



Colluli 121 Investment Summit Presentation

Danakali Limited (“Danakali”, ASX:DNK) is pleased to provide the attached presentation which summarises the recently released definitive feasibility study (DFS) results and the competitive strengths of the Colluli potash project. The project development initially focuses on the production of potassium sulphate (sulphate of potash or SOP) which is a high quality, chloride free potash type with limited primary production centres. SOP carries a price premium over the more common potassium chloride (muriate of potash or MOP). Paul Donaldson, Danakali Managing Director is presenting at the 121 Investment Summit in Cape town today.

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About Danakali Ltd

Danakali is an ASX listed company and 50% owner of the Colluli Potash Project in Eritrea, East Africa. The company is currently developing the Colluli Project in partnership with the Eritrean National Mining Company (ENAMCO).

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 amendable 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 prefeasibility study 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. 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) with 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 the Colluli project into production using the principles of risk management, resource utilisation and modularity, using the starting module as a growth platform to develop the resource to its full potential.

Competent Persons Statement (Rock Salt Resource)

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

The information relating to the Colluli Rock Salt Mineral Resource estimate was compiled by Mr. John Tyrrell. Mr. Tyrrell is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and a full time employee of AMC. Mr. Tyrrell has more than 25 years’ experience in the field of Mineral Resource estimation. He has sufficient experience relevant to the style of mineralisation and type of the deposit under consideration, and in resource model development, to qualify as a Competent Person as defined in the JORC Code.

Mr Tyrrell consents to the inclusion of this information in the form and context in which it appears. In undertaking the assignments referred to in this update, 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 Person believe that there is no conflict of interest in undertaking the assignments which are the subject of this update.

Competent Persons Statement (Sulphate of Potash Resource)

Colluli has a JORC 2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K₂O. The resource contains 303Mt @ 10.98% K₂O of Measured Resources, 951Mt @ 10.89% K₂O of Indicated Resources and 35Mt @ 10.28% K₂O of Inferred Resources.

The information relating to the Colluli Mineral Resource was compiled by Mr. John Tyrell, under the supervision of Mr. Stephen Halabura M. Sc. P. Geo. Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and as a geologist with over 25 years' experience in the potash mining industry. Mr. Tyrell is a member of the Australian Institute of Mining and Metallurgy and a full time employee of AMC. Mr. Tyrell has more than 25 years' experience in the field of Mineral Resource estimation.

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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code).

Mr. Tyrell & Mr. Halabura consent to the inclusion of information relating to the Resource Statement in the form and context in which it appears.



DANAKALI

Colluli: A unique and unrivalled potash opportunity

121 Summit Presentation – February 2016

ASX: DNK

Corporate snapshot



Financial information

Share price (1-Feb-16)	A\$0.27
Number of shares ¹	175.8m
Market capitalisation	A\$47.5m
Cash (31-Dec-15)	A\$2.8m
Debt (31-Dec-15)	Nil
Enterprise Value	A\$44.7m

Source: IRESS, company filings

Note:

¹ Excludes 13.35m unlisted options on issue (exercise prices A\$0.28 – 0.949; expiry Nov 2016 – May 2018)

Colluli Mining Share Company

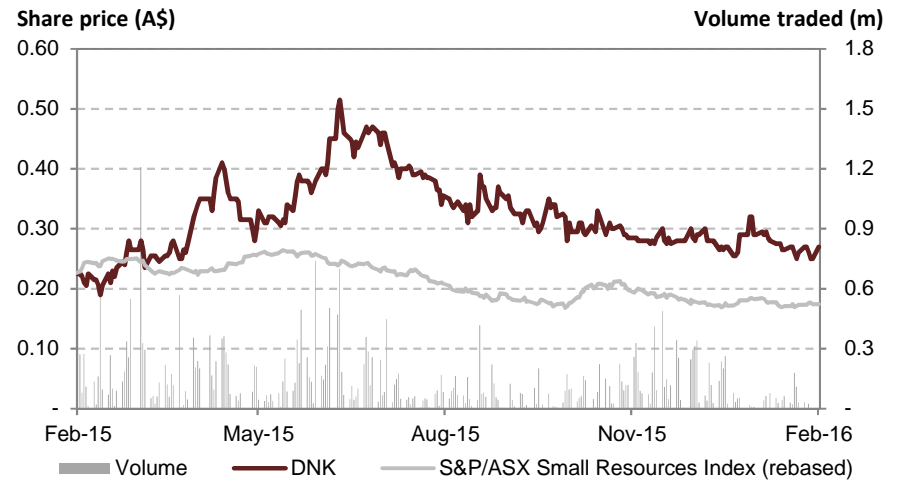
- Danakali's major asset is its 50% shareholding in the Colluli JV



Top shareholders

Well Efficient <i>Hong Kong private investor with experience in Eritrea and relationship with ENAMCO</i>	12%
Sprott Inc. <i>Leading North American-based investment firm with strong record in early stage resource companies</i>	7%
Kam Lung Investment Dev. <i>Chinese strategic investor that is assisting with off-take partners</i>	5%
Danakali Board and management	13%

Top 20 shareholders 63%



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DFS RESULTS DEMONSTRATE STRONG ECONOMICS THROUGH LOW CAPEX, HIGH MARGINS AND LONG LIFE

- DFS confirms **low capex, high margin, long life** project
- **Industry leading capital intensity** and extremely low incremental expansion capital
- Project post tax **NPV of US\$860m and IRR of 29%**
- Capital **payback period of 3.5 years for Phase I**
- Colluli is predicted to be in the **bottom quartile of the mine gate cost curve**
- 1.1Bt ore reserve represents **decades of growth**¹
- **Preliminary funding discussions underway** with off-takers, strategic partners and financiers
- **Mining license application process** to be initiated in **Q1 2016**
- **Commissioning targeted for Q4 2018**
- Ability to add phases and **grow with the global potash market**

Notes:

1 Colluli resource remains open to the northwest and southeast

Key outcomes

Metric	Unit	DFS outcomes	
		Phase I	Phase I and II ¹
Annualised SOP production	kt	425	850
Strip ratio	waste:ore	1.91	1.93
Phase I development capital ²	US\$m	298	
Incremental Phase II development capital ²	US\$m		175
Average forecast SOP price (FOB Massawa) ^{3,4}	US\$/t SOP	572	572
Average mine gate cash costs ³	US\$/t SOP	168	141
Average total cash costs ^{3,5}	US\$/t SOP	255	227
Undiscounted after tax cash flows ⁶	US\$m	4,539	9,637
Annual average free cash flows ^{3,4}	US\$m	81	166
Post tax NPV (10% real) ⁷	US\$m	439	860
Post tax IRR ⁷	%	25.4	29.0
Payback period ⁷	Years	3.50	

Notes:

- 1 Additional 425ktpa Phase II production commencing in year 6
- 2 Including contingency, excluding working capital
- 3 Average for first 60 years of production
- 4 Composite price for Standard and Granular SOP
- 5 Includes mine gate costs, product logistics and royalties
- 6 Over first 60 years of production
- 7 100% Project level basis (DNK holds a 50% interest)

Colluli location and overview



COLLULI IS A PREMIER POTASH DEPOSIT LOCATED IN THE WORLD CLASS DANAKIL BASIN

- World class SOP project in the Danakil Basin, Eritrea
 - Strategic location **close to key growth markets**
 - More favourably located relative to other greenfield developments in the basin
- Eritrea is a **maturing mining jurisdiction** which is building a track record of success and a pipeline of mining developments
- The Eritrean **tax regime is supportive of mining investment**¹
 - Accelerated 4 year straight-line depreciation
 - 10 year carry forward of tax losses
- The Danakil resource has the **unique capability of producing a diverse range of potash products** including potassium sulphate (SOP), potassium magnesium sulphate (SOP-M), and potassium chloride (MOP)
- Colluli has **advantages over other projects in the Danakil Basin** due to lying on the Eritrean side of the Danakil basin
 - Area represents **shallowest evaporite in Danakil Basin** (Colluli also ranks among the shallowest potash deposits in the world)
 - **Colluli is close to the coast** (c. 180km from the Massawa port)

¹ Eritrean Mining Proclamation

Project location



- *Colluli product to be shipped from Massawa port*
- *Anfile Bay to support water treatment and delivery for Colluli, may act as a port for shipment of Colluli products in future*

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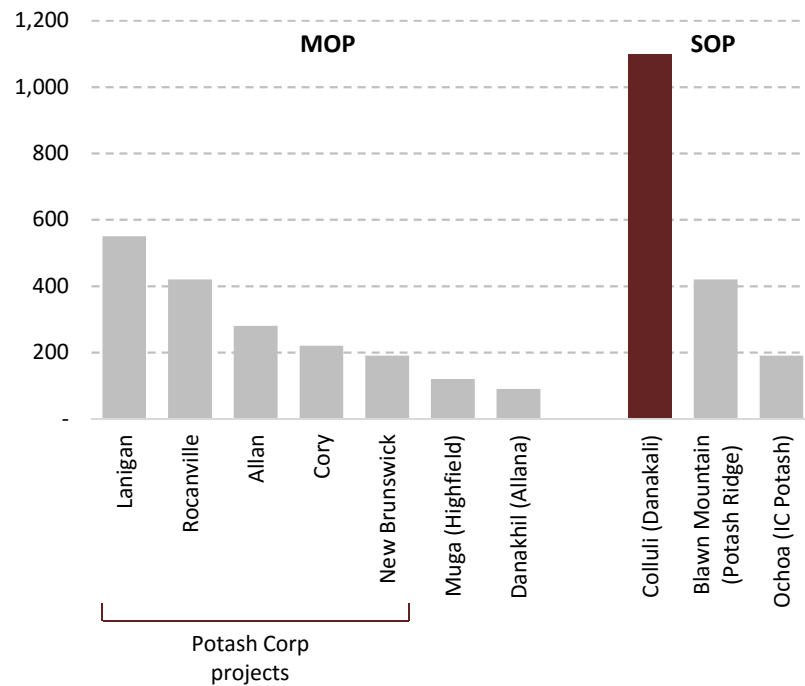
Outstanding scale and low operating costs



COMPARABLE SCALE TO THE WORLD'S LARGEST DEPOSITS AND BOTTOM QUARTILE CASH COSTS TO DRIVE PROFITABILITY

Scale of Colluli is truly world class

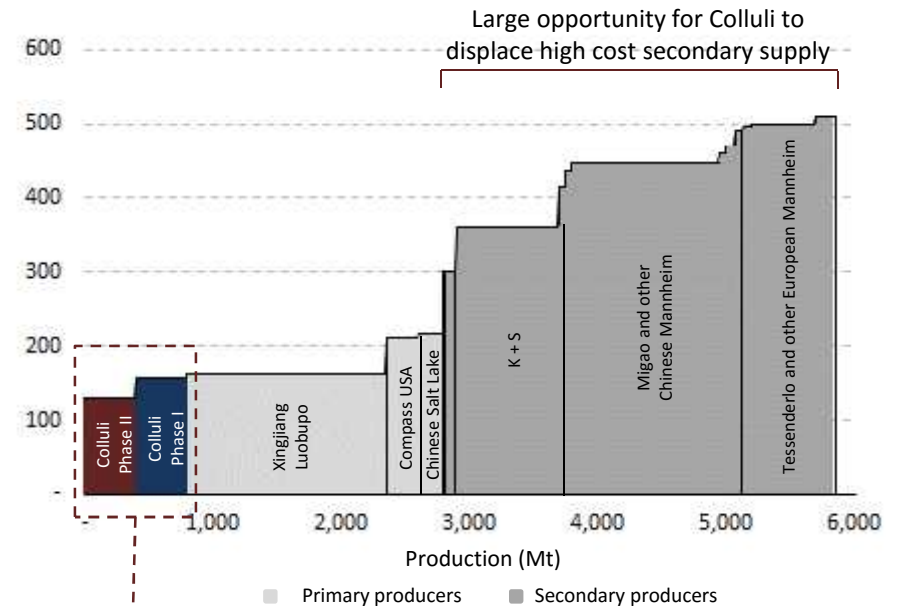
Potash reserves for selected projects (Mt)



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

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Industry leading capital intensity

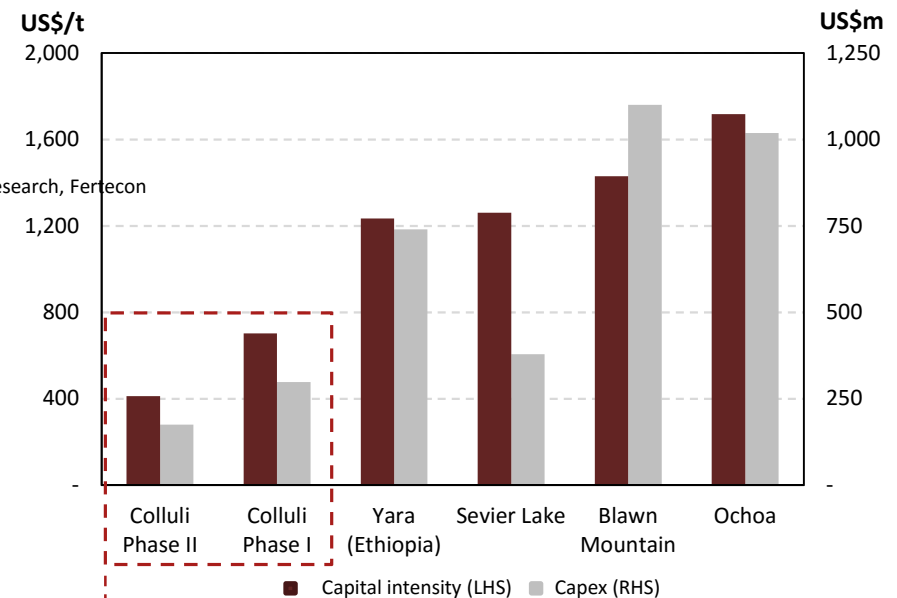


DFS DEMONSTRATES INDUSTRY LEADING CAPITAL INTENSITY AND **LOW OVERALL DEVELOPMENT CAPITAL RELATIVE TO PEERS**

- DFS demonstrates that Colluli will have a **market leading capital intensity of US\$702/t SOP**
 - The 425ktpa **Phase II expansion will have a materially lower capital intensity of US\$412/t SOP**
 - Average capital intensity over Phase I and Phase II is US\$557/t SOP
- The attractiveness of Colluli is further enhanced by the **low overall development capital costs of Colluli Phase I and Phase II relative to peers**

1 CRU, Integer Research, Ferretcon

Capital intensity of advanced SOP projects



Industry leading capital intensity and low development costs significantly increase Colluli's fundability

Source: Company websites, Danakali DFS

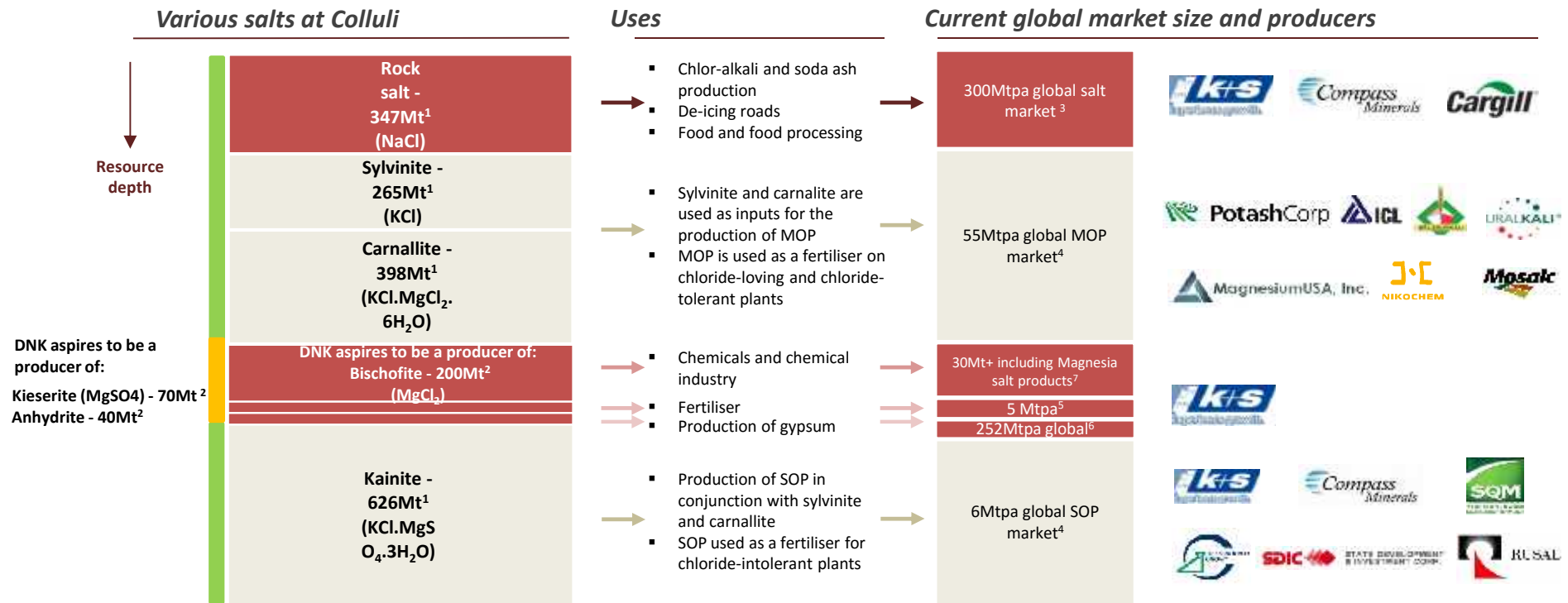
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Strong product diversification



DIVERSITY OF PROJECT GEOLOGY MEANS THAT DANAKALI HAS THE POTENTIAL TO BECOME A MULTI-PRODUCT AGRIBUSINESS

- Colluli has clear modular growth potential, increasing production and introducing new products



Source: Company disclosures

Notes:

- | | |
|---|---|
| <ul style="list-style-type: none"> 1 Figures represent JORC 2012 compliant defined resources 2 DNK aspires to produce these salts, but does not yet have reasonable grounds to believe this can be achieved 3 Roskil | <ul style="list-style-type: none"> 4 CRU, Integer Research, Fertecon 5 K+S Presentation 6 Global gypsum news 7 USGS Magnesium compounds |
|---|---|

Core DFS salt resources

Additional salts (beyond what is assessed in the DFS)

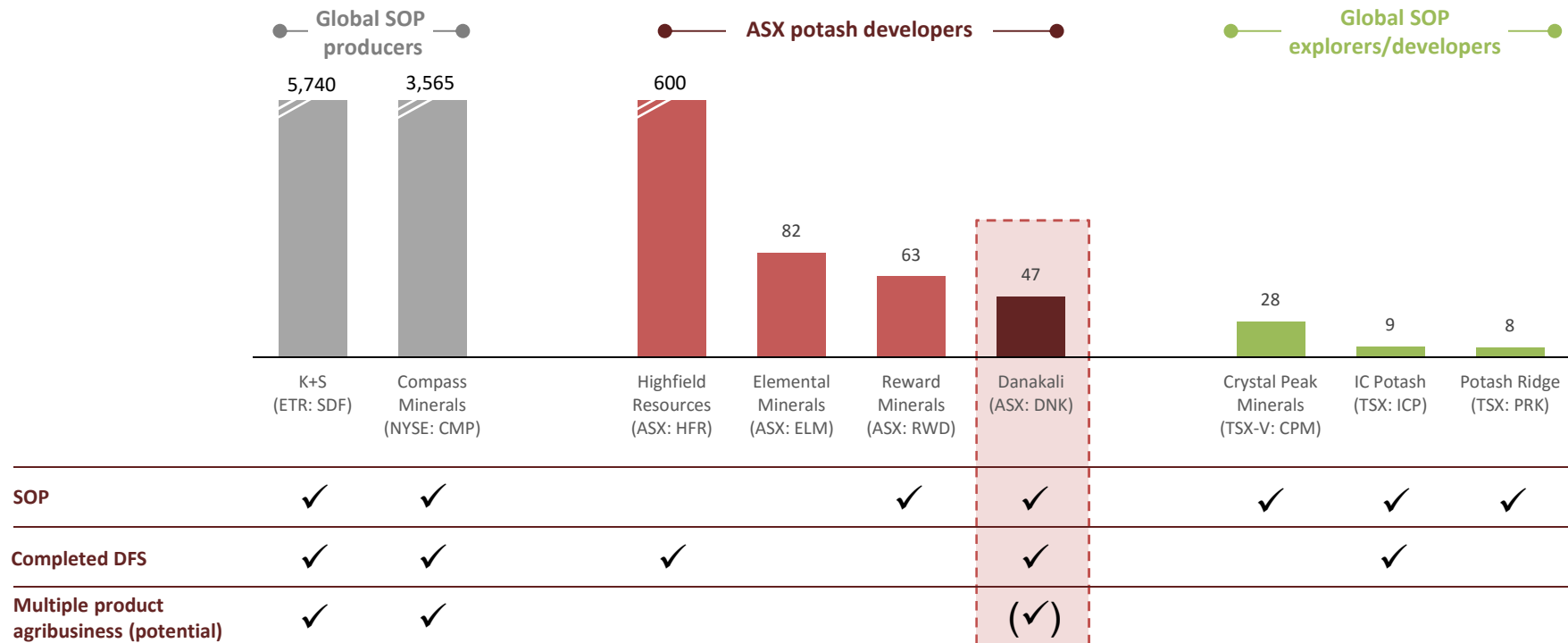
Diversification and SOP production a key differentiator



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DANAKALI IS WELL PLACED AS AN ADVANCED SOP DEVELOPER WITH **SCOPE TO BECOME A MULTI-PRODUCT AGRIBUSINESS**

Market value of listed potash peers (A\$m)¹



← Strong potential for Danakali to re-rate

Source: Bloomberg, company disclosure

Note:

1 Based on AUD:USD = 0.707 and CAD:USD = 0.714

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ERITREA HAS A GROWING ECONOMY WITH A PROVEN HISTORY OF INVESTMENT BY GLOBAL INVESTORS AND CORPORATES

- Eritrea was the **only sub-Saharan African country to meet its Millennium Development Goals by 2015**
- On of the fastest **growing economies globally** ^{1,2}
- Growth driven by **strong mineral exports, agricultural output and infrastructure development**
- Stable government with 25 years of independence and **history of global corporates operating in Eritrea**
 - **AltasCopco** in Eritrea since 1994
 - **Caterpillar Inc** in Eritrea since 1996
 - **Scania** in Eritrea since 1994
- **Supportive laws for mining investment** in Eritrea³
 - Accelerated depreciation (straight line, 4 years)
 - 10 year carrying forward of losses
 - Generous reinvestment deduction (5% gross income)
 - Stable corporate tax

¹ World Bank

² The Economist

³ Eritrean Mining Proclamation

Major Eritrean mining developments

Bisha	Zara	Asmara
Undergoing third expansion	Commissioned and producing	60% recently acquired by a Chinese investor
		

Significant Eritrean institutional investors



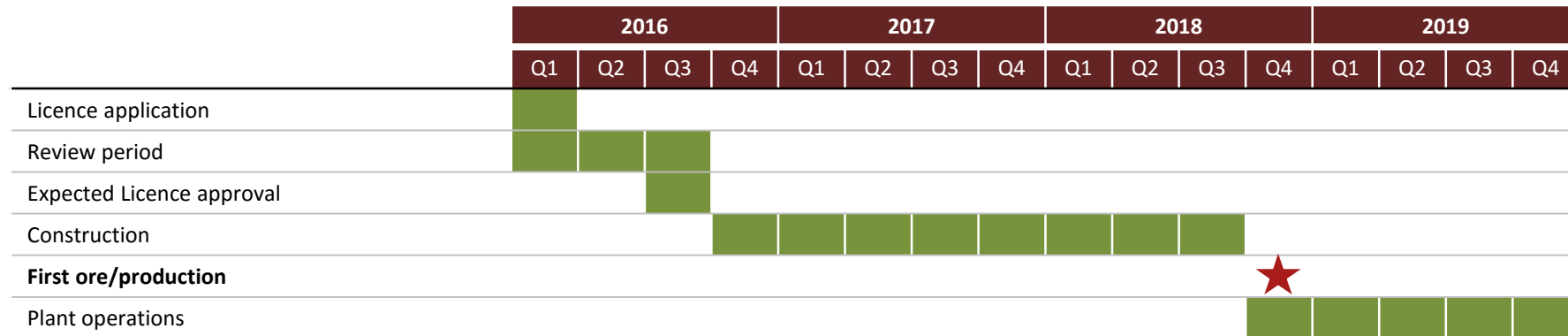
Colluli development timeline



MINE CONSTRUCTION IS SCHEDULED TO COMMENCE IN 2017 WITH **FIRST POTASH PRODUCTION IN 2018**

- Current priority is lodging the mining licence application which has been approved by both the CMSC and Danakali boards
- Danakali is **holding ongoing discussions with potential off-takers and strategic partners**
- **Commercial negotiations will commence** with respect to the construction and development of Colluli in the near term

Colluli development timeline



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Forward looking statements and disclaimer



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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 4 March 2015, 23 September 2015, 30 November 2015 and 29 January 2016 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.

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.

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