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DekelOil Public Limited / Index: AIM / Epic: DKL / Sector: Food Producers

DekelOil Public Limited
(‘DekelOil’ or the ‘Company’)

Update on Cashew Processing Project, Côte d’Ivoire

DekelOil Public Limited, the West African focused agricultural company, is pleased to announce that its investee company, Pearlside Holdings Ltd (‘Pearlside’), has successfully completed an equity investment with Concordia Corporation Ltd., a Hong Kong based private equity company (‘Concordia Investment’). The equity proceeds will be used by Pearlside’s wholly owned subsidiary Capro CI SA (‘Capro’) to assist with the development of a large-scale 10,000 tpa (expandable to 30,000 tpa) raw cashew nut (‘RCN’) processing project at Tiebissou in Côte d’Ivoire (the ‘Project’). Capro is now embarking on the construction phase at Tiebissou with first production to commence within 12 months. Once operational, Tiebissou will be DekelOil’s second producing project in Cote d’Ivoire, alongside its Ayenouan palm oil project.

The Concordia Investment was based on an implied €6 million pre-money valuation. The investment had been completed on the same valuation of Pearlside as undertaken by DekelOil in December 2018. However, as a result of DekelOil issuing consideration shares at a significant premium to their actual value in that transaction, the actual effective consideration paid by DekelOil was a €4.2m valuation, implying a 42.8% uplift for DekelOil in this investment round (see announcement of 31 December 2018 for further details). In settlement of the Concordia investment and associated broking fees payable to Concordia, Concordia has been issued with 717 new ordinary shares in Pearlside, representing 14.9% of the enlarged issued share capital of Pearlside increasing their aggregate shareholding to 32.8%.

At the same time, DekelOil has elected to receive repayment of a €320,000 short term bridge loan it advanced to Pearlside whilst the Concordia Investment was completed by receiving €238,000 in cash and converting €82,000 cash into new shares in Pearlside also based on a €6m pre-money valuation of Pearlside. Following these equity issues, DekelOil is now interested in 37.8% of Pearlside total issued share capital. DekelOil’s option to acquire a controlling interest in Pearlside, as detailed in the Company’s announcement of 31 December 2018, remains in place and currently stands at 17% of shares in issue.

The total cost to build and commission the initial 10,000 tpa plant is estimated at US\$15 million, which is made up of US\$6 million for working capital and US\$9 million for the construction of the processing plant. In addition to the Concordia Investment, the debt structure has been advanced with the main benefit being obtaining a 2-year principal grace period on all key project development loans whereas previously it was only certain on the BIDC loan:

- 7-year US\$7.5 million plant development from BIDC (US\$5 million) and NSIA (US\$2.5 million) at a rate of 8.5% with two years principal grace;
- 7-year local bank loan for US\$1.7 million at an 8% interest rate with two years principal grace in the process of legal drafting as the intention is to deploy these funds at construction completion; and
- US\$7.5 million RCN stock financing loan with an interest rate of 8.7%.

Tiebissou is to be developed in line with the collaborative model DekelOil has successfully deployed at its producing palm oil project at Ayenouan. This is centred on constructing a state-of-the-art plant which will process RCNs grown by local smallholders. Producing approximately 720,000 tonnes per annum, Côte d'Ivoire is one of the largest producers of RCNs in the world and is also the world's largest exporter. A significant lack of value-adding processing capacity in Côte d'Ivoire restricts the amount of RCNs processed in-country at this point in time.

DekelOil Executive Director Lincoln Moore said, "Today's €1million investment by Concordia into Pearlside provides further endorsement of the attractive economics of an initial 10,000tpa cashew processing plant at Tiebissou. By providing the funds needed for the drawdown of the development loans, the Concordia investment enables the commencement of construction work at the site, which in turn puts the project firmly on track for first production in time for 2020's cashew harvesting season. At this point, DekelOil will have been transformed into a multi-project, multi-commodity agriculture company, generating revenues that are not only far larger in terms of scale, but also diversified in terms of end markets.

"We have also been able to keep our interest in Pearlside largely intact without having to invest significant new funds in the company. I look forward to providing further updates on progress at Tiebissou in the near term, including confirmation of the loan drawdowns and commencement of works, as well as on operations at our vertically integrated palm oil project at Ayenouan, as we look to build a leading West African focused agricultural company, and in the process generate significant value for our shareholders."

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This announcement has been released by Lincoln Moore, executive director of the Company.

Notes:

DekelOil Public Limited is a multi-project, multi-commodity agricultural company focused on West Africa. It has a portfolio of projects in Cote d'Ivoire at various stages of development: a fully operational palm oil project in Ayenouan where fruit produced by local smallholders is processed at the Company's 70,000tpa crude palm oil mill; a cashew processing project in Tiebissou, which is due to commence production in 2020; and a second palm oil project in Guitry which is under development.