

DANAKALI

create. nurture. grow.

FEED results summary

Danny Goeman, Chief Executive Officer

January 2018

FEED overview

FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project

- Enhanced project economics
- Considerably higher level of accuracy than in DFS⁹
- Industry leading capital intensity
- Forecast first quartile operating costs
- Project level NPV of US\$902M with IRR of 29.9% for Modules I and II
- Critical milestone for finalisation of offtake and debt processes
- Multi-commodity potential of Colluli provides major additional upside

Key Colluli FEED economic estimates and outcomes¹

	Module I ²	Modules I & II ^{3,4}
100% of the Project (equity / pre-debt basis)		
Annualised SOP production	472ktpa	944ktpa
Strip ratio (waste:ore)	1.9	2.1
Module I development capital ⁵	US\$302M	
Incremental Module II development capital ^{4,5}		US\$202M
Capital intensity ⁵	US\$640/t	US\$534/t
Incremental Module II capital intensity ⁵		US\$427/t
Average mine gate cash costs ⁶	US\$165/t	US\$149/t
Average total cash costs ^{6,7}	US\$258/t	US\$242/t
Average annual undiscounted free cash flows ⁶	US\$88M	US\$173M
Post tax NPV (10% real)	US\$505M	US\$902M
Post tax IRR	28.1%	29.9%
Module I payback period ⁸	3.25 years	
Danakali's 50% share of the Project (post-debt basis)		
Average annual undiscounted free cash flows ⁶	US\$43M	US\$85M
Post finance NPV (10% real)	US\$242M	US\$439M
Post finance IRR	29.7%	31.3%

¹ Economic estimates and outcomes reported in US\$ real

⁵ Including contingency, excluding sustaining and working capital

⁹ ASX announcement 30 November 2015

² Assumed that Module I is 60% debt / 40% equity funded

⁶ Average for first 60 years of production

³ Module II production expected to commence in year 6

⁷ Includes mine gate cash costs, product logistics, and royalties

⁴ Assumed 100% funded from project cash flows and third-party debt

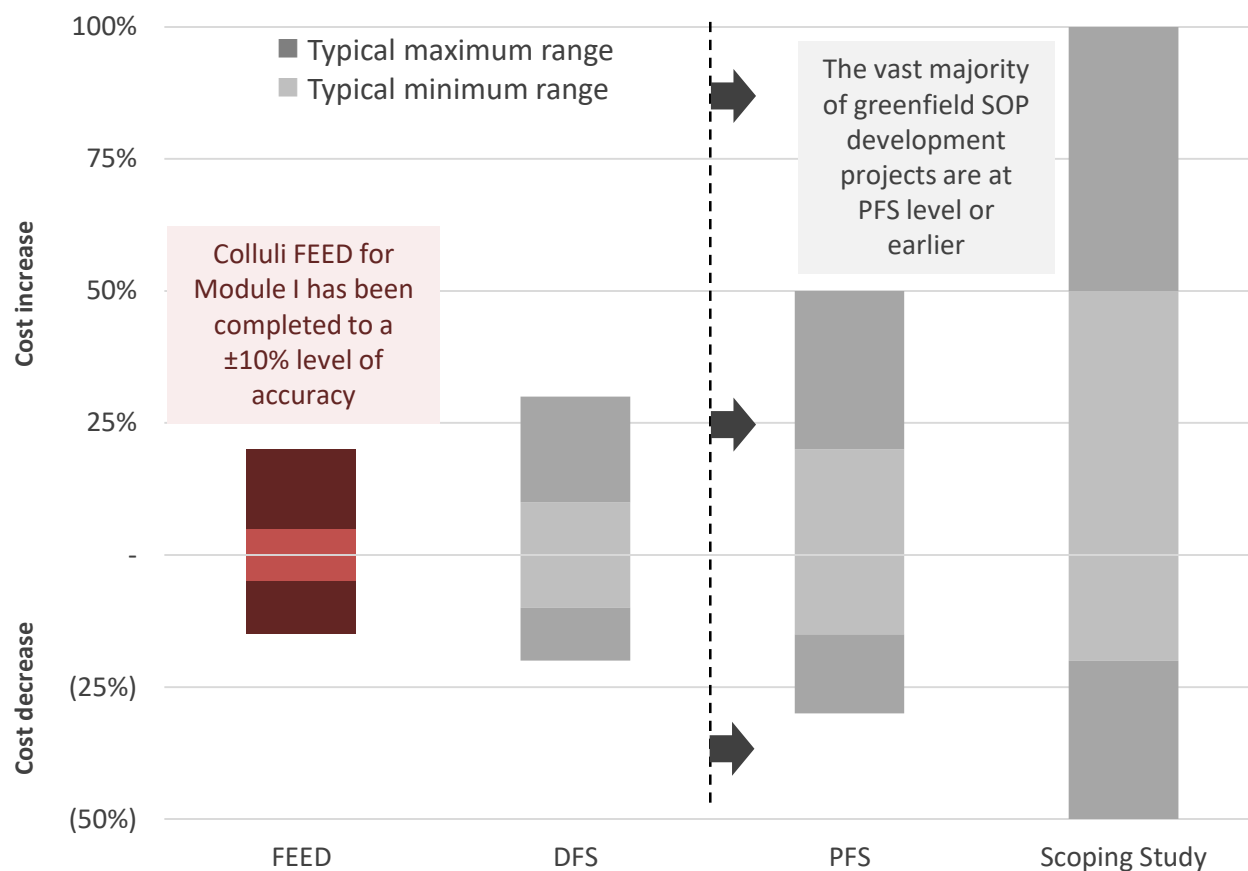
⁸ Represents payback from date of first production

FEED accuracy

Operating and capital cost accuracy level of $\pm 10\%$

- Undertaken by **highly qualified, industry recognised consultants**
- **Optimisation opportunities included in the final assessment**
- Majority of cost estimates **supported by formal vendor/contractor pricing**
- **No other known SOP greenfield development project that has completed FEED**
- The typical accuracy levels of other studies **illustrate the advanced stage that FEED represents**

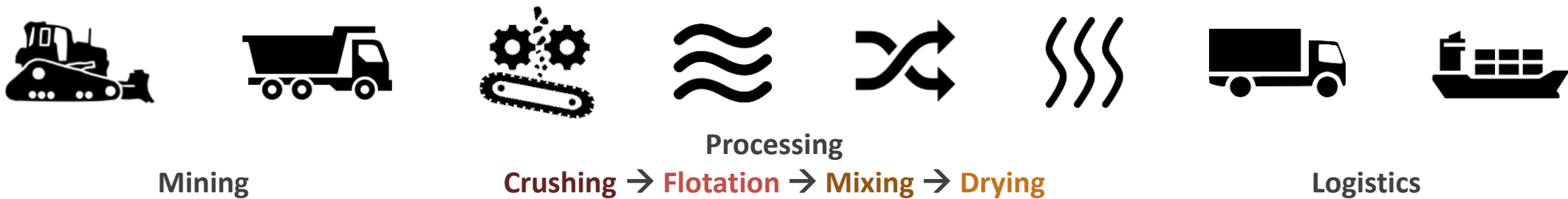
Typical accuracy levels of mining project study phases



Colluli overview



Positively unique suite of characteristics that allows for simple, proven, low risk and low-cost mining, processing and logistics



<ul style="list-style-type: none"> • Massive 1.1Bt Ore Reserve¹ • Shallowest evaporite deposit in the world • Simple, low cost, open-cut mining • Conventional truck and shovel methods utilised, complemented by continuous surface miners 	<ul style="list-style-type: none"> • Simple, energy efficient, commercially-proven processing • Unique and favourable combination of potassium bearing salts • Colluli salt composition ideal for low energy, high yield conversion to SOP at ambient temperatures • No pre-evaporation ponds necessary, reducing capex requirements and time to revenue 	<ul style="list-style-type: none"> • Closest SOP project to a coastline • Favourable logistics unlock product diversification potential • 230km by road to the well-established Massawa port • 75km to Anfile Bay, potential site for future port development
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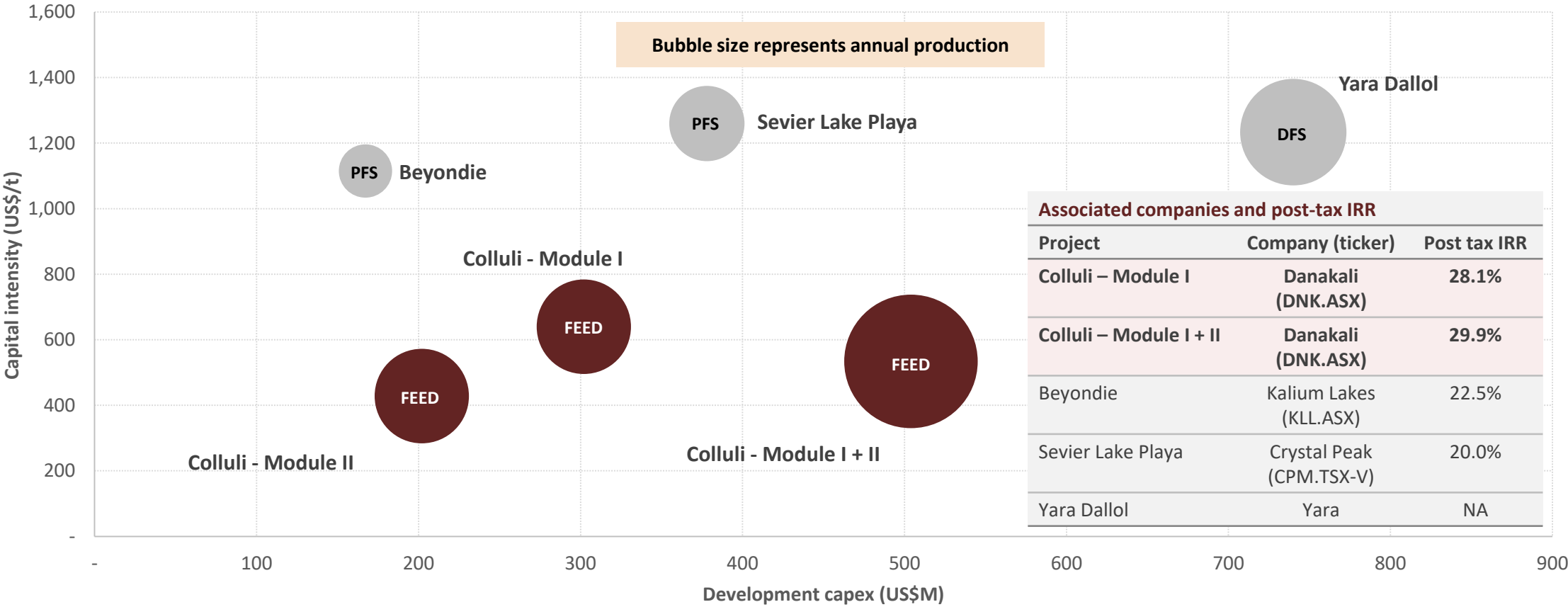
Other SOP greenfield development projects typically face challenges such as depth of ore body, brine complexities, lack of scale, inconsistent grade, high energy processing, extensive evaporation pond requirements, and/or great distances to export facilities

1 ASX announcement 29-Jan-18

Industry leading economics

Colluli is without peer on capital intensity or valuation bases

Estimated capital intensity, development capex, annual SOP production and IRR for selected global PFS+ SOP development projects

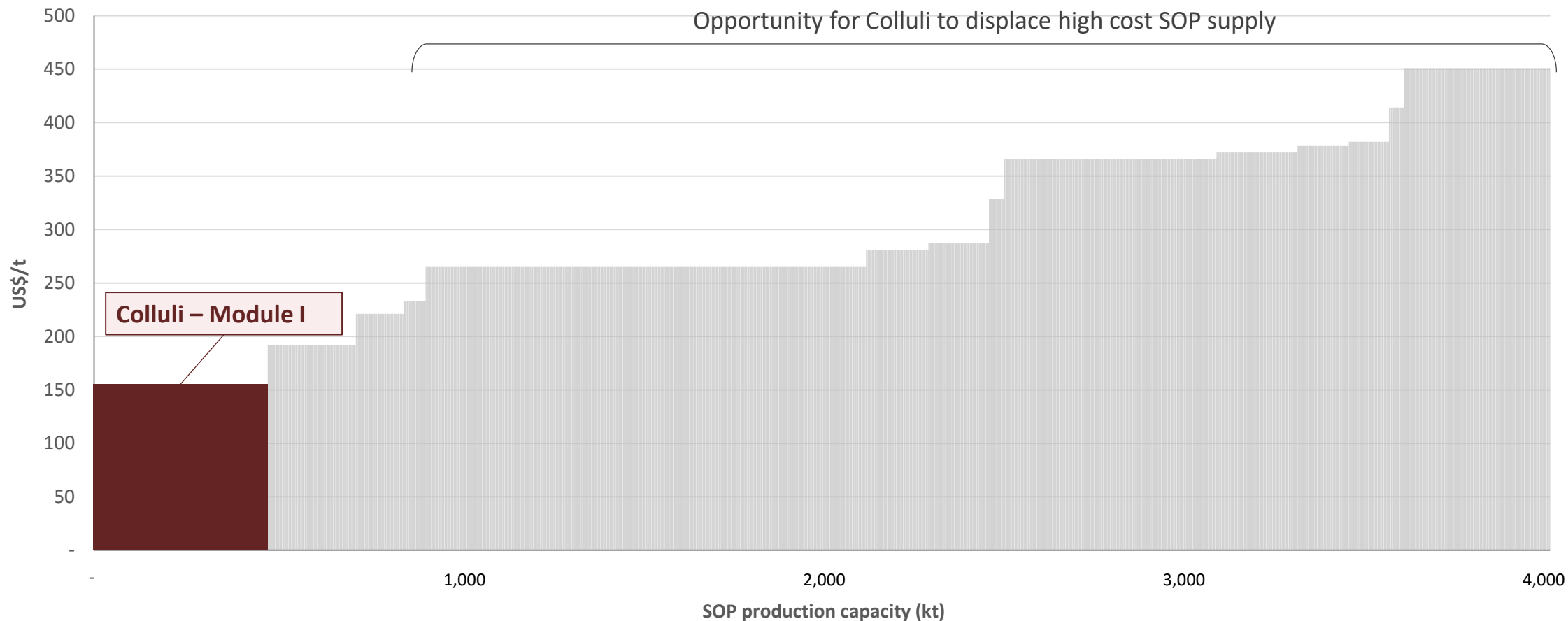


Source: Company announcements

Industry leading economics *cont.*

If operating in 2016, Danakali would have been the lowest cost SOP producer outside of China

Mine gate cash costs outside of China in 2016 (US\$/t)



Eritrea overview

Eritrea has experienced strong recent economic growth, and is focused on health, education and infrastructure

- **One of the fastest growing economies globally¹**
 - Drivers include **mineral exports, agricultural output and infrastructure development**
- **Stable government** with 26 years of independence
- Only sub-Saharan African country to **meet its Millennium Development Goals by 2015²**
 - Large reductions in malaria, maternal mortality, and HIV/AIDs prevalence
 - Improved access to potable water and almost doubled adult literacy rates

Asmara cycling race



City of Asmara



Mining in Eritrea

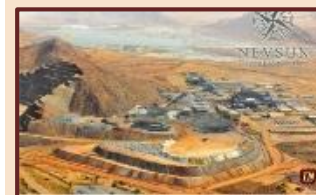
- Successful track record in mining operations
- Danakali has a **strong, effective working relationship with the Eritrean government** through the CMSC JV
- Initial capital requirements will be **funded equally by Danakali and the Eritrean government**

Major Eritrean mining projects

Bisha (Au, Ag, Cu, Zn)

Nevsun 60% /
ENAMCO 40%

Undergoing third
expansion



Zara (Au)

SFECO 60% /
ENAMCO 40%

Commissioned and
producing



Asmara (Cu, Zn, Au)

Sichuan Road & Bridge
Mining Corp. 60% /
ENAMCO 40%

Advanced stages of
development



1 World Bank, The Economist
2 World Health Organisation

Colluli's impact

Eritrea stands to benefit from the long term economic, social and community dividends that Colluli will generate

- Positive impact through **infrastructure, job creation, taxes, royalties, and associated economic development**
- Creation of **hundreds of permanent jobs for Eritrean nationals**
- **Long term training** for trades and professionals
- **Stakeholder engagements** have been held with representatives of various local communities
- Deep **understanding of each communities' interests** developed
- **Social and Environmental Impact Assessments and Management and Monitoring Plans** have been developed in line with the Equator Principles¹
- **Strong ongoing community support** for the Project



¹ The Equator Principles are a risk management framework used to manage the environmental and social risk in projects, see Danakali's website for the SEIA and SEMPs -

Offtake, funding and project execution

With the Project's study phase complete, Danakali is focusing on securing binding offtake agreements, advancing debt funding, executing the equity strategy and project execution

Colluli's progression since 2015 – study phase

PFS completed	✓
Successful completion of Colluli pilot test program	✓
DFS completed	✓
Rock salt, SOP-M and kieserite established as viable Colluli products	✓
Social and Environmental Impact Assessment approved	✓
Mining Agreement signed and Mining Licences awarded – Colluli fully permitted	✓
Operational contract processes commenced	✓
FEED completed	✓

Focus areas in 2018 – project execution phase

Offtake	• Progress negotiations to final binding offtake agreements
EPCM	• Finalise negotiations with shortlisted bidders
Mining	• Finalise negotiations with shortlisted bidders
Power	• Finalise negotiations with preferred power provider Inglett and Stubbs International
Equity	• Dual listing on the London Stock Exchange
Debt	• Finalise arrangements with commercial lenders

Offtake, funding and project execution *cont.*

FEED is the final stage before project execution, and provides offtakers and funders with a high level of study detail and accuracy

Offtake

- FEED provides additional confidence on Project certainty and fundability, which **supports finalisation of bankable offtake agreements**
- Negotiations with **multiple SOP distributors and traders** advancing as planned
- Aiming to achieve the **highest possible netback price for each tonne of SOP sold**

Debt

- **FEED further supports the investment proposition** and underpins the Financial Model
- Completion of well-defined procurement and supplier lists **concludes prerequisites for Export Credit Agencies**

Equity

- FEED provides equity investors with a **rigorous valuation basis**
- Dual listing on the LSE is a **key enabler of Danakali's equity strategy**
- The LSE opens the Company to a **wider and deeper range of institutional investors**

Project execution

- Mining, power and EPCM contracts are entering the **final negotiation phases**
- Mining contractors shortlisted to **2 competitive bids from highly qualified bidders**
- Seeking to **commence negotiations with preferred EPCM consultants by March 2018**

SOP products

CMSC will produce a high grade premium SOP product

- Representative CMSC SOP samples have been **assessed and well received by prospective offtakers**
- **Interest in procuring future CMSC SOP products remains high**

CMSC SOP products

Standard, Granular and Soluble (all 96% K_2SO_4 / 52% K_2O)¹



SOP is used on high value, chloride intolerant crops

Fruits, vegetables, nuts and coffee



¹ ASX announcements 25-Feb-15, 23-Sep-15, 30-Nov-15, 15-Aug-16 and 29-Jan-18
² Refer Danakali website for detailed specifications – <http://www.danakali.com.au/products>

Multi-commodity potential

Modular development approach underpins highly scalable, long life project

- **~200 years of mining** at FEED SOP production rates¹
- **Low incremental growth capital for further modules** given open-cut mining
- **Favourable logistics**
- Potassium salt combination suitable for **production of SOP, SOP-M and MOP**
- Appreciable amounts of **rock salt** (within overburden), **gypsum, kieserite and magnesium chloride**¹
- SOP-M and rock salt **product specifications have been developed**²

SOP

SOP-M

MOP

1.3Bt Ore Resource @ 11% K₂O equiv.¹

1.1Bt Ore Reserve @ 10% K₂O equiv.¹

Kieserite

Rock salt

Gypsum

MgCl₂

Kieserite: 85Mt Ore Resource @ 7% MgSO₄·H₂O¹

Rock salt: 347Mt Ore Resource @ 97% NaCl¹

Gypsum and magnesium chloride detected but not yet assessed

Significant expansion and multi-commodity potential

¹ ASX announcements 25-Feb-15, 23-Sep-15, 30-Nov-15, 15-Aug-16 and 29-Jan-18
² Refer Danakali website for detailed specifications – <http://www.danakali.com.au/products>

Danakali senior management

Danny Goeman, a highly experienced mining industry professional, recently assumed the role of CEO



Danny Goeman – Chief Executive Officer

- Joined Danakali in 2016 and has since developed the offtake strategy and offtake contract frameworks, and led the offtake negotiations on behalf of CMSC
- More than 25 years' experience in sales and marketing, strategy development, and high level commercial negotiations
- More than 20 years with the Rio Tinto group of companies
- Experience across multiple commodities in multiple jurisdictions, and has significant customer engagement and international experience
- Master's Degree in Business Administration



Stuart Tarrant – Chief Financial Officer

- Extensive exposure in the mining industry
- Financial modelling, financial systems deployment, procurement, budgeting, and cost analysis and optimisation experience
- Previously a finance manager at BHP



Tony Harrington – Project Manager

- Over 30 years' experience across a range of mining projects in various African countries, China, Europe, UK and Australia
- Project Manager for US\$0.3B Kwale Minerals Sands Project in Kenya and US\$330M Chimimiwango expansion at the Lumwana Copper Mine in Zambia



William Sandover – Head of Corporate Development & External Affairs

- Extensive investment banking and corporate advisory experience at UBS, Macquarie and Vesparum
- Has been involved in raising more than A\$10B in equity and hybrid capital for ASX-listed companies

Danakali investment case



Colluli is the most advanced and economically attractive SOP greenfield development project globally with the platform in place to secure bankable offtake agreements, achieve financial close and execute the Project

Fully permitted	High grade	Industry leading economics
1.1Bt Ore Reserve ¹	Low cost, open-cut mining	Strong Board and management
~200 year mine life ¹	Simple mineral processing	Supportive JV partner
Shallowest evaporite deposit	High product yield	High profile share register
Significant diversification potential	Favourable logistics	Outstanding social dividend

POSITIVELY UNIQUE

¹ ASX announcement 29-Jan-18

Appendix

FEED comparison with DFS

Colluli introduction

Solid form potassium salts vs. brines

Corporate snapshot

Danakali Board

Technical glossary



FEED comparison with DFS

Key Colluli FEED economic estimates and outcomes¹

Module	DFS ²		FEED		Variance from DFS	
	I ³	I & II ^{4,5}	I ³	I & II ^{4,5}	I ³	I & II ^{4,5}
100% of the Project (equity / pre-debt basis)						
Annualised SOP production	425ktpa	850ktpa	472ktpa	944ktpa	↑ 11%	↑ 11%
Strip ratio (waste:ore)	1.9	1.9	1.9	2.1	-	↑ 11%
Module I development capital ⁶	US\$298M		US\$302M		↑ 1%	
Incremental Module II development capital ^{5,6}		US\$175M		US\$202M		↑ 15%
Capital intensity ⁶	US\$701/t	US\$556/t	US\$640/t	US\$534/t	↓ 9%	↓ 4%
Incremental Module II capital intensity ⁶		US\$412/t		US\$427/t		↑ 4%
Working capital requirement ^{7,8}	US\$38M		US\$20M		↓ 47%	
Average mine gate cash costs ⁹	US\$168/t	US\$141/t	US\$165/t	US\$149/t	↓ 2%	↑ 6%
Average total cash costs ^{9,10}	US\$255/t	US\$227/t	US\$258/t	US\$242/t	↑ 1%	↑ 7%
Average forecast SOP price ¹¹	US\$572/t	US\$572/t	US\$569/t	US\$569/t	↓ 1%	↓ 1%
Cumulative undiscounted free cash flows ¹²	US\$4,539M	US\$9,637M	US\$4,944M	US\$10,019M	↑ 9%	↑ 4%
Average annual undiscounted free cash flows ⁹	US\$81M	US\$166M	US\$88M	US\$173M	↑ 9%	↑ 4%
Post tax NPV (10% real)	US\$439M	US\$860M	US\$505M	US\$902M	↑ 15%	↑ 5%
Post tax IRR	28.1%	29.9%	28.1%	29.9%	↑ 11%	↑ 3%
Module I payback period ¹³	3.25 years		3.25 years		↓ 7%	
Danakali's 50% share of the Project (post-debt basis)						
Post finance NPV (10% real)	US\$242M	US\$439M	US\$242M	US\$439M	↑ 17%	↑ 6%
Post finance IRR	29.7%	31.3%	29.7%	31.3%	↑ 18%	↑ 7%

1 Economic estimates and outcomes reported in US\$ real

4 Assumed Module II is funded from project cash flows and third-party debt

6 Average for first 60 years of production

13 Represents payback from date of first production

2 ASX announcement 30 November 2015

6 Including contingency, excluding sustaining and working capital

10 Includes mine gate cash costs, product logistics, and royalties

2 Assumed that Module I is 60% debt / 40% equity funded

7 Module I working capital is provided with reference to the delay from first production to cash receipt from product sales

11 Composite price for Standard (56%) and Granular (44%) SOP products

4 Module II production expected to commence in year 6

8 Module II working capital requirements funded from project cash flows

12 Over first 60 years of production

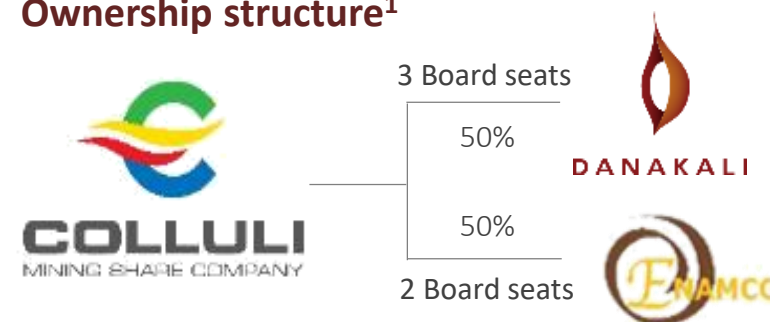
Colluli introduction

- Located in the Danakil Depression (salt basin) on the **Eritrean side of the Eritrea-Ethiopia border**
 - Several other development projects exist in the Danakil Depression on the Ethiopian side, but **their deposits are at a greater depth with a greater distance to port**
- Colluli is **50% owned by Danakali and 50% owned by ENAMCO¹**
- Colluli will be developed utilising a **modular development approach**
 - Module I expected to produce **472ktpa of premium SOP**
 - Module II, commencing production in year 6 of the Project, will **increase total SOP production to 944ktpa**

Location



Ownership structure¹



¹ Danakali's disclosed economics reflect the dynamics of the Shareholder's Agreement

Solid form potassium salts vs. brines

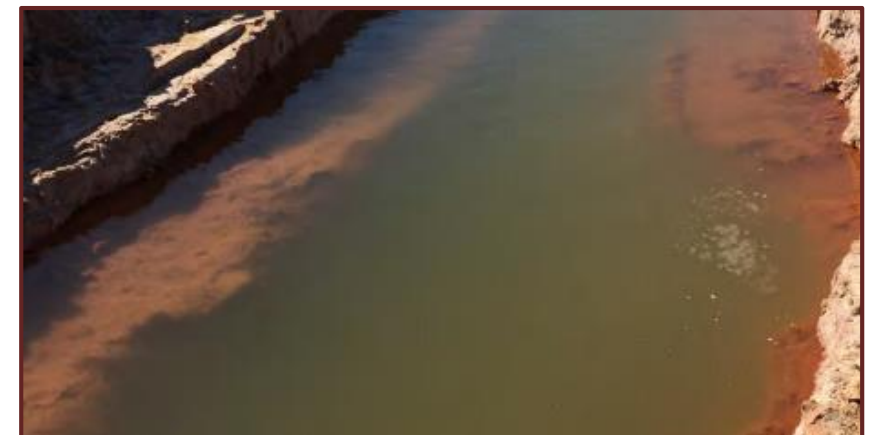
Colluli has extensive advantages over potassium bearing brines

- 1. Superior feed grade and higher potassium yields**
- 2. Surface level deposit**
- 3. Simplicity**
 - Colluli processing plant utilises simple, proven, mineral processing units
 - Brine chemistry management is complex
- 4. Lower energy input**
 - **Colluli salts require no heating**
 - In contrast, **potassium brines can require heating to over 50°C** for thermal decomposition¹
- 5. Consistent, predictable feed grade**
- 6. Production rates are faster, predictable and not weather dependent**
 - Production rates from brine projects are slower and directly proportional to weather conditions
- 7. Smaller footprint and water requirements**
 - Colluli has no need for generation of harvest salt, no pre-production ponds, small evaporation ponds, and lower processing water requirements
 - Brine processes have large areas of inefficient evaporation ponds

Colluli potassium salt core



Potassium bearing brine (Western Australia)



¹ Potash, Garret, p. 441-445, and Reward Minerals Presentation, 2013

Corporate snapshot



Danakali has experienced strong share price performance during the progression of the Colluli study phase, and a reasonable capital buffer and high profile share register are in place

Share price and liquidity since January 2015



Capital structure

As at 30 January 2018

Share price	A\$0.78
Shares on issue ¹	251.7M
Market capitalisation	A\$196.3M
Cash (31-Dec-17)	A\$15.5M
Debt (30-Sep-17)	-
Enterprise value	A\$180.8M

Key shareholders

Well Efficient Chinese private equity	11.9%
JPMorgan AM UK Global fund manager	8.7%
Capital Group Global fund manager	6.6%
Chairman Seamus Cornelius	3.9%
Non-Executive Director Paul Donaldson	1.1%

Source: BellDirect

¹ "Shares on issue" does not include 19.2M unlisted options with exercise prices ranging from A\$0.35 to A\$0.96 and expiry dates ranging from 30-Mar-18 to 19-May-20, or 1.4M performance rights

Danakali Board



An experienced, multi-disciplinary and international Board



Seamus Cornelius – Chairman

- Corporate lawyer with over 20 years experience in the resource sector
- Former partner at one of Australia's leading law firms
- Chairman of Duketon Mining, Montezuma Mining, and Buxton Resources



Bob Connochie – Non-Executive Director

- Highly experienced potash and mining specialist with over 40 years industry experience
- Previously Chairman of potash exporter Canpotex, former Chairman and CEO of Potash Company of America



John Fitzgerald – Non-Executive Director

- Chartered Accountant with over 30 years finance and corporate advisory experience in the resource sector
- Previously held senior position at Rothschild, Investec and HSBC
- Non-executive Chairman of Carbine Resources, and Non-Executive Director of Northern Star Resources



Andre Liebenberg – Non-Executive Director

- Mining industry professional with extensive investor market, finance, business development and leadership experience
- Over 25 years in private equity and investment banking, and senior roles at BHP Billiton and QKR Corporation



Paul Donaldson – Non-Executive Director

- 25 years industry experience in senior management roles at BHP
- Extensive experience in technical project management, open cut mining operations, marketing and supply chain
- Roles at BHP included: Head of the BHP Carbon Steel Materials Technical Marketing Team, management of the Port Hedland iron ore export facility, GM of Mining Area C



Zhang Jing – Non-Executive Director

- Previously held project management roles in publicly listed companies in China
- Over 15 years of international trading and business development experience in China

Technical glossary

Term	Meaning
CMSC	• Colluli Mining Share Company, the 50:50 joint venture vehicle owned by Danakali and ENAMCO that 100% owns Colluli
Colluli	• The Colluli Potash Project
The Company	• Danakali Limited, DNK.ASX
Danakali	• Danakali Limited, DNK.ASX
DFS	• Definitive Feasibility Study, refer ASX announcement 30 November 2015 for the Colluli results
ENAMCO	• The Eritrean government owned Eritrean National Mining Company (owns 50% of Colluli)
EPCM	• Engineering, Procurement and Construction Management
Evaporite	• A natural salt or mineral deposit left after the evaporation of a body of water
FEED	• Front End Engineering Design, refer ASX announcement 29 January 2018 for the Colluli results
IRR	• Internal Rate of Return, the discount rate at which the net present value of all the cash flows from a project equal zero
Kieserite	• $\text{MgSO}_4 \cdot \text{H}_2\text{O}$
MOP	• Muriate of Potash (KCl)
NPV	• Net Present Value, the difference between the present value of cash inflows and the present value of cash outflows over a period of time
PFS	• Pre-Feasibility Study, refer ASX announcement 4 March 2015 for the Colluli results
The Project	• The Colluli Potash Project
SEIA	• Social and Environmental Impact Assessment
SEMP	• Social and Environmental Management and Monitoring Plans
SOP	• Sulphate of Potash (K_2SO_4)
SOP-M	• Sulphate of Potash Magnesia ($\text{K}_2\text{SO}_4 \cdot \text{MgSO}_4 \cdot 4\text{H}_2\text{O}$)

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. 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 Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. 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.

Refer ASX announcement on 29 January 2018, “FEED completion”, for further FEED results detail.