% discount rate of \$576mm and an IRR of 23.6%. Unit costs are compelling when compared to global peers.

As part of the process, an updated Environmental and Social Impact Assessment ("ESIA") has been completed and appropriate Environmental and Social Management Plans have also been compiled. The ESIA has recently been lodged for approval with the Ethiopian regulatory authorities.

Management has travelled to Ethiopia on numerous occasions over the last 12 months and has just re-engaged with and apprised the relevant government Ministries in Ethiopia of the changes to the development plan and kept them informed of progress towards delivering an updated DFS.



**Circum Minerals Ltd.
ABM Chambers
P.O. Box 2283
Road Town
Tortola, VG 1110
British Virgin Islands**

Earlier this month the new DFS was lodged and the requirement to agree the revised production levels and commencement of production dates from those currently set out in the Mining Licence Agreement was discussed.

The Ministry responsible has indicated support for approval of the revised DFS and license extension and as a result Circum management is hopeful of securing the relevant approvals from the various Ethiopian government departments shortly. Once obtained Circum' management will re-engage with potential debt, equity funders and offtake partners, the timing and potential success of which will clearly be influenced by the developments in the current Tigrayan conflict in Ethiopia.

Potash Market and Product Marketing

Currently there is significant interest in fertiliser projects globally with recent announcements of weighty investment in new projects, demonstrating the attractiveness of potash as a long-term investment opportunity.

Prices of both MOP and SOP have been stronger in 2021 with firm global demand and a steady growth in demand for the foreseeable future. Sulphate of Potash (SOP) prices are less volatile than MOP and the SOP price premium over MOP of ~\$200 per metric tonne continues. Demand for and prices of water-soluble SOP, in particular, is currently exceptional.

Previously, market testing of Circum's product has found it to be of an excellent quality and it is expected that the product will be highly sought after when the Project is able to produce.

Developments in Ethiopia

The Directors are fully apprised of and closely monitoring the ongoing conflict in Tigray and the surrounding regions. The Tigray conflict has caused disruptions and delays to the work programme and Circum has done its best to mitigate the situation. While successfully completing the DFS, the conflict has made it difficult to carry on certain work programmes in the Afar Region where Circum's potash project is located.

Circum maintains its full presence in Addis Ababa and it has been able to operate there without any interruption, during the period of the conflict, including senior management visits on a regular basis.

A general election to elect members of the House of Peoples' Representatives was held in the majority of Regions in Ethiopia in June 2021 which resulted in the Prosperity Party under the leadership of Dr Abiy Ahmed securing a majority victory and a 5-year term of office. It is noted that Ethiopia is currently experiencing various challenges with a 6 month State of Emergency having been declared recently. It is the Board's hope that a peace settlement will be reached in order to resolve the conflict.

The Ethiopian government has progressed the final major infrastructure work required to open the Danakil Basin to development. This includes a newly upgraded 600km road corridor to the port in Djibouti as well as power supply lines to site, linking Circum to Ethiopia's electrical grid.



**Circum Minerals Ltd.
ABM Chambers
P.O. Box 2283
Road Town
Tortola, VG 1110
British Virgin Islands**

Ethiopia has achieved a remarkable economic growth rate of up to 10% p.a. for over a decade according to the government's data releases. While the Ethiopian government has been historically successful at attracting both foreign direct investment and aid in spite of the internal challenges, it is noted that the government remains committed to growing and diversifying its economy.

Circum's Current Capitalisation

Circum currently has 104,369,402 shares issued and outstanding as well as 1,675,000 \$2.00 warrants and 7,413,000 \$1.00 incentive-based management stock options. In addition, the \$12.2mm funding round provides preference to those shareholders which in simplistic terms would be extinguished by the repayment of \$24.4mm.

Valuation and Way Forward

The Board is pleased with the results of the DFS, which will allow the project to be more easily financed and it remains a world class asset. There is renewed interest in fertiliser projects globally and when there is a normalisation of the situation in Ethiopia the improved industry dynamics should assist in securing external financing to develop the project.

A further update will be provided to shareholders in H1/2022.

On Behalf of the Board of Directors

A handwritten signature in black ink, appearing to read "I. Stalker", is written over a faint, light-colored circular stamp or watermark.

Ian Stalker
Chief Executive Officer