



DANAKALI

ASX announcement

Friday, 11 May 2018

Company Presentation

Danakali Limited (ASX: DNK) (Danakali, or the Company), is pleased to announce that the Company's Chief Executive Officer, Mr. Danny Goeman, will present today at the Company's Annual General Meeting.

The presentation materials are attached to this announcement.

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DANAKALI

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 ~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.

Danakali Limited

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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.

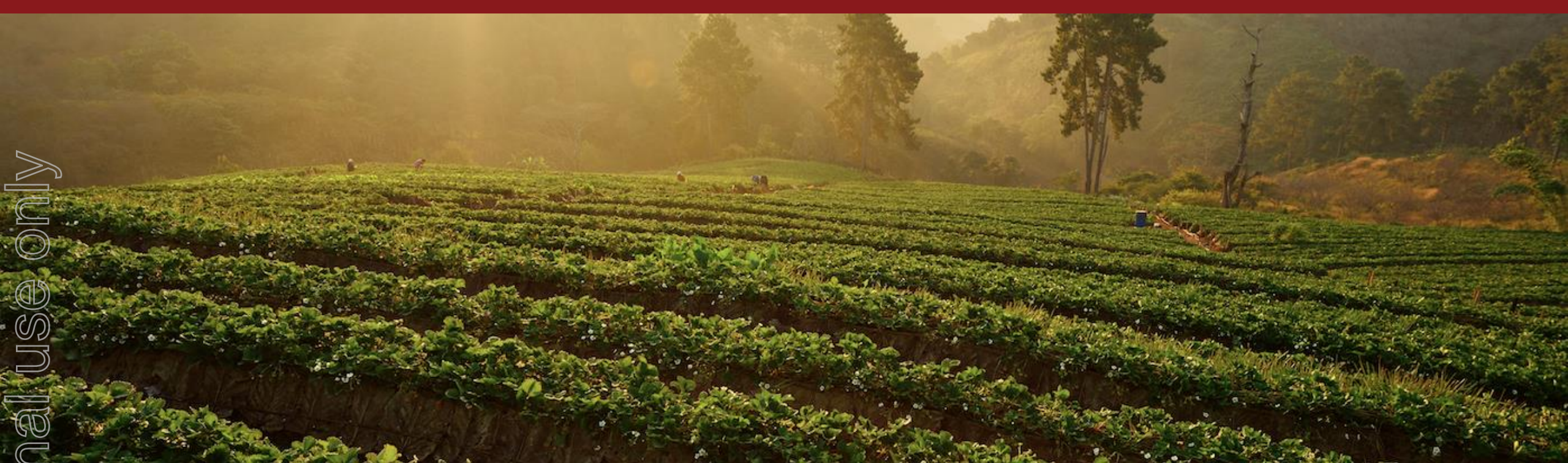
Forward looking statements and disclaimer

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 and 29 January 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.



DANAKALI

create. nurture. grow.

Annual General Meeting

Danny Goeman, Chief Executive Officer

Friday, 11 May 2018

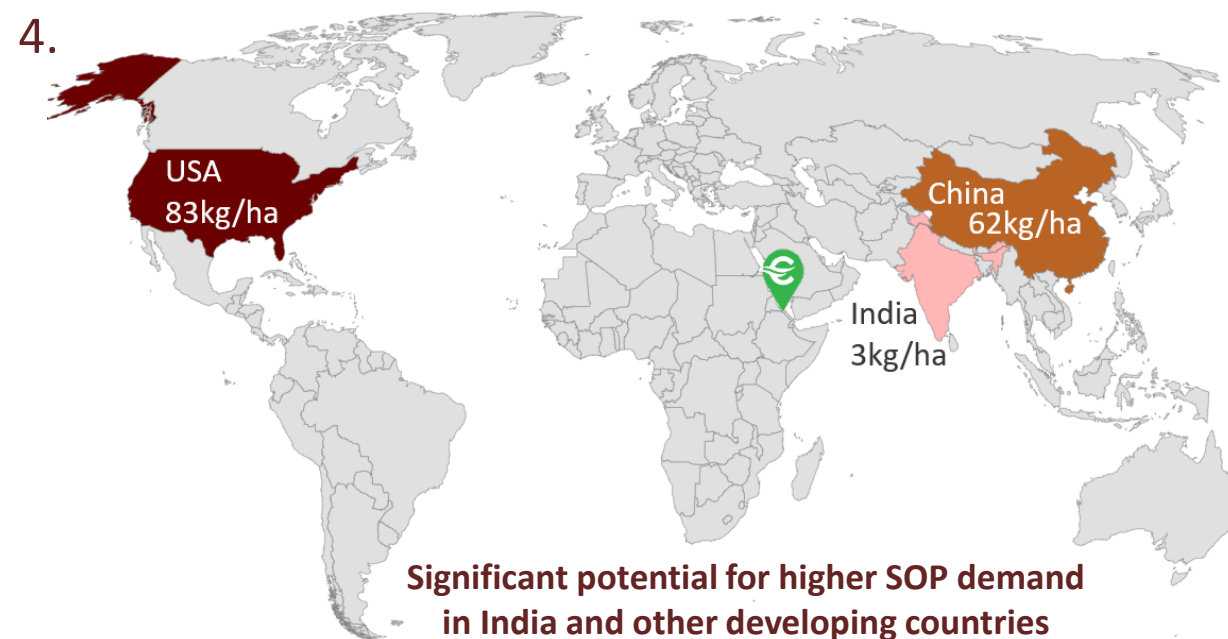
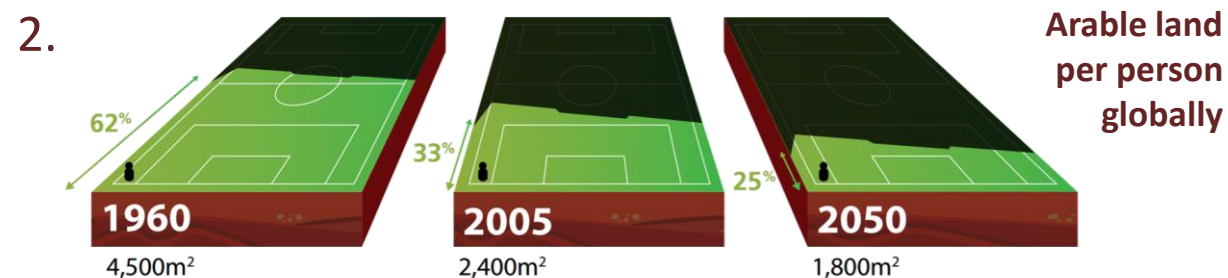
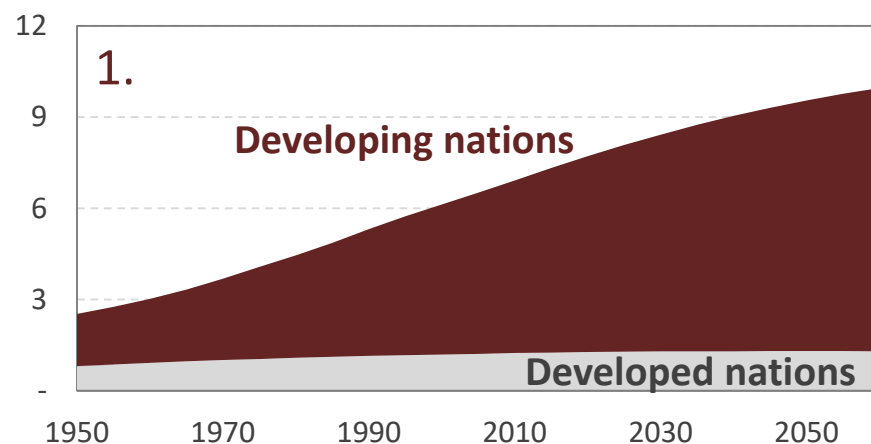
SOP – demand drivers

The SOP market is growing and profitable

Key demand drivers:

1. Global population growth
2. Reduction in arable land per capita
3. Changing dietary preferences
4. Under-application in developing countries
5. Water availability

Population (Billions)



SOP – sound market fundamentals

Demand growth continuing to outpace low cost supply growth

Primary production

- Economically exploitable resources are geologically scarce
- Few new low cost development projects at an advanced stage

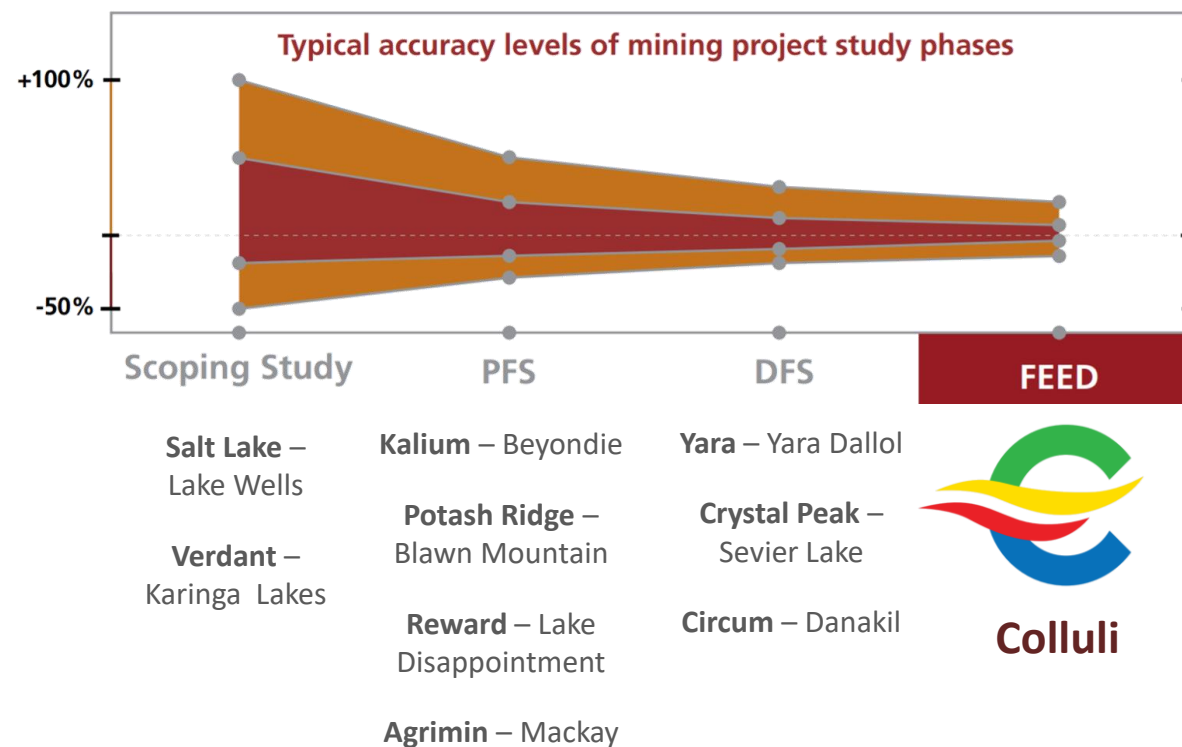
Secondary (Mannheim Process) production

- Ample capacity, but production is constrained by:
 - hydrochloric acid (HCl) disposal issues;
 - environmental considerations; and
 - increasing production costs

China

- Largely self sufficient (supply ~ demand)
- Potash regarded as strategic commodity – export tariff of RMB600/mt (~US\$90/mt)

Colluli is the only known SOP greenfield development project that is materially fully permitted and has completed FEED



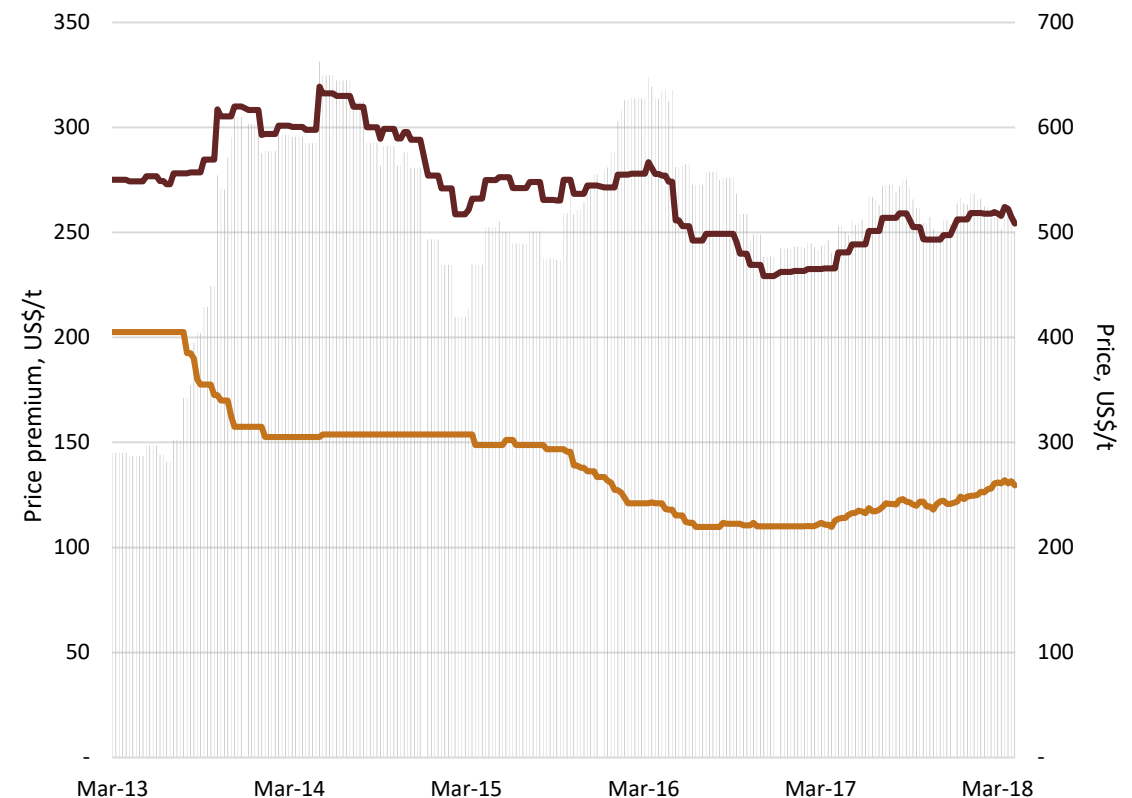
Selected SOP greenfield development projects

SOP price premium to MOP

Secondary production provides a price floor to the advantage of primary SOP producers

- Over 50% of the world's SOP supply is produced through the Mannheim Process
 - Conversion of MOP to SOP by adding sulphuric acid in a high cost thermal process
- SOP prices continue to command a significant premium over MOP
 - SOP price premium has averaged ~US\$260/t over the last 4 years

Historical SOP prices and premium to MOP NW Euro SOP and MOP FOB (US\$)

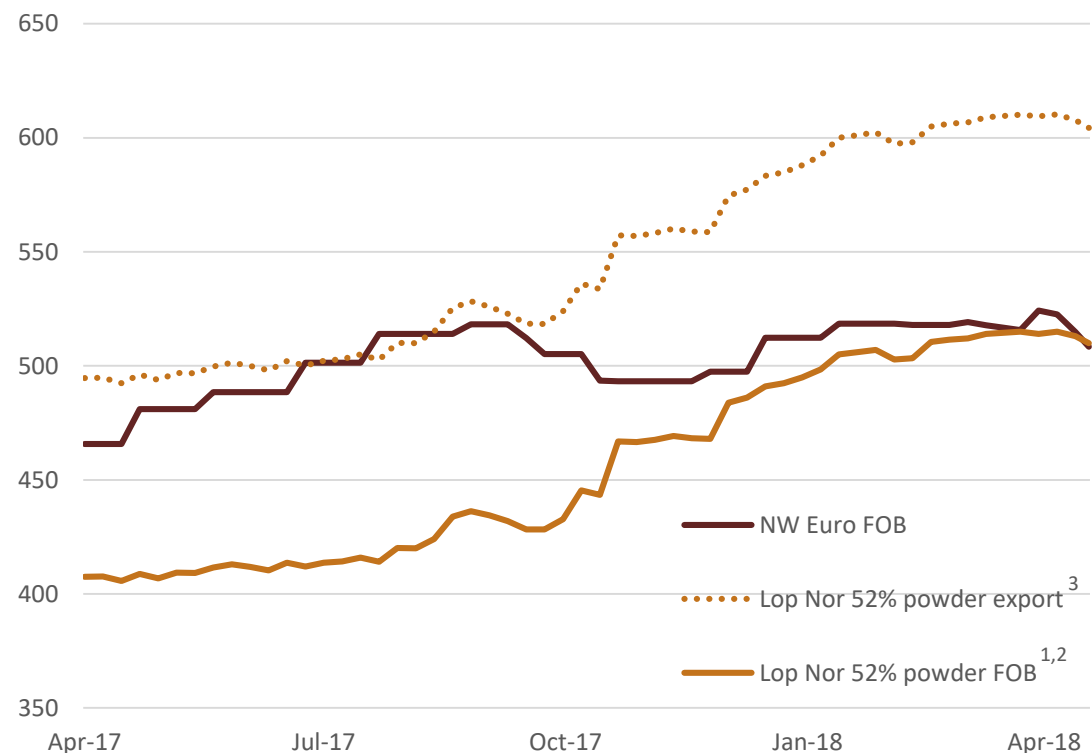


SOP – focus on China

Domestic Chinese SOP prices are reaching near parity with North-West Europe SOP prices

- Domestic Chinese SOP prices have increased >25% in the last 12 months
- Large increases in domestic Chinese SOP prices are mainly due to:
 - increased production costs;
 - reduction/removal of industry and transport subsidies; and
 - increased environmental controls (emissions, soil salinity, energy use and HCl disposal)
- Strong China SOP demand

NW Europe vs. domestic Chinese FOB SOP prices (US\$)



Source: BAI Info and Argus

¹ Domestic Chinese SOP prices based on Xinjiang Lop Nor 52% powder

² US\$30/t domestic logistics costs assumed to aggregate the quoted domestic Chinese ex-works price to FOB

³ Includes 600RMB/t export tariff.

Market Summary

The SOP balance is forecast to tighten as the global demand continues to exceed capacity growth.

- Market outlook is positive – with secondary producers setting the price floor
- In addition, significant upside potential still exists in the market as:
 - Application rates of developing nations dramatically lag developed nations
 - Considerable untapped SOP demand potential in developing nations such as India and Brazil, and regions such as Southeast Asia and Africa
 - Agricultural efficiency becomes more necessary (reductions in arable land, saline soil management)
 - Lack of capacity investment in the market from existing producers

“...the SOP market will become increasingly undersupplied in the coming years without capacity investment”¹



2017 and year to date in review



With all material permits in place and FEED complete, Danakali has established a strong platform for project funding and execution

Key Danakali milestones in 2017 and year to date

1Q17	CMSC entered into Mining Agreement with the Eritrean Ministry of Energy & Mines
1Q17	Award of 7 Mining Licences, spanning over 60km ² of the 99km ² Mining Agreement area
2Q17	Pre-construction geotechnical work commenced at Colluli
2Q17	Danakali raised A\$12.25M via a private placement cornerstoned by global fund manager Capital Group
2Q17	Preferred power provider appointed, Inglett & Stubbs International
3Q17	Mining contract tendering commenced
4Q17	EPCM contract tendering commenced
1Q18	FEED completed; confirming advanced, economically attractive project
1Q18	Debt Information Memorandum released to select financial institutions

Colluli's positively unique attributes

Positively unique suite of attributes that allows for simple, proven, low risk and low-cost mining, processing and logistics, and outstanding project economics



Mining

- **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

Processing

Crushing → Flotation → Mixing → Drying

- **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

Logistics

- **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

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

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 outcomes^{1,2}

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

1 ASX announcement 29 January 2018

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

9 ASX announcement 30 November 2015

2 Economic estimates and outcomes reported in US\$ real

6 Including contingency, excluding sustaining and working capital

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

7 Average for first 60 years of production

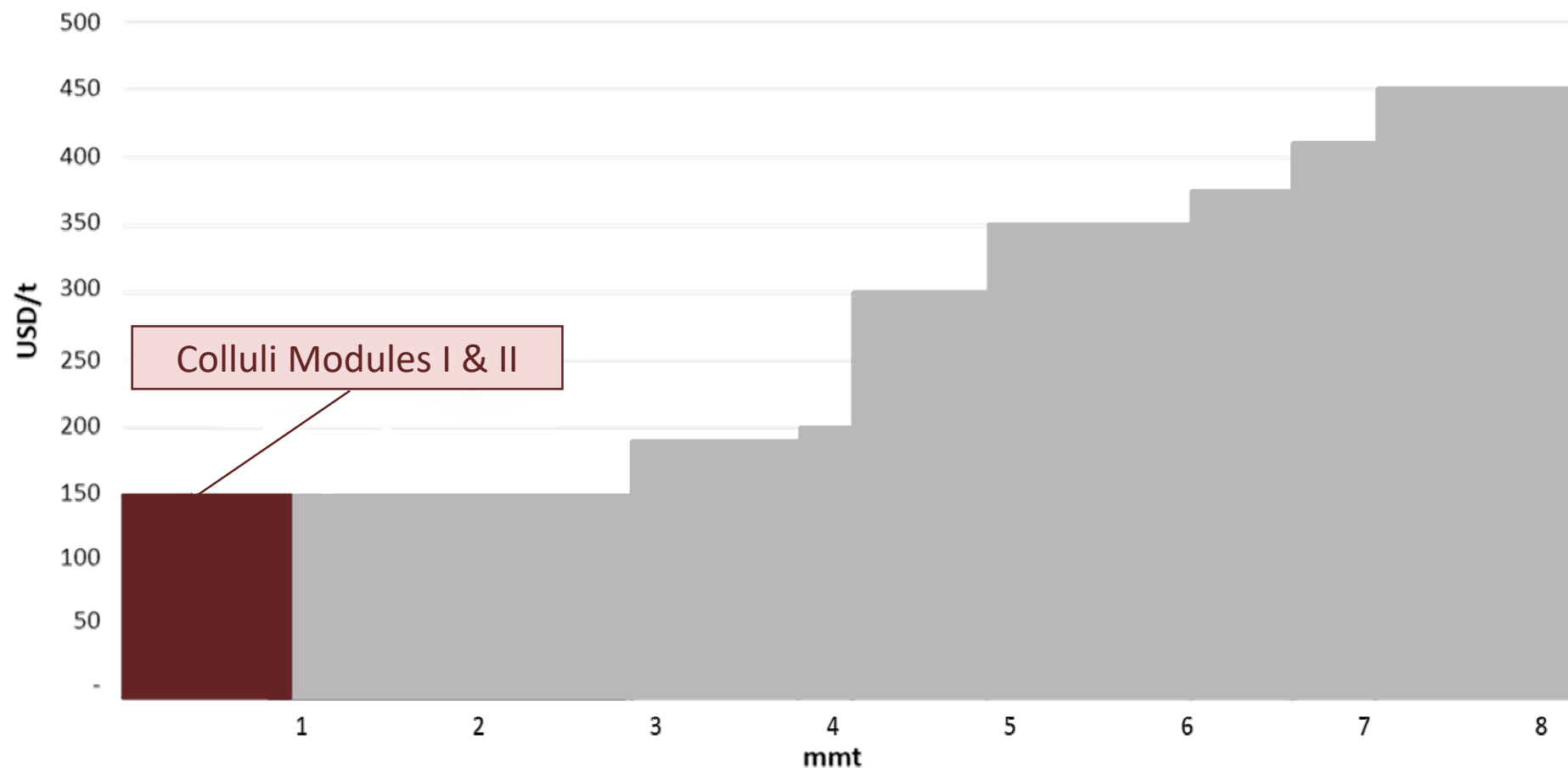
4 Module II production expected to commence in year 6

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

First quartile operating costs

If operating in 2018, Danakali would be one of the lowest cost SOP producers

Global SOP mine gate production costs in 2018 (US\$/t)



Key focus areas

Danakali is focusing on securing bankable offtake agreements, advancing debt funding, executing the equity strategy and project execution

Key focus areas – project execution phase

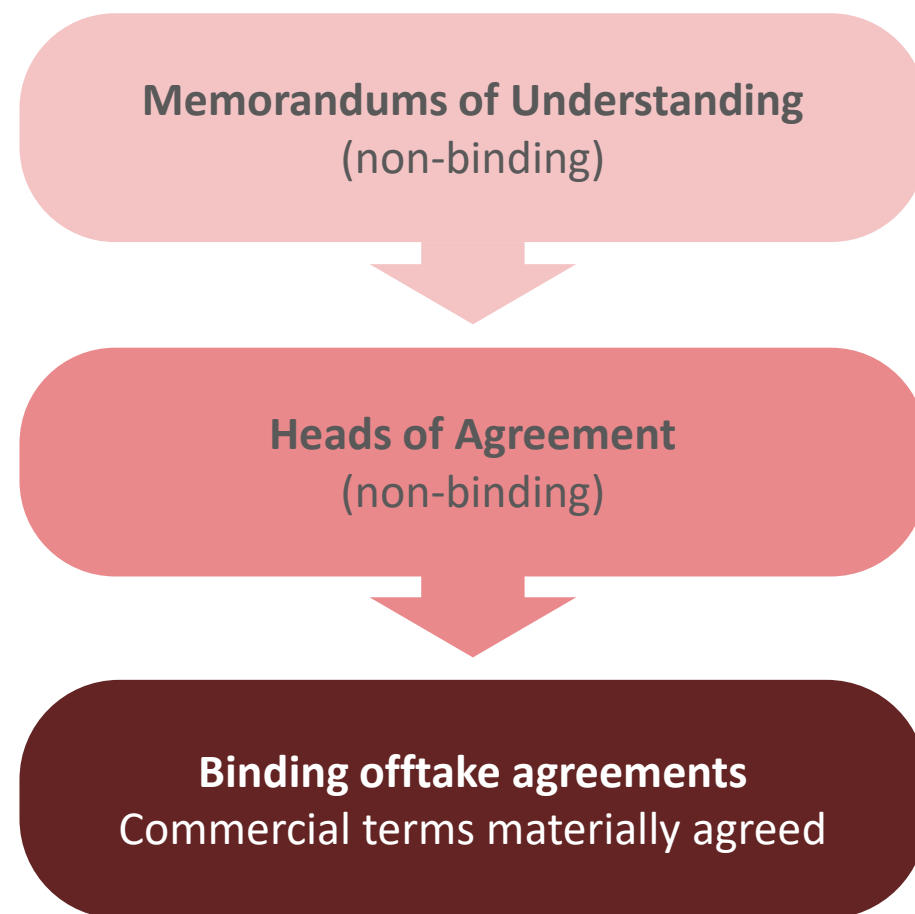
Offtake	<ul style="list-style-type: none">• Progress binding offtake agreements and associated approvals
Debt	<ul style="list-style-type: none">• Advance and finalise arrangements with commercial lenders
Equity	<ul style="list-style-type: none">• Dual listing on the London Stock Exchange
EPCM	<ul style="list-style-type: none">• Selection of preferred EPCM contractor and finalisation of contract terms
Mining	<ul style="list-style-type: none">• Negotiate with shortlisted mining contractors and finalise contract terms
Power	<ul style="list-style-type: none">• Finalise contract terms for preferred power provider, Inglett & Stubbs International
Operations readiness	<ul style="list-style-type: none">• Progress the necessary systems and structures to position Danakali and CMSC for development and production
Corporate social responsibility	<ul style="list-style-type: none">• Ensure ongoing adherence to established international standards

Offtake

Danakali is paving the way: no known take-or-pay offtake agreements in the SOP industry today

- Danakali is focussed on entering into offtake agreements that achieve fair value for its products
- Take-or-pay offtake agreements are not the norm in the SOP industry – considerable education has been required
- Danakali continues to take a disciplined, structured and methodical approach to developing its offtake strategy
- The Company is focussed on maximising the netback value of every tonne of SOP
- Optimising the Company's offtake portfolio takes time:
 - Multitude of stakeholders in various locations
 - Availability of key decision makers
 - Customer / market segmentation
 - Requisite approvals

Offtake process



Project funding

Clear debt and equity strategies established and progressing

Debt

- Debt funding process formally commenced during the March 2018 Quarter
- Provision of a Debt Information Memorandum to potential financiers
 - Provides detailed project information and seeks non-binding expressions of interest from potential financiers
- The Company expects receipt of non-binding expressions of interest in the June 2018 Quarter

Key debt enablers:

- Completion of technical and non-technical due diligence
- Take-or-pay offtake agreements
- Operational contract finalisation

Equity

- LSE dual listing is currently the key focus
- Danakali has completed its key LSE dual listing appointments:
 - Numis Securities – Financial Adviser
 - Memery Crystal – UK legal
 - Norton Rose Fulbright – Australian legal
 - EY – reporting accountant
- Prospectus well advanced and regulatory review process has commenced

Key equity enablers:

- LSE dual listing
- Offtake agreements
- Clear debt progress

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
- Potential for adjacent industry development – including infrastructure, mining services, transport and hospitality
- 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 SEMP's -

Danakali investment case



Colluli is the most advanced and economically attractive SOP greenfield development project globally

Materially 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

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