



DANAKALI

ASX announcement

Wednesday, 13 June 2018

EuroChem announce Colluli offtake agreement

Danakali Limited (ASX: DNK) (Danakali, or the **Company**) is pleased to share **EuroChem Group AG's (EuroChem)** announcement regarding the take-or-pay agreement for the purchase of up to 100% of expected future Sulphate of Potash (**SOP**) output from the Colluli Potash Project (**Colluli** or the **Project**) in Eritrea, East Africa. EuroChem's announcement was released overnight (following Danakali's disclosure to the ASX on Tuesday, 12 June 2018), and is attached to this document.

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Zug, Switzerland, June 12, 2018 – EuroChem Group AG (“EuroChem” or the “Group”), a leading global fertilizer company, today announces a take-or-pay agreement for the purchase of up to 100% of expected future Sulphate of Potash (SOP) output from the Colluli Potash Project in Eritrea, East Africa.

The contract is for a 10-year term with an option to extend for a further three years. It is the first such agreement by EuroChem in Africa. The deal will provide EuroChem with access to an economically attractive SOP greenfield project which is favorably positioned to supply the world’s fastest-growing markets.

Owned by the Colluli Mining Share Company (CMSC), the Colluli Potash Project is a 50-50 joint venture between Danakali Limited (Danakali, ASX: DNK) and the Eritrean National Mining Corporation (ENAMCO). The project comprises a 1.1 billion tonne JORC-2012 SOP ore reserve containing potassium-bearing salts in solid form that is suitable for potash fertilizer production.

The agreement with EuroChem envisages annual output of 472,000 tonnes, although CMSC has the option to sell up to 13% of its output through alternative channels. Other commercial terms of the agreement have not been disclosed.

SOP is a premium fertilizer product suited for use with crops such as fruit, vegetables and coffee, and represents EuroChem’s increased focus on premium products. These include the Nitrophoska® range of complex fertilizers and the innovative stabilized nitrogen fertilizers of EuroChem’s ENTEC® series. SOP sells at a premium to Muriate of Potash (MOP), a more common potash fertilizer, which EuroChem is beginning to produce in Russia. As the Usolskiy and VolgaKaliy greenfield potash projects come on stream this year, EuroChem will become one of three companies worldwide to produce fertilizers in all

three primary nutrient categories, and a top-five global producer by total nutrient capacity. EuroChem may use some of the SOP processed at Colluli for the production of complex NPK fertilizers at its facilities in Antwerp, Belgium and Nevinnomyssk, Russia, and the rest will be sold internationally.

EuroChem Group AG Chief Executive Officer Dmitry Strezhnev said: “We are excited about participating in this project with CMSC, as part of our growing global presence. Colluli is one of the closest SOP deposits to a coastline anywhere in the world and, in solid form, the salts at Colluli can be processed immediately, significantly reducing the time between mining and revenue generation.”

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 fertilizer sector.”

About Danakali Limited

Danakali Limited (ASX: DNK) (“Danakali”, or the “Company”) is an ASX-listed company and 50% owner of the Colluli Potash Project (Colluli or the Project) in Eritrea, East Africa. The Company is currently developing Colluli in partnership with the Eritrean National Mining Corporation (ENAMCO). The Project is located in the Danakil Depression region of Eritrea, and is about 75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Mineralisation within the Colluli resource commences at just 16m, making it the world’s shallowest potash deposit. The resource is amenable to open pit mining, which allows higher overall resource recovery to be achieved, is generally safer

than underground mining, and is highly advantageous for modular growth.

About CMSC

All Eritrean mines require a joint-venture structure with ENAMCO.

Danakali and ENAMCO each own 50% of CMSC and CMSC owns 100% of Colluli. CMSC has a Board of 5, being 3 members from Danakali and 2 members from ENAMCO.

About EuroChem Group AG

EuroChem is a leading global producer of nitrogen, phosphate and potash fertilizers, as well as certain industrial and mining products. The Group is vertically integrated with activities spanning mining to fertilizer production, logistics, and distribution. EuroChem began potash production at its Usolskiy mine in early 2018, and continues to develop a second greenfield site at VolgaKaliy in Russia. Headquartered in Zug, Switzerland, the Group operates production facilities in Europe, Asia and the CIS, employing more than 26,000 people.

For more information, please visit www.eurochemgroup.com or contact:

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The Project is located in the Danakil Depression region of Eritrea, and is ~75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Mineralisation within the Colluli resource commences at just 16m, making it the world's shallowest potash deposit. The resource is amenable to open pit mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining, and is highly advantageous for modular growth.

The Company has completed a Front End Engineering Design (**FEED**) for the production of potassium sulphate, otherwise known as **SOP**. SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride (or **MOP**). Economic resources for production of SOP are geologically scarce. The unique composition of the Colluli resource favours low energy input, high potassium yield conversion to SOP using commercially proven technology. One of the key advantages of the resource is that the salts are present in solid form (in contrast with production of SOP from brines) which reduces infrastructure costs and substantially reduces the time required to achieve full production capacity.

The resource is favourably positioned to supply the world's fastest growing markets.

Our vision is to bring Colluli into production using the principles of risk management, resource utilisation and modularity, using the starting module (**Module I**) as a growth platform to develop the resource to its full potential.

Competent Persons Statement (Sulphate of Potash Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K₂O. The resource contains 303Mt @ 11% K₂O of Measured Resource, 951Mt @ 11% K₂O of Indicated Resource and 35Mt @ 10% K₂O of Inferred Resource.

The information relating to the 2015 Colluli Mineral Resource estimate is extracted from the report entitled "Colluli Review Delivers Mineral Resource Estimate of 1.289Bt" disclosed on 25 February 2015 and is available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Competent Persons Statement (Sulphate of Potash Ore Reserve)

The January 2018 Colluli Ore Reserve is reported according to the JORC Code and estimated at 1,100Mt @ 10.5% K₂O Equiv. The Ore Reserve is classed as 285Mt @ 11.3% K₂O Equiv. Proved and 815Mt @ 10.3% K₂O Equiv. Probable. The Competent Person for the estimate is Mr Mark Chesher, a mining engineer with more than 30 years' experience in the mining industry. Mr Chesher is a Fellow of the Australasian Institute of Mining and Metallurgy, a Chartered Professional, a full-time employee of AMC Consultants Pty Ltd (**AMC**), and has sufficient open pit mining activity experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code. Mr Chesher consents to the inclusion of information relating to the Ore Reserve in the form and context in which it appears.

In reporting the Mineral Resources and Ore Reserves referred to in this public release, AMC acted as an independent party, has no interest in the outcomes of Colluli and has no business relationship with Danakali other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC and the Competent Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

Competent Persons Statement (Rock Salt Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 347Mt @ 96.9% NaCl. The Mineral Resource estimate contains 28Mt @ 97.2% NaCl of Measured Resource, 180Mt @ 96.6% NaCl of Indicated Resource and 139Mt @ 97.2% NaCl of Inferred Resource.

The information relating to the Colluli Rock Salt Mineral Resource estimate is extracted from the report entitled "+300M Tonne Rock Salt Mineral Resource Estimate Completed for Colluli" disclosed on 23 September 2015 and is available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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Quality control and quality assurance

Danakali exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals.

The samples are derived from HQ diamond drill core, which in the case of carnallite ores, are sealed in heat-sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory.

Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-Umwelttechnik GmbH, Sondershausen, Germany, utilising flame emission spectrometry, atomic absorption spectroscopy and ion chromatography. Kali-Umwelttechnik (KUTEC) has extensive experience in analysis of salt rock and brine samples and is certified according to DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungsstelle GmbH (DAR). The laboratory follows standard procedures for the analysis of potash salt rocks chemical analysis (K^+ , Na^+ , Mg^{2+} , Ca^{2+} , Cl^- , SO_4^{2-} , H_2O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

Forward looking statements and disclaimer

The information in this document is published to inform you about Danakali and its activities. Danakali has endeavoured to ensure that the information enclosed is accurate at the time of release, and that it accurately reflects the Company's intentions. All statements in this document, other than statements of historical facts, that address future production, project development, reserve or resource potential, exploration drilling, exploitation activities, corporate transactions and events or developments that the Company expects to occur, are forward looking statements. Although the Company believes the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include market prices of potash and, exploitation and exploration successes, capital and operating costs, changes in project parameters as plans continue to be evaluated, continued availability of capital and financing and general economic, market or business conditions, as well as those factors disclosed in the Company's filed documents.

There can be no assurance that the development of Colluli will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. To the extent permitted by law, the Company accepts no responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in this document. Recipients should make their own enquiries in relation to any investment decisions.

Mineral Resource, Ore Reserve, and financial assumptions made in this presentation are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 23 September 2015, 15 August 2016, 1 February 2017, 29 January 2018, and 19 February 2018 which continue to apply and have not materially changed. The Company is not aware of any new information or data that materially affects assumptions made.