

Danakali: Binding Take-or-Pay Offtake Confirmed for up to 100% of Colluli Module I SOP Production

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[Danakali Ltd.](#) (ASX: DNK) (Danakali, or the Company), on behalf of Colluli Mining Share Company (CMSC), is pleased to announce that a binding take-or-pay offtake agreement has been reached with EuroChem Trading GmbH (EuroChem) for up to 100% of Module I Sulphate of Potash (SOP) production from the Colluli Potash Project (Colluli, or the Project) (the Agreement). The Project, located in Eritrea, East Africa, is 100% owned by CMSC, a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (ENAMCO).

EuroChem will take, pay, market and distribute up to 100% (minimum 87%) of Colluli Module I SOP production. EuroChem may use a portion of Colluli SOP to produce complex Nitrogen Phosphate Potassium (NPK) fertilisers at its facilities in Antwerp, Belgium and Nevinnomyssk, Russia. The balance of SOP provided to EuroChem will be sold through their international channels. CMSC has the option to sell up to 13% through alternative sales channels.

The term of the Agreement is 10 years from the date of commissioning of the Colluli SOP processing plant, with an option to extend for a further 3 years if agreed by EuroChem and CMSC. EuroChem may terminate the Agreement if first commercial production has not occurred by 1 July 2022; well beyond CMSC's production commencement expectations. Either party may terminate the Agreement if a project financing agreement has not been executed and first drawdown achieved within 14 months of the signing of the Agreement. The Danakali and CMSC Boards, and the Eritrean Ministry of Energy and Mines, have approved CMSC's entry into the Agreement.

EuroChem is an outstanding partner with global reach and extensive fertiliser expertise and experience. The Agreement represents a strong endorsement for the Project. EuroChem has agreed to provide technical support to the Project on terms to be agreed. EuroChem Group AG (EuroChem Group) will provide a parent company guarantee as part of the Agreement.

The Agreement is instrumental in unlocking project funding. The take-or-pay nature of the Agreement (and associated terms) provides cash flow certainty and strengthens the Colluli and Danakali investment propositions. Other important debt milestones are also well progressed, including operational contract and procurement and supplier list finalisation.

Danakali Chief Executive Officer, Danny Goeman said: "We could not be happier with this result. EuroChem is an outstanding partner for the Project. EuroChem has a wealth of experience and expertise in the fertiliser sector. We would like to thank EuroChem for their part in what was a smooth and productive negotiation process that has resulted in an excellent outcome for both parties."

Norton Rose Fulbright acted as Danakali's legal adviser in relation to the Agreement, supporting negotiations and associated legal drafting.

See the full announcement here: <http://www.danakali.com.au/investor-relations/asx-announcements>

View source version on businesswire.com: <https://www.businesswire.com/news/home/20180612005672/en/>

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