



DANAKALI

create. nurture. grow.

Colluli Potash Project
Positively Unique
Globally Unrivalled
The 10Gs of Colluli

Paul Donaldson, Managing Director
Proactive Investors Presentation

February 2017



Forward looking statements and disclaimer



The information in this presentation is published to inform you about Danakali Limited (the “Company” or “DNK”) and its activities. DNK 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 presentation, 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 the Colluli Project 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 presentation. 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, 4 March 2015, 19 May 2015, 23 September 2015, 30 November 2015, 15 August 2016 and 1 February 2017 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.

Corporate Snapshot



Financial information

(As of 31 Jan. 2017)

Share price	A\$0.80
Number of shares	225m
Market capitalisation	A\$180m
Cash (31-Jan-17)	A\$10.5m
Debt (31-Jan-16)	Nil

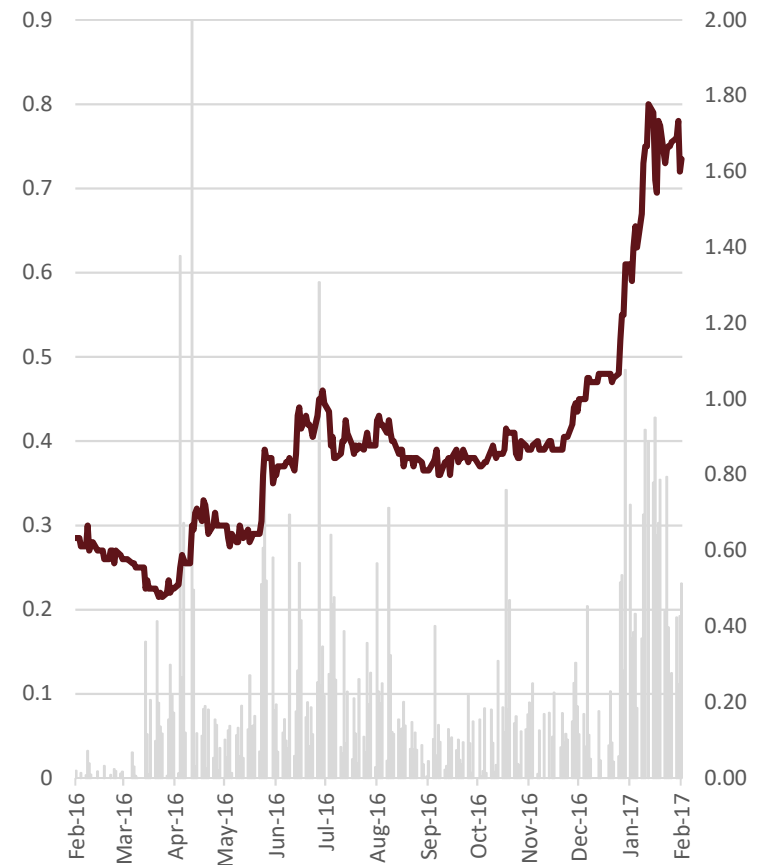
Top Shareholders

Well Efficient <i>Hong Kong private investor</i>	13.4%
JP Morgan Asset Management (UK)	9.4%
Danakali Board members	12.2%

12 Month Share price performance

Share Price (\$A)

Volume Traded (m)



Share Price

Vol.

Source: IRESS

Highly Experienced Board

Chairman	Seamus Cornelius	Experienced mining executive and corporate lawyer with over 20 years experience in the resources sector. Chairman of Duketon Mining, Montezuma Mining, and Buxton Resources
Managing Director	Paul Donaldson	Mining executive with over 25 years in mining, manufacturing and marketing, large scale mining operational management and project management experience.
Non-Executive Director	Robert Connochie	A mining specialist with over 40 years of industry experience including senior executive and director positions for a number of private and public companies and industry associations. Particular experience in the potash industry, and has managed both development and operating companies. Has advised on valuations, transactions, both project and corporate financing and marketing strategies. Currently a Non-Executive Director of Behre Dolbear, Australia and Behre Dolbear, International.
Non-Executive Director	John Fitzgerald	Experienced mining executive specialising in corporate debt and advice in the mining sector. Chairman of Dakota Resources and Director of Northern Star Resources
Non-Executive Director	Zhang Jing	More than 15 years of international trading and business development experience and project management roles in public listed companies in China
Non-Executive Director	Liam Cornelius	Founding Director with over 20 years experience in commodity exploration within Australia, Asia and Africa

Colluli is the most advanced and attractive greenfield primary SOP development in the world



A GAME CHANGING, GLOBALLY UNIQUE RESOURCE THAT HAS NO PEER

World class resource¹	<ul style="list-style-type: none"> Shallow mineralisation – commencing at 16m 	
	<ul style="list-style-type: none"> 1.3 billion tonne resource > 200 year mine life 	<ul style="list-style-type: none"> 1.1 billion tonne ore reserve
Premium product with limited global production centres	<ul style="list-style-type: none"> Chloride free Multi-nutrient 	<ul style="list-style-type: none"> Limited supply
Positively unique with unrivalled growth and diversification potential	<ul style="list-style-type: none"> Salts in solid form – a key advantage over potassium brines Unique capability to produce diverse range of potash types 	<ul style="list-style-type: none"> The right combination of potassium salts for low energy, high yield conversion to SOP Monetisation potential for kieserite, gypsum, magnesium chloride and sodium chloride
Commercially proven process	<ul style="list-style-type: none"> Same production process as current low cost producers 	<ul style="list-style-type: none"> Process design tested and confirmed
Outstanding Economics	<ul style="list-style-type: none"> Industry leading capital intensity Low incremental growth capital 	<ul style="list-style-type: none"> Bottom quartile cost curve position
Unrivalled access to coast and global markets	<ul style="list-style-type: none"> Epicentre of booming population growth 60km from Red Sea Coast 	<ul style="list-style-type: none"> 200km from export facility
Exceptional feed grade	<ul style="list-style-type: none"> One of the highest grade SOP deposits in the world 	<ul style="list-style-type: none"> Significantly lower waste generation than potassium rich brines

¹ Danakali DFS 30 November 2015

Colluli carries all the key ingredients for a successful development



For personal use only



The 10G's of Colluli



COLLULI IS UNMATCHED WHEN IT COMES TO THE KEY INGREDIENTS OF A SUCCESSFUL DEVELOPMENT

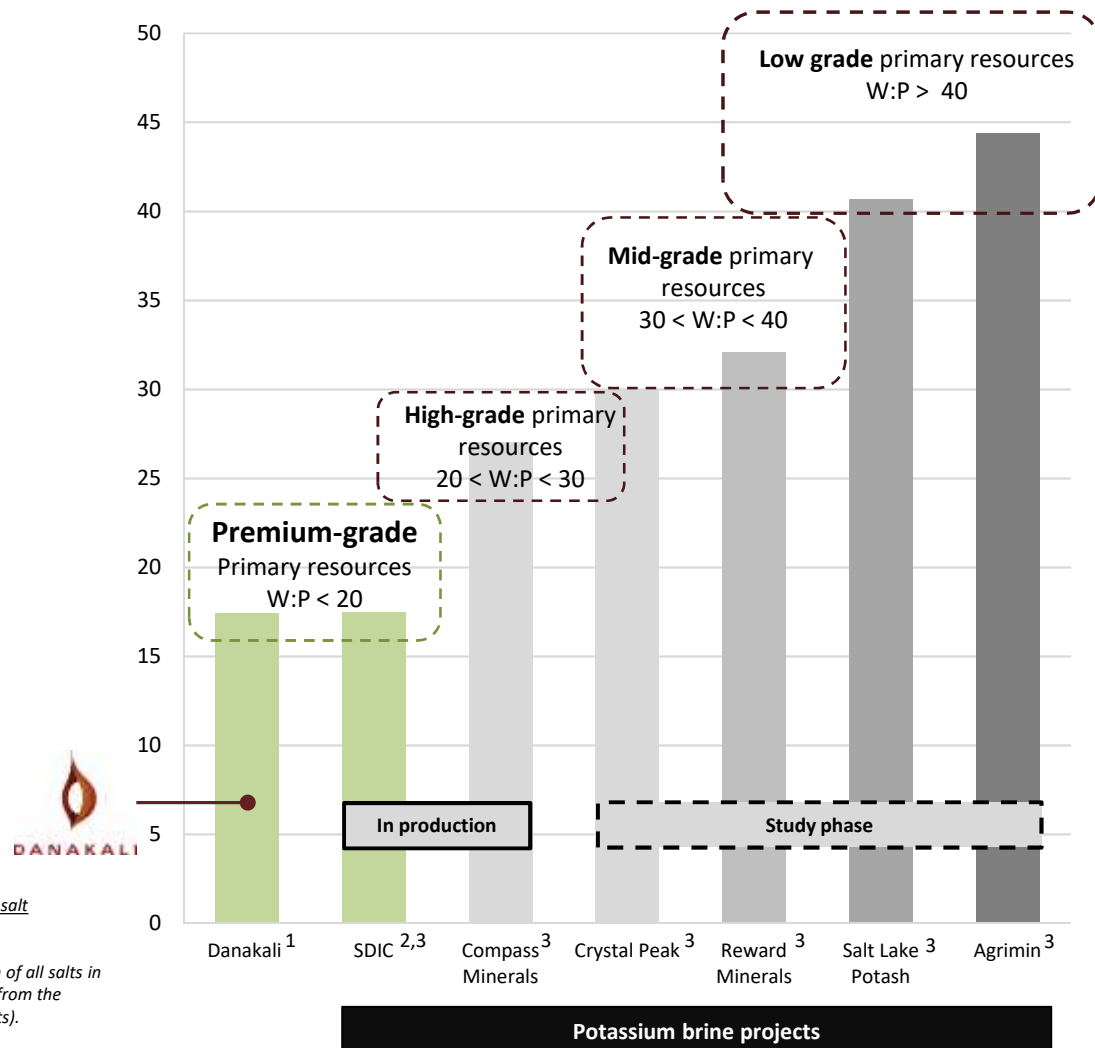
1. **Grade**
2. **Geology**
3. **Geometry**
4. **Geography**
5. **Gross margin**
6. **Growth potential**
7. **Global significance**
8. **Government support**
9. **Game changing potential**
10. **Gains for local and regional communities**

1. Grade: Colluli is a premium grade SOP resource with very low Waste to Product ratio



- Colluli one of the highest grade SOP deposits in the world¹
- Very high potassium content and very low waste to product (W:P) ratios
- A broad quality range exists in potassium brines – brines are not the same
- Higher W:P ratio brines typically require higher evaporation rates, large capital intensive evaporation ponds and high volumes of waste salt management

Waste to product ratio (W:P)



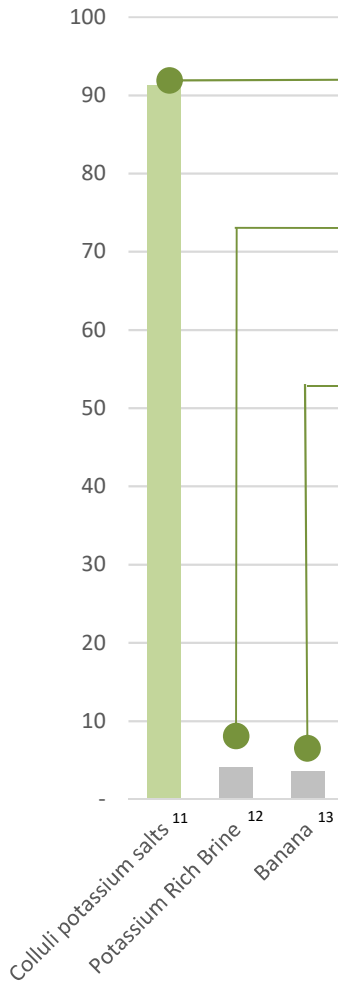
1. Colluli DFS mine plan - Colluli waste includes all overburden (clastics, rock salt) and salt extracted in processing operations
 2. BC Insight Fertiliser Magazine
 3. Waste calculated from total dissolved solids (TDS) data on company websites (sum of all salts in brine less SOP product). Brine waste associated with trenching has been excluded from the calculation (favouring a lower waste to product ratio to the greenfield brine projects). Potassium yields of 70% assumed for brines.

Superior grade negates the need for large, costly ponds, giving industry leading capital intensity

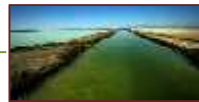


For personal use only

Kilograms of potassium per tonne



• Potassium salts mined from Colluli have a potassium concentration approximately 25x that of potassium rich brines¹



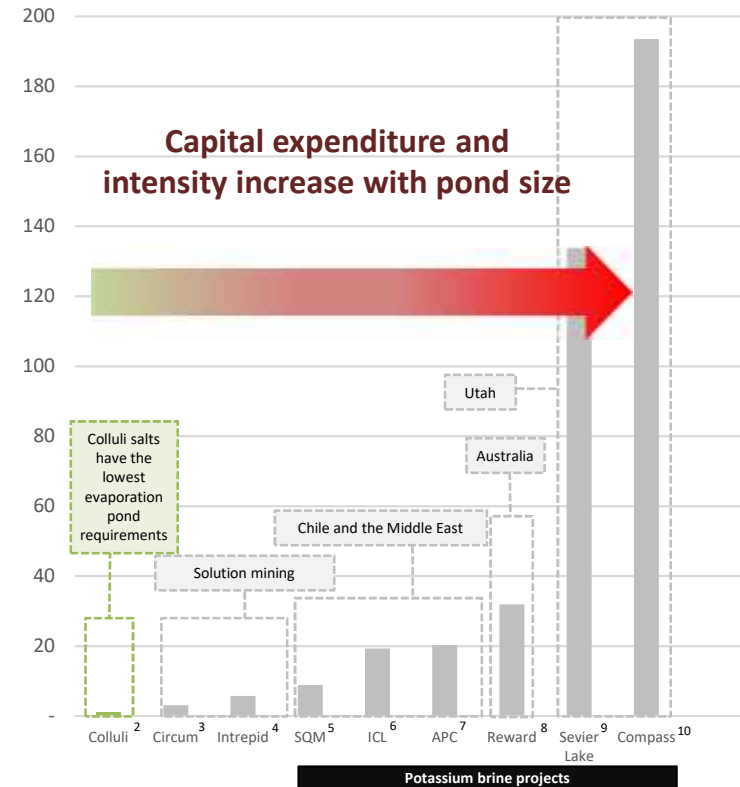
• A potassium rich brine on a weight basis has similar potassium concentration to a banana¹³



Colluli's ponds are:

- Up to **160x** smaller than potassium brines in Utah (poor evaporation conditions)
- Up to **32x** smaller than potassium brines in Australia (reasonable evaporation conditions)
- Up to **20x** smaller than potassium brines in Chile and the Middle East (good evaporation conditions)
- Up to **4x** smaller than solution mines

Pond size (km²) for SOP projects [normalised for 425ktpa SOP production rate¹]



1 Calculated by dividing published evaporation pond areas by annual production rate and multiplying by 425kt to achieve equivalent area
 2 Colluli DFS
 3 Bloomberg
 4 Sunrise engineering website
 5 Handbook of lithium and natural calcium chloride
 6 Financial Times
 7 Arab Potash website
 8 Investor presentation 2012
 9 EPM Mining prefeasibility study
 10 Great Salt Lake Minerals website
 11 Calculated from Colluli resource data and published brine compositions
 12 Salt Lake Potash website
 13 United States department of agriculture

2. Geology: The right salts in the right form



COLLULI IS THE ONLY SOP DEPOSIT THAT ALLOWS EXTRACTION OF POTASSIUM SALTS IN SOLID FORM

- Colluli has the **RIGHT** combination of potassium salts for high yield, ambient temperature conversion to SOP
 - The Colluli combination of sylvite and kainite is the most favourable path to SOP from primary resources and the most commonly used
 - The absence of sylvite (kainite only) requires high energy input (50°C), low yield crystallisation^{1,2}
- Colluli is the **ONLY** SOP resource that allows extraction of salts in solid form
 - Extraction of salts in solid form significantly improves production reliability (not weather dependent versus potassium rich brines) and reduces capital intensity (need for large evaporation ponds negated)
- **Plant feed rates and grade are stable and predictable**
- **Production rates not weather dependent**
- **Other salts in the resource have monetisation potential**
 - Magnesium Sulphate, Magnesium Chloride, Rock Salt, and Gypsum all have established markets



1. Potash, Garret. P, pp441 – 445
2. Reward Minerals Presentation, 2013

3. Geometry: Shallow, Simple, Easy access



COLLULI IS THE SHALLOWEST EVAPORITE DEPOSIT IN THE WORLD

1. Shallow mineralisation

- Commencing at just 16m and allowing open cut mining
- Open cut mining is a proven, safer, simpler, high productivity mining method that gives superior resource to reserve conversion rates compared to underground or solution mining alternatives.

2. Ease of access

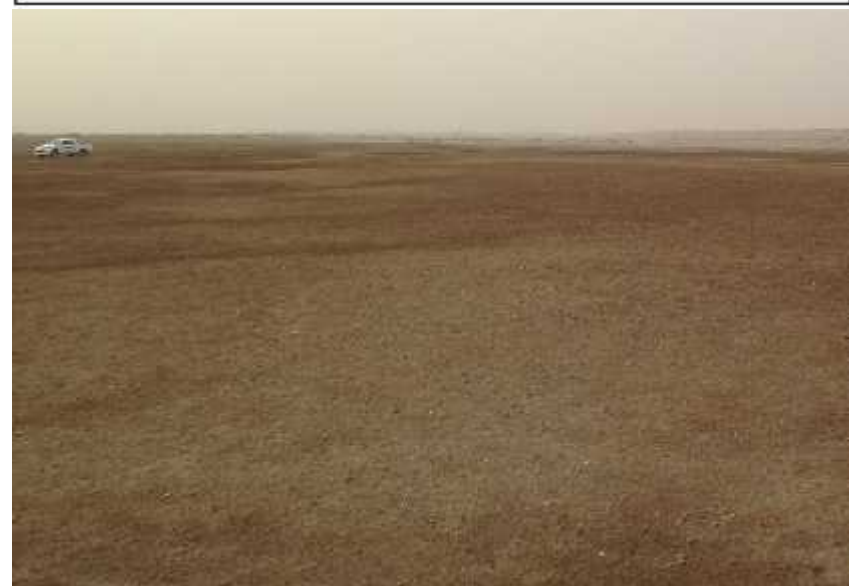
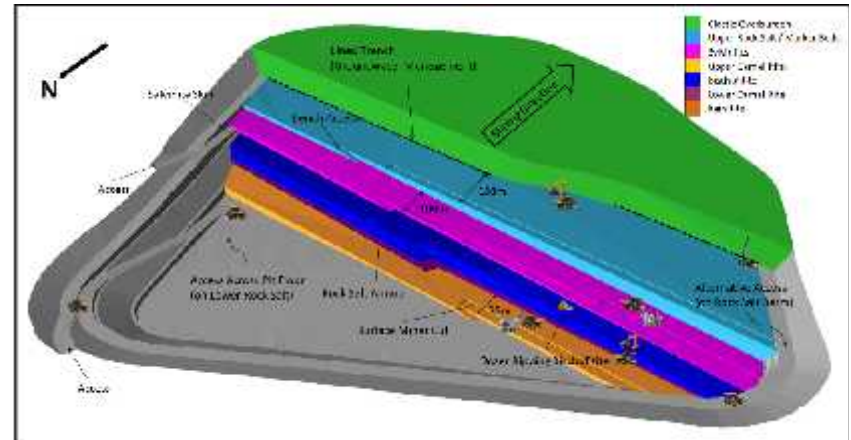
- Flat
- Free dig of upper layers
- No clearing
- No local inhabitants

3. Shallow inclination

- Resource slopes only 1°
- Highly suitable for surface miners

4. Layered

1. Predictable, reliable production
2. Predictable grade
3. Ease of selective extraction of potassium salts

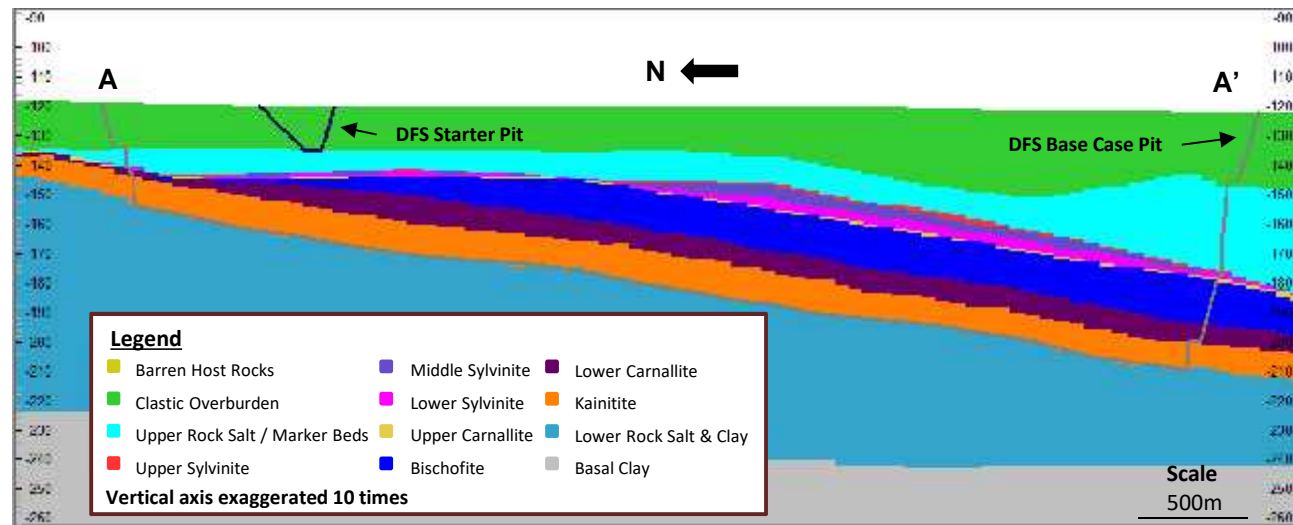


Geometry: Simple extraction

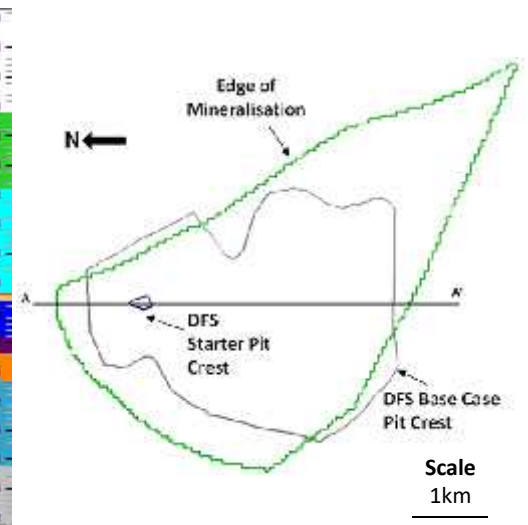


LAYERED, SOLID SALT, OPEN PITTABLE RESOURCE MAKES FOR A STRAIGHTFORWARD MINING PROCESS

Colluli mine cross section



Colluli mine from above



Source: Danakali

For personal use only

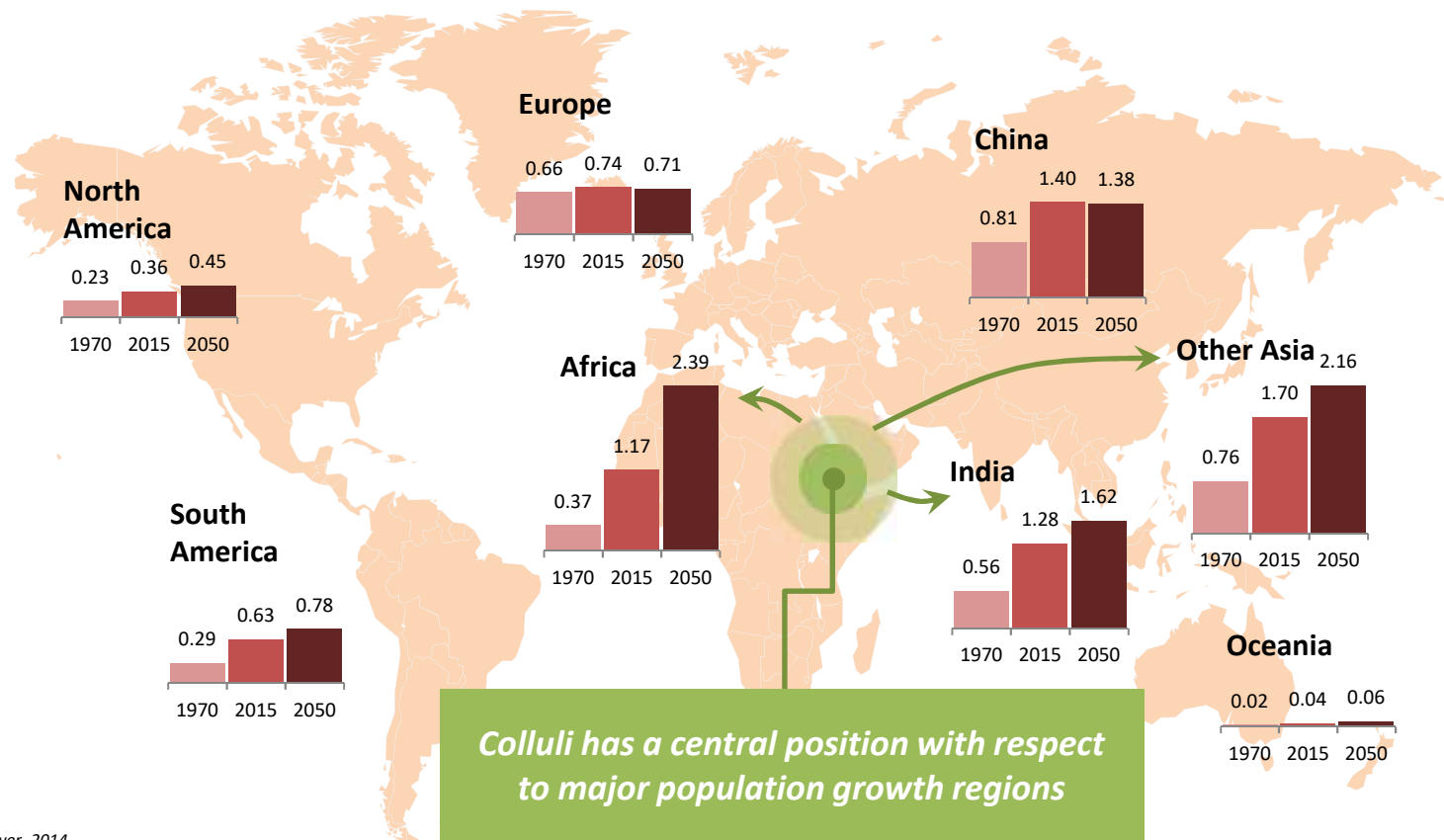
4. Geography: The epicentre of global population growth and the closest SOP deposit to a coastline globally



COLLULI IS LOCATED AT THE EPICENTRE OF BOOMING POPULATION GROWTH IN AFRICA AND ASIA

- Potash is a rare commodity story where demand is not primarily China-driven
- Colluli is geographically superior with regard to key growth markets and has logistical superiority in the Danakil basin

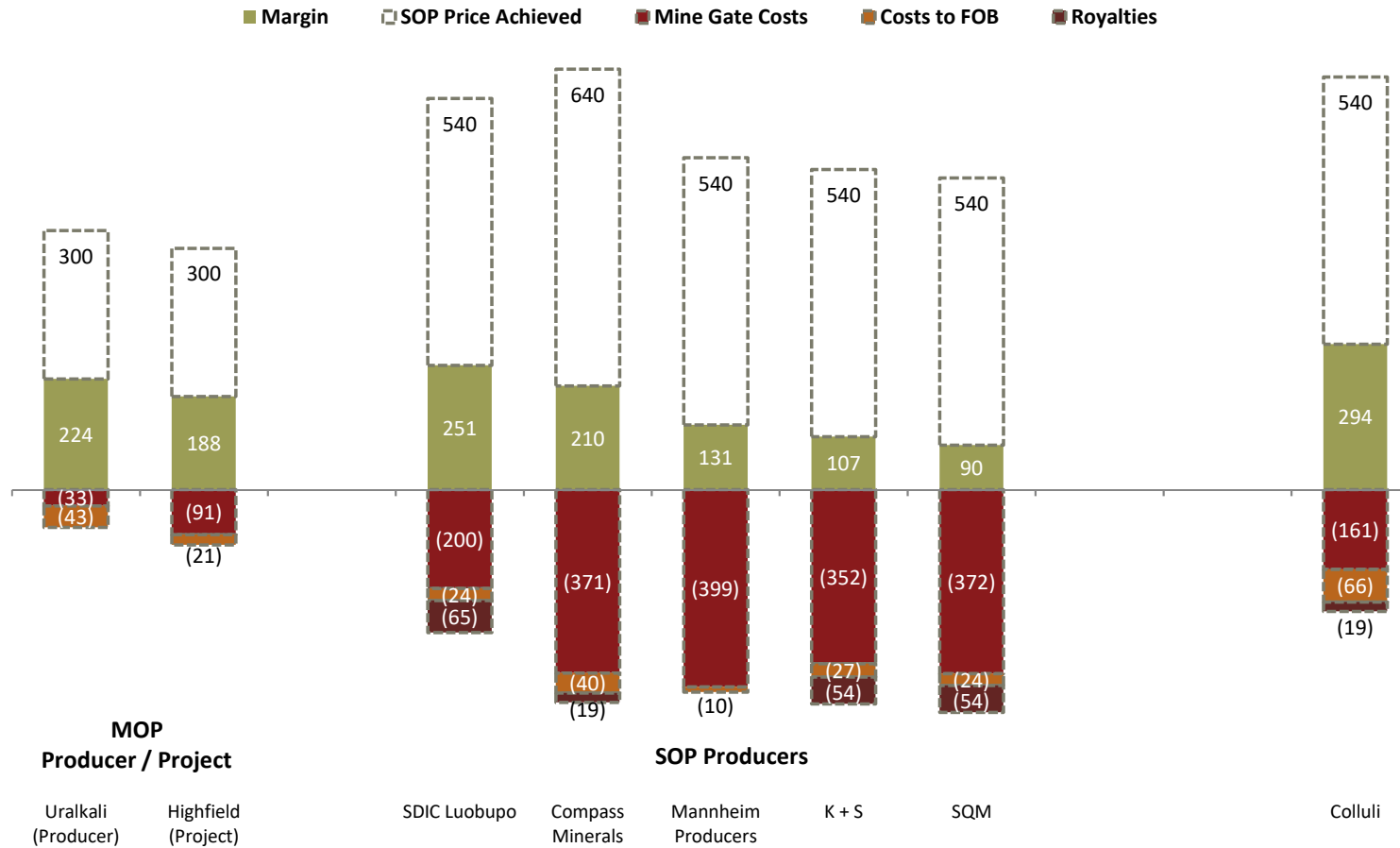
Historical and forecast global population growth (billions)



Source: United Nations, Basic Materials Observer, 2014

For personal use only

5. Gross Margin: Low operating costs and premium product give superior margins



Sources:
 Potash prices (standard product): Greenmarkets prices at 14 Apr 16 – Priced for SOP NW Europe (US\$540), SOP Eastern China (US\$540), SOP Utah (US\$640), MOP Vancouver (US\$300)
 Operating costs: Company Websites, CRU, Integer Research, DNK Analysis
 Margins: DNK Analysis

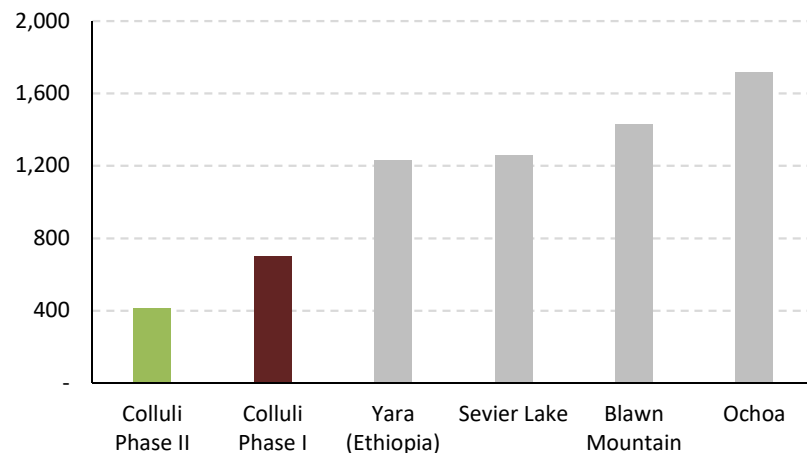
For personal use only

6. Growth potential: 1.1b tonne ore reserve, low incremental growth capital and diverse range of salts

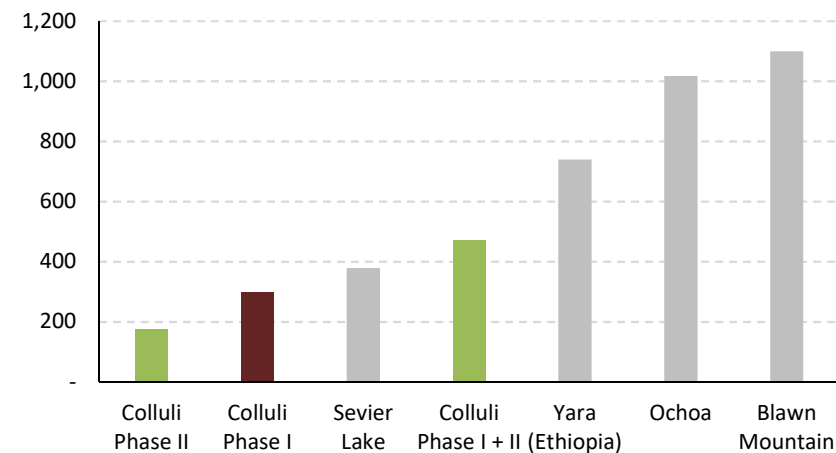


COLLULI DEMONSTRATES EXCEPTIONALLY LOW GROWTH CAPITAL AND IS UNDERPINNED BY A MASSIVE ORE RESERVE

Capital intensity (US\$/t)



Development capital (US\$m)



Massive Growth Potential:

- Capital intensity of Phase II is exceptionally low at US\$411/tonne
- Colluli contains over 300 million tonnes of high quality rock salt that will be mined to access the potassium salts
- Colluli contains over 85 million tonnes of kieserite (magnesium sulphate) which is used as fertiliser for magnesium deficient soil
- Colluli contains appreciable amounts of gypsum and magnesium chloride which have monetisation potential

Source: DNK Company announcements, Company websites

For personal use only

7. Global significance: Most advanced, fundable SOP project in the world with the most attractive economics



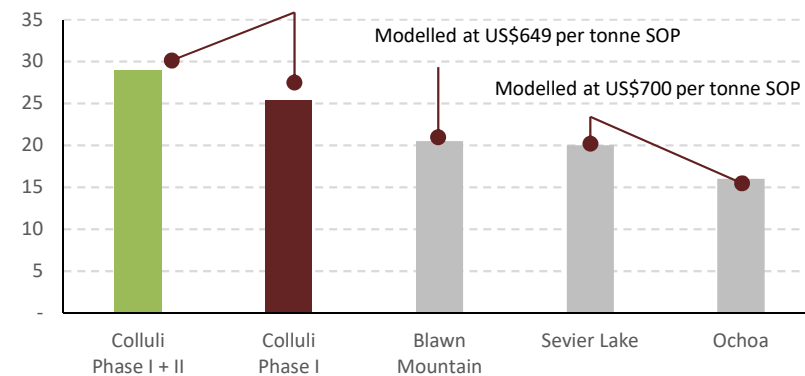
COLLULI DOMINATES OTHER PROJECTS WITH RESPECT TO VALUATION OUTCOMES

Key DFS results

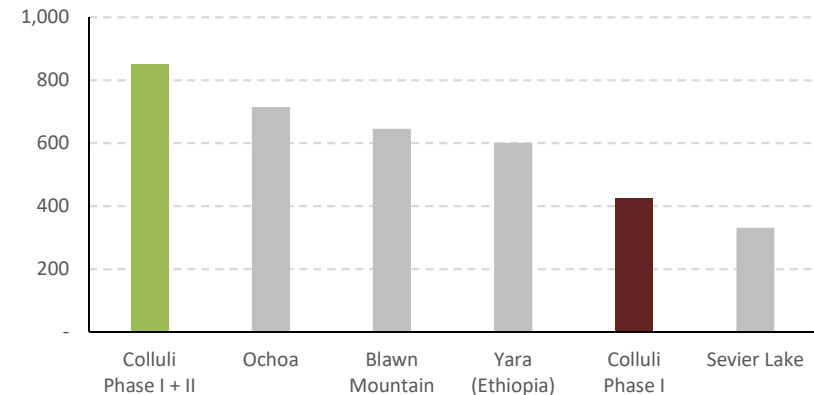
Metric	Phase I	Phase I and II
Production	425kt	850kt
Strip ratio	1.91	1.93
Post tax NPV (10% real) ^{CMSC}	US\$439m	US\$860m
Post tax IRR ^{CMSC}	25.4%	29.0%
Post tax NPV (10% real) ^{DNK}	US\$206m	US\$397m
Post tax IRR ^{DNK}	22.3% ^{1,2}	25.9% ^{1,2}
Capital	US\$298m	
Incremental Phase II capital		US\$175m

Post-tax IRR (%)

Modelled at US\$575 per tonne SOP



Annual production (ktpa)



1 In accordance with CMSC Shareholders Agreement
2 Third party debt estimated at 60% of project funding

Source: DNK Company announcements, Company websites

For personal use only

8. Government support: A key project enabler

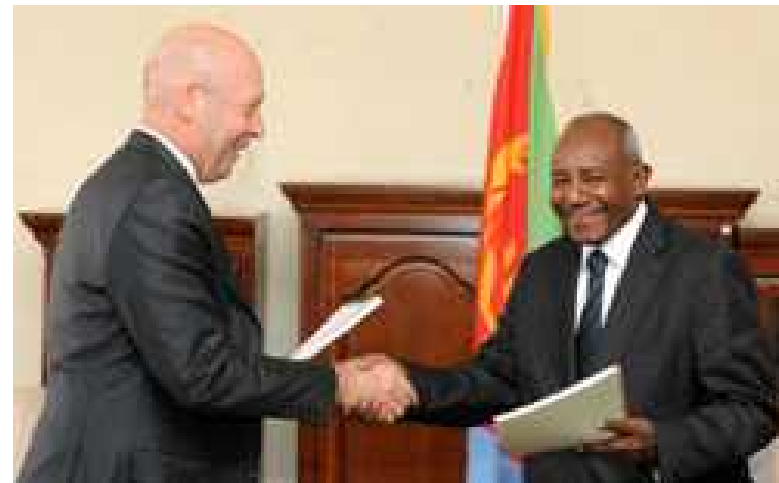
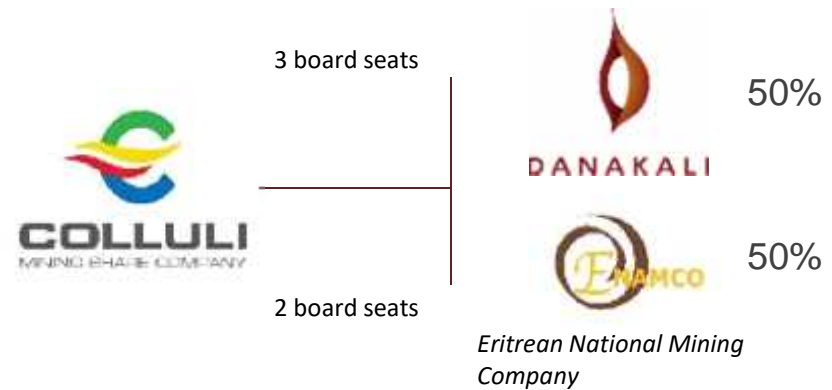


DNK AND ENAMCO ARE ADVANCING A WORLD CLASS POTASH PROJECT

Government support and strategic alliance

- Eritrea is a stable jurisdiction with a rapidly emerging mining industry.
- Danakali has a strong, effective working relationship with the Government through its joint venture.
- Agreement with the Eritrean National Mining Corporation (ENAMCO).
 - ENAMCO and Danakali each hold a 50% ownership in the Colluli Mining Share Company.
 - Project Development Costs for initial development will be funded by up to 70% debt and 30% equity.
 - The CMSC board was established following the incorporation of CMSC in March 2014. The board is overseeing the project development.
 - CMSC has a board of 5, with 3 members from Danakali and 2 from ENAMCO.

The structure allows Government direct insight into the mining industry, which is an important part of Eritrea's development.



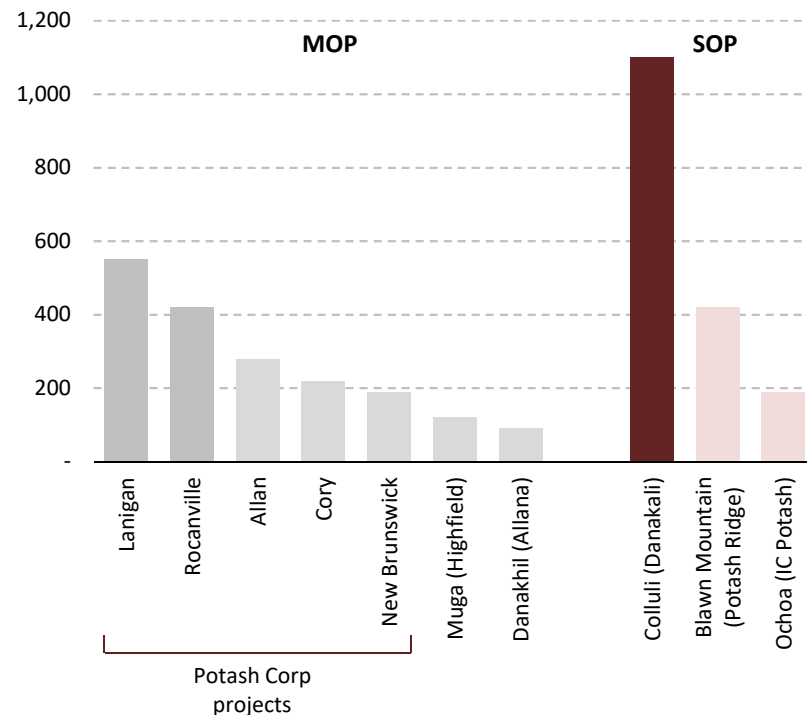
9. Game changing potential: Cost curve position, and low growth capital mean significant future growth



COLLULI HAS THE POTENTIAL TO DISPLACE A CONSIDERABLE AMOUNT OF THE **CURRENT SOP SUPPLY**

Scale of Colluli is truly world class

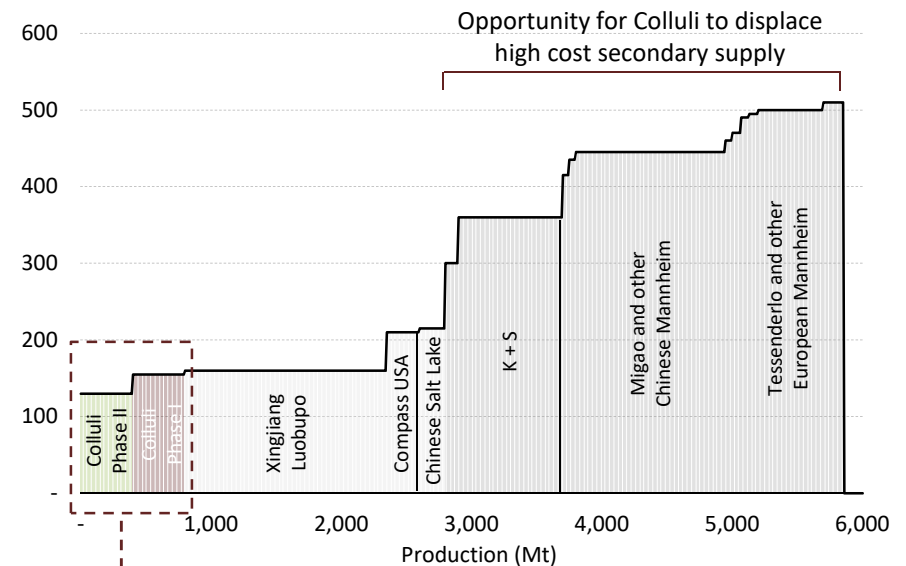
Potash reserves for selected projects (Mt)



Source: Company websites, Potash Corp annual report, CRU Research, EPM Mining presentation 2014, Integer Research

Bottom quartile cost position protects margins

Ex-works cash costs for SOP production (US\$/t)



- ✓ Bottom quartile cost position
- ✓ Provides insulation in the event of a SOP price decline
- ✓ Anticipated rock salt production (which would otherwise be overburden) to further reduce cash costs

For personal use only

For personal use only

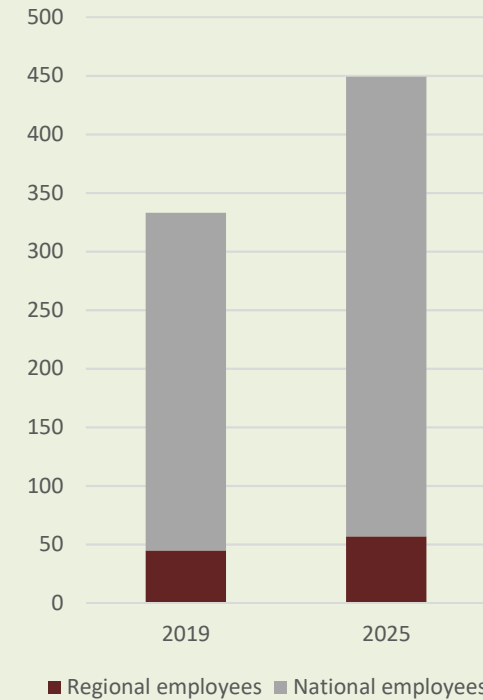
10. Gains for local and regional communities



CREATION OF EMPLOYMENT OPPORTUNITIES, SKILLS DEVELOPMENT AND CAREERS PATHS FOR ERITREAN NATIONALS



Expectations for Eritrean employee numbers at Colluli

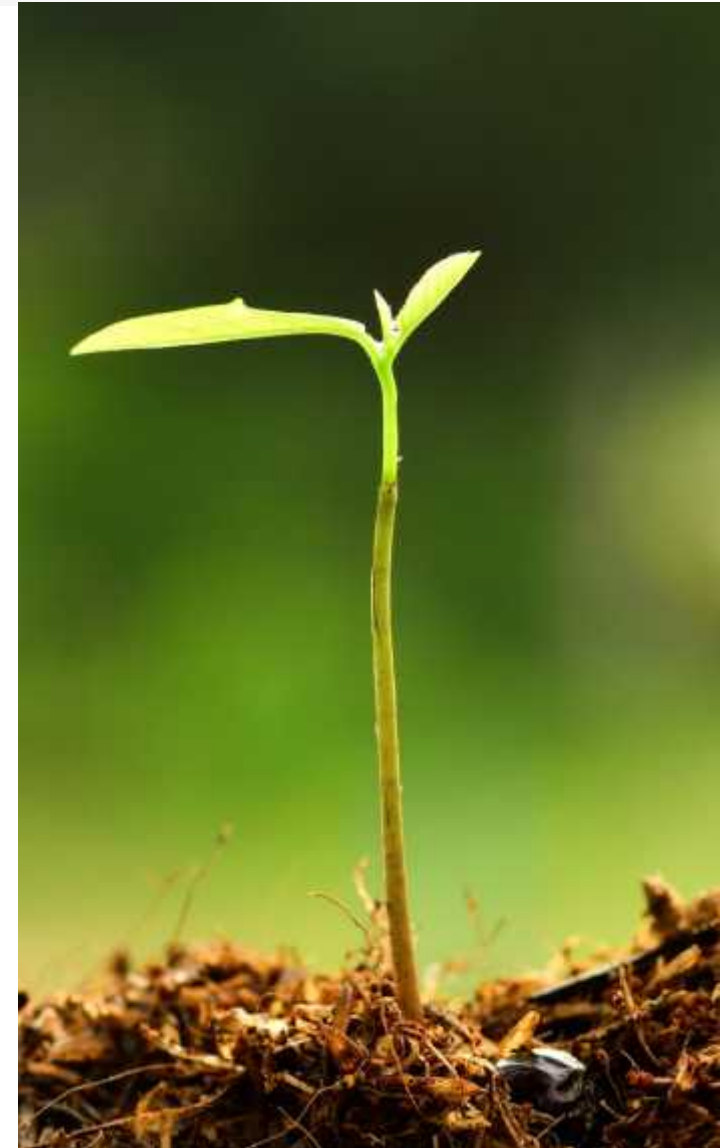


Colluli will create over 300 permanent jobs for locals and Eritrean nationals by 2019, and over 450 by 2025

Colluli – there is only one



- Colluli is the most attractive and advanced stage primary SOP production project in the world
- SOP is a high quality, chloride free potash with limited economically exploitable primary resources
- The project has the key ingredients for a successful, high quality development that will deliver superior returns
- The resource demonstrates superior grade, geography, geology, geometry, gross margin and growth potential
- Low growth capital, bottom quartile cost curve position, resource size and monetisation potential of other salts means Colluli has the potential to change the global SOP supply landscape
- Joint Venture partnership is a key enabler
- Mining agreement and licenses have been awarded, offtake and funding discussions are progressing





DANAKALI

create. nurture. grow.

Colluli - Positively
Unique

Competent persons statement



Resource statement

The 2015 Colluli Potash Mineral Resource is reported according to the JORC Code and estimated at 1,289Mt @11% K₂O Equiv. The Mineral Resource is classed as 303Mt @ 11% K₂O Equiv Measured, 951Mt @ 11% K₂O Equiv Indicated and 35Mt @ 10% K₂O Equiv Inferred. The Competent Person for this estimate is Mr. Stephen Halabura, M. Sc., P. Geo., Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and a geologist with over 25 years' experience in the potash mining industry. Mr. Halabura is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan, a Recognised Professional Organisation (RPO) under the JORC Code and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code.

The 2015 Colluli Rock Salt Mineral Resource is reported according to the JORC Code and estimated at 347Mt @96.9% NaCl. The Mineral Resource is classed as 28Mt @ 97.2% NaCl Measured, 180Mt @ 96.6% NaCl Indicated and 139Mt @ 97.2% NaCl Inferred. The Competent Person for this estimate is Mr. John Tyrrell, a geologist with more than 25 years' experience in the field of Mineral Resource estimation. Mr Tyrrell is a member of the AusIMM, is a full time employee of AMC Consultants Pty Ltd and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code.

Mr. Tyrrell & Mr. Halabura consent to the inclusion of information relating to the Mineral Resource Statements in the form and context in which they appear.

Ore Reserve statement

The November 2015 Colluli Ore Reserve is reported according to the JORC Code and estimated at 1,113Mt @10% K₂O Equiv. The Ore Reserve is classed as 286Mt @ 11% K₂O Equiv Proved and 827Mt @ 10% 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 AusIMM, a Chartered Professional, a full-time employee of AMC Consultants Pty Ltd, 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 Consultants Pty Ltd acted as an independent party, has no interest in the outcome of the Colluli Project and has no business relationship with Danakali Ltd 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 Consultants Pty Ltd and the Competent Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

For personal use only

The most advanced greenfield SOP project globally



Milestone	Outcome
Positive DFS complete <u>Unrivalled economics relative to all advanced SOP projects</u>	<ul style="list-style-type: none"> ✓ Simple, commercially proven process ✓ Independent technical review of process design, mass balances, evaporation trials and metallurgical test program completed ✓ Low development capital ✓ Industry leading capital intensity ✓ Bottom quartile operating cost curve position ✓ World class ore reserve comprising over 1bt¹
Debt and equity advisors appointed	<ul style="list-style-type: none"> ✓ Endeavour Financial appointed as advisor to secure debt funding for the project ✓ Hannam and Partners appointed as equity advisor
Offtake MOUs progressing to HoA's	<ul style="list-style-type: none"> ✓ MOU's signed for 800kt per annum of SOP² ✓ Offtake discussions progressing towards Heads of Agreement (HoA's)
Front end engineering design and optimisation underway	<ul style="list-style-type: none"> ✓ Site visits completed ✓ FEED bidding process complete ✓ Fluor appointed as FEED lead ✓ Global Potash Solutions, Knight Piésold and Elemental Engineering appointed to FEED team ✓ FEED optimisation phase well progressed
Mining agreement signed and licenses awarded	<ul style="list-style-type: none"> ✓ Social and Environmental Impact Assessment (SEIA) approved ✓ Mining agreement signed off³ ✓ Mining licenses awarded³



1 Danakali DFS 30 November 2015 2 ASX Announcement 25 July 2016 3 ASX Announcement 1st February 2017

For personal use only

SOP demand will increase by over 30% over the next decade



SOP IS A MULTI-NUTRIENT FERTILISER ESSENTIAL FOR HIGH VALUE, CHLORIDE INTOLERANT CROPS

- A significant increase in global SOP consumption is forecast ¹
- 33% increase in demand for high value fruit and vegetables till 2050³
- Colluli is well positioned as an advanced stage project to take advantage of global growth

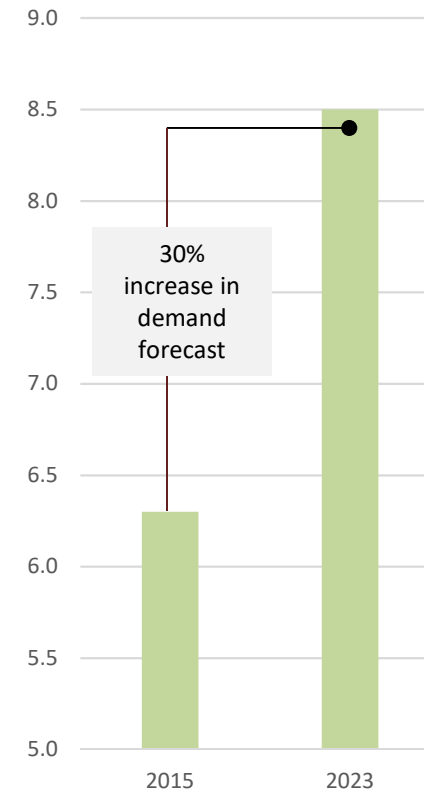


Orange without SOP²



Orange with SOP²

Million tonnes SOP demand¹



1. CRU
2. IC Potash
3. FAO

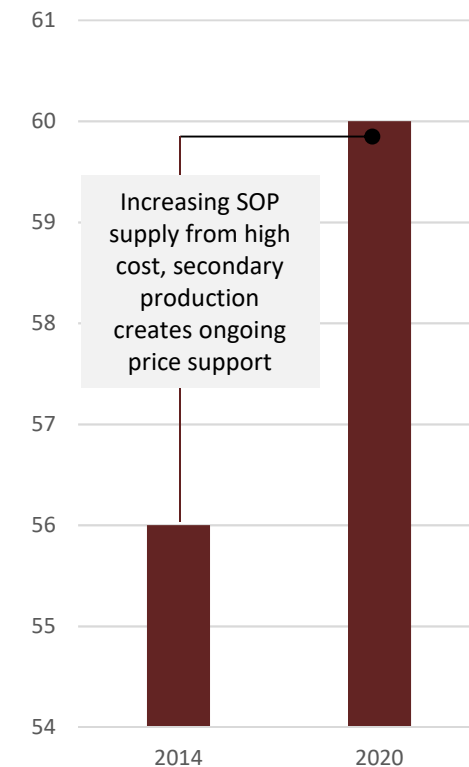
Over 60% of SOP supply will come from high cost secondary production by 2020



LACK OF ATTRACTIVE PRIMARY PRODUCTION PROJECTS REQUIRES INCREASED HIGH COST SUPPLY TO MEET DEMAND

- Lack of attractive primary SOP projects requires additional secondary production to meet growing demand - high cost secondary production requires thermal conversion of sulphuric acid and potassium chloride to produce sulphate of potash (SOP)
- Acid management, storage and disposal cause ongoing challenges for secondary producers, adding to conversion costs
- Secondary producers create a high price floor for primary producers who will continue to enjoy high margins

% SOP from secondary production¹



1 CRU

For personal use only

Large, low cost, long life resource close to established infrastructure



Large, long life resource ¹



> 1.3 Bt resource
> 1.1 Bt ore reserve

Easily accessible

No vegetation
No communities within tenements
Mineralisation starts at 16m

Close proximity to established infrastructure²



Bitumised and all weather road runs to within 40km of Colluli site

Well established export facility³



Port of Massawa
6 berths
Bulk and container shipping capability
Storage area allocated for Colluli product

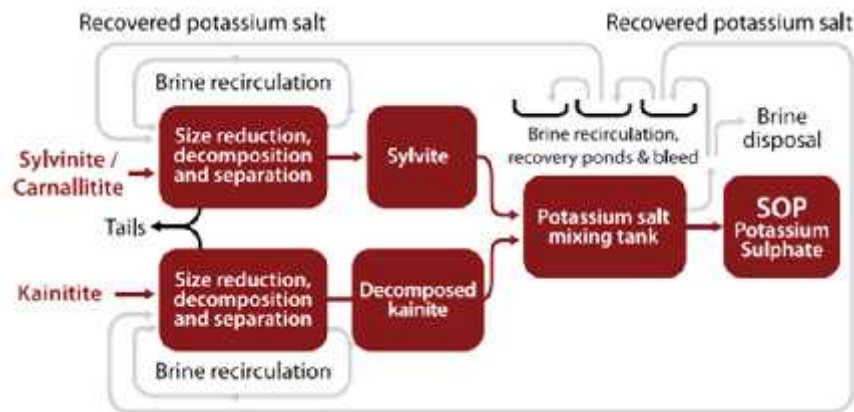
¹ Photo of Colluli site
² Road from Massawa towards Colluli
³ Massawa Port

Simple, energy efficient, commercially proven technology WITH THE BEST COMBINATION OF SALTS



PRODUCTION OF SOP FROM COLLULI SALTS OCCURS WITH SIMPLE PROCESSES INCLUDING FLOTATION, MIXING AND DRYING

Colluli process design



Colluli plant images



Simple processing – Crush – Float – Mix – Dry - Truck

Colluli contains the right combination of potassium salts for ambient temperature conversion to SOP

- The combination of sylvite and kainite is ideal for ambient temperature, high yield conversion to SOP
- No thermal decomposition required
- Heated brines typically achieve potassium yield 10% to 15% lower than ambient conversion

Colluli continues to positively advance



Front End Engineering and Design (FEED) Initiated

- Globally recognised, highly reputable, multi-national construction and engineering company, Fluor have been appointed to lead the FEED and optimisation process
- Global Potash Solutions, Knight Piésold and Elemental Engineering appointed to FEED team
- Optimisation workshops underway with focus on capital and operating cost reduction



Offtake Discussions Well Progressed

- MOUs now converting to Heads of Agreement
- High level commercial terms outlined
- Continued high level of interest in product offtake

Mining Agreement and Mining License

- DFS submitted to Ministry of Energy and Mines
- SEIA approved in December
- Mining agreement and license discussions have been progressing over the past few months and are nearing completion

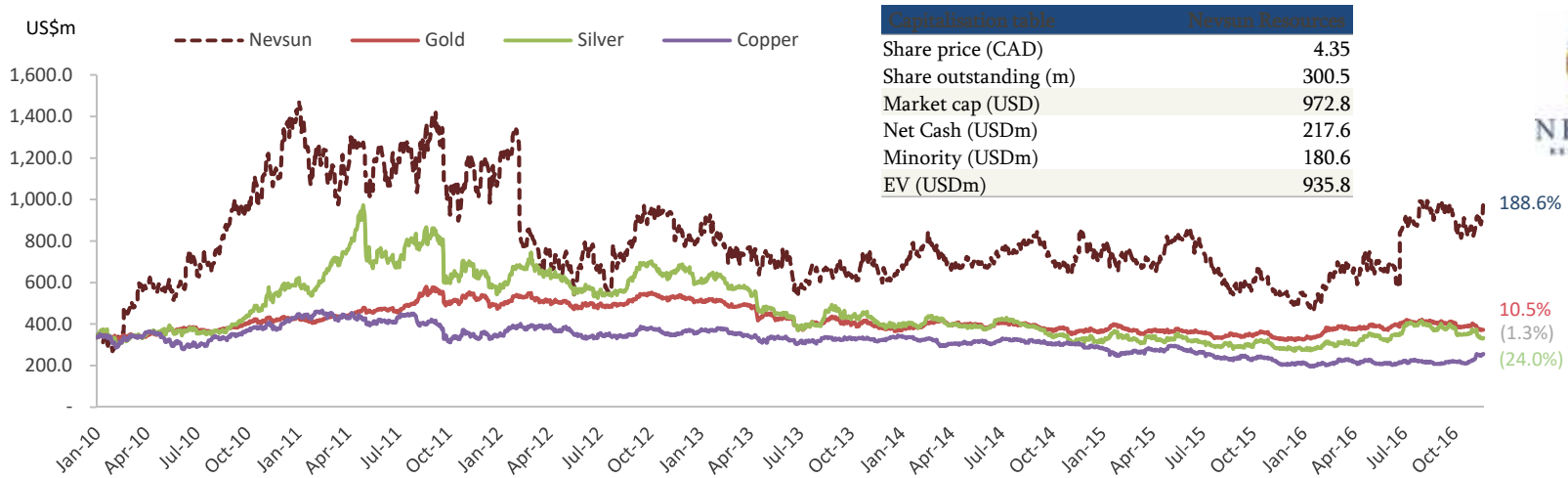


Nevsun Resources – Case study

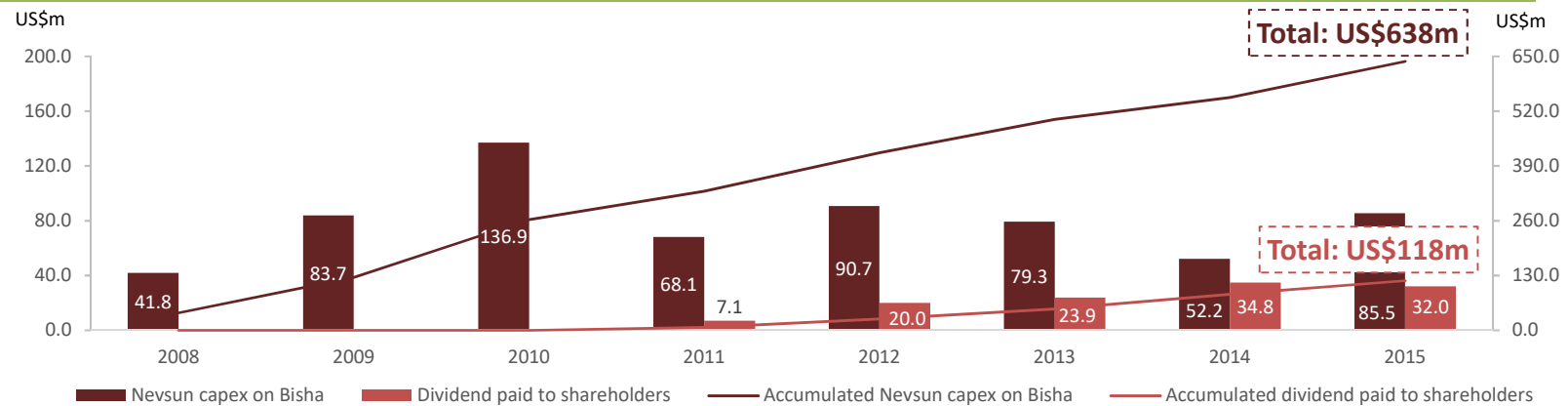
Cumulative Capex Spend > US\$600m
Shareholder dividend > US\$100m



Nevsun market capitalisation compared to commodities performances



Capex invested by Nevsun into Bisha mine and dividend paid to shareholders



Source: Company filings and S&P Capital IQ as of 23 November 2016
 Note: All prices rebased to Nevsun market cap

For personal use only