



DANAKALI

Announcement

Wednesday, 26 September 2018

Eritrea Breakfast presentation

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali**) is pleased to share the materials that Executive Chairman, Seamus Cornelius will present today at the Hannam & Partners hosted 'Eritrea Breakfast' in London. The event will focus on the recent diplomatic and economic developments in Eritrea and the Horn of Africa.

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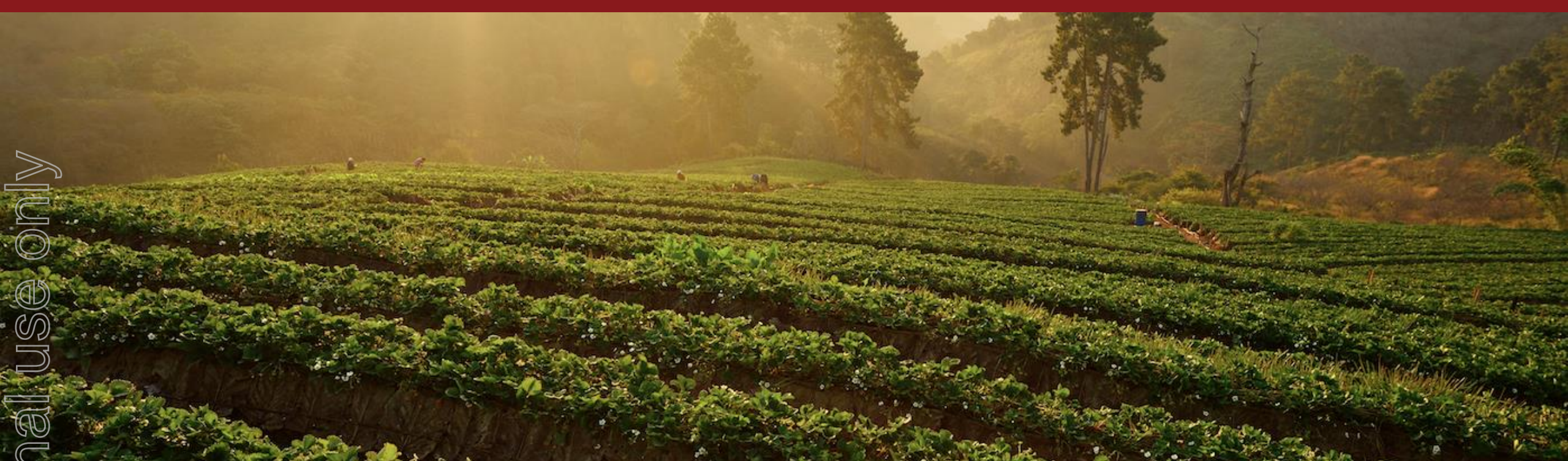
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DANAKALI

create. nurture. grow.

Eritrea

Open for business

Seamus Cornelius, Executive Chairman

Wednesday, 26 September 2018

Introduction to Danakali



ASX / LSE (Main Market) dual-listed company



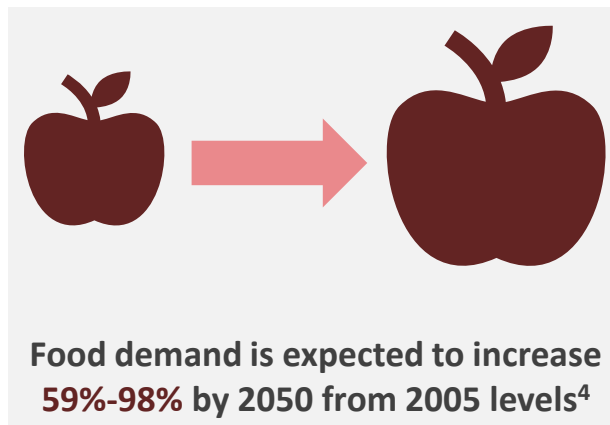
Developing Colluli, an advanced and economically attractive potash (SOP) development project in Eritrea¹

<p>Exceptional economics</p>  <p>NPV US\$902M IRR of 29.9%</p>	<p>Industry leading capital intensity</p>  <p>US\$534/t</p>	<p>First quartile operating costs</p>  <p>US\$242/t FOB Port of Massawa</p>
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SOP is undersupplied and demand is growing²

SOP is:

- Used on high value, chloride-sensitive crops
- Difficult to substitute
- High margin
- **The premium potash type**



Binding, take-or-pay offtake agreement with EuroChem

- EuroChem will take, pay, market and distribute up to 100% of Colluli Module I SOP production⁵
- 10 year term with 3 year extension option⁵
- EuroChem to provide technical support⁵




- Leading global fertiliser producer⁶
- Integrated mining, fertiliser production, logistics and distribution⁶
- CY2017 revenue of US\$4.9B and EBITDA of US\$1.1B⁶

¹ DNK announcement, 29-Jan-18; all results over Modules I & II; economic estimates and outcomes reported in US\$ real
² Integer Research
³ Stratfor | Worldview, 6-Sep-18

⁴ Harvard Business Review, 7-Apr-18
⁵ DNK announcement, 12-Jun-18
⁶ <http://www.eurochemgroup.com/en/home/#>

Comparison to LSE-listed fertiliser peers

Low capex and high grade, high value product relative to LSE-listed fertiliser peers

	 DANAKALI	Sirius	Kore	Harvest	Emmerson	Kropz
Market capitalisation ¹	£117.6M (A\$224.6M)	£1.4B	£35.4M	£31.1M	£19.7M	Not yet listed
Key project	Colluli	Woodsmith	Kola	Arapua	Khemisset	Elandsfontein
Commodity focus	SOP	Polyhalite ('POLY4')	MOP	Lava ('KpFertil')	MOP	Phosphate
Potash grade in resource	20.2% K₂SO₄	~12% K ₂ O ²	35.4% KCl	3.1% K ₂ O (2.5% P ₂ O ₅)	10.2% K ₂ O	NA (7.7% P ₂ O ₅)
Reserves	1.1Bt @ 18.5% K₂SO₄	280Mt @ 88.4% polyhalite	No reserve	No reserve	No reserve	63.6Mt @ 9.6% P ₂ O ₅
Development capex	Module I: US\$322m Module II: US\$202m	Stage 1: US\$4.17B	US\$1.85B	NA ³	NA ⁴	US\$136M ⁵
Potash grade in product	96.0% K₂SO₄ (52.0% K₂O)	14% K ₂ O	39.6% KCl (25.0% K ₂ O)	4.2% K ₂ O (3.5% P ₂ O ₅)	NA ⁴	NA (32% P ₂ O ₅) ⁶
Product price	US\$569/t⁷	US\$140-150/t ⁸	US\$275/t ⁹	US\$54/t ⁸	NA ⁴	NA ⁴
Illustrative margin (FOB, ex royalties) ¹⁰	Module I: US\$331/t Module I & II: US\$347/t	Stage 1: US\$111-121/t	US\$165/t	US\$46/t	NA ⁴	NA ⁴

Source: DNK announcements, 29-Jan-18 & 19-Feb-18, peer company announcements

1. Bloomberg as of 24 September 2018
2. Estimated as 85.7% polyhalite multiplied by 14% POLY4 potassium oxide grade
3. Development capex for Harvest is not comparable with the other LSE-listed fertiliser peers
4. No development capex, operating costs, product specifications and/or product price disclosed
5. US\$120M already spent, a further US\$16M required

6. Disclosed phosphate rock concentrate grade
7. SOP price assumed in FEED
8. Average contract pricing from latest disclosure
9. Company disclosed prices are from 2012 so current NW Euro MOP FOB spot price assumed (source: Argus)
10. Total cash costs (FOB, ex royalties) subtract product price

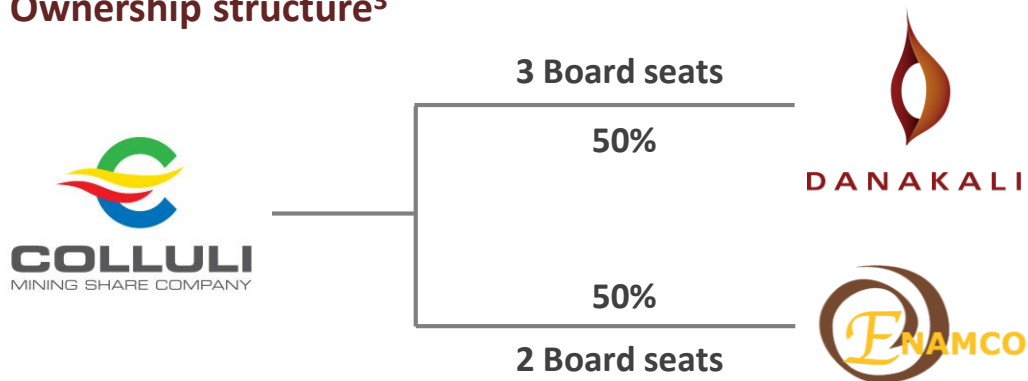
Colluli overview



Strategically located SOP development project with all material permits in place

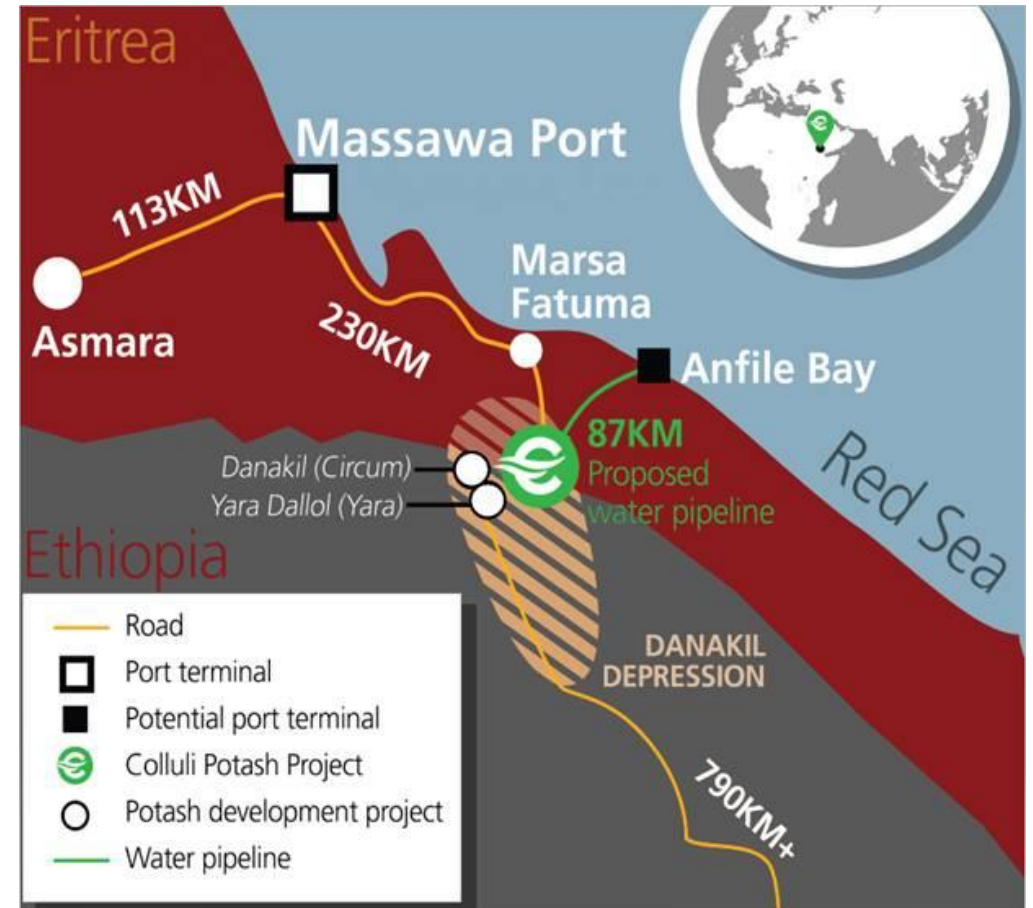
- Located in the Danakil Depression on Eritrean side of Eritrea-Ethiopia border
- To be developed utilising a modular approach
 - Module I to produce 472ktpa of premium SOP¹
 - Module II to increase total SOP production to 944ktpa^{1,2}
- Almost 200 year mine life¹

Ownership structure³



¹ DNK announcement, 29-Jan-18
² Commencing in year 6 of production
³ Danakali's disclosed economics reflect the dynamics of the Shareholder's Agreement

Location – Closest known SOP deposit to a coastline






Eritrea overview



Eritrea’s development aspiration is to achieve rapid, balanced, home-grown and sustainable economic growth while ensuring social equity and justice

- Stable government
- One of the fastest growing economies globally¹
 - Driven by mining, agriculture and infrastructure
- Only sub-Saharan African country to meet its Millennium Development Goals by 2015²
- Supportive laws for mining investment
 - Accelerated depreciation (straight line, 4 years)
 - 10-year carrying forward of losses
- High profile investment in Nevsun (NSU.TSE) and Danakali
 - JPMorgan, Capital Group, Fidelity, BlackRock, Vanguard and M&G

Major mining projects in Eritrea³

Bisha	Zara	Asmara
Au, Ag, Cu, Zn	Au	Cu, Zn, Au, Ag
Nevsun 60% / ENAMCO 40%	SFECO 60% / ENAMCO 40%	Sichuan Road & Bridge Mining (SRBM) 60% / ENAMCO 40%
Third mine expansion complete	Commissioned and producing	Advanced stages of development, mining to begin in 2019
Nevsun is to be acquired by Zijin Mining for US\$1.4bn	SFECO acquired 60% of Zara from Chalice (CHN.ASX) for US\$80m	SRBM acquired 60% of Asmara from Sunridge (SGC.TSX-V) for US\$65m
		

¹ World Bank, The Economist

² World Health Organisation. Millennium Development Goals results include large reductions in malaria, maternal mortality, and HIV/AIDS prevalence—Improved access to potable water and almost doubled adult literacy rates

³ Company announcements

Rapid diplomatic progress in the Horn of Africa

Restoration of diplomatic relations among Eritrea, Djibouti, Ethiopia and Somalia signals an end to the region's conflict¹

2 April
Ethiopian Prime Minister Abiy Ahmed elected

9 July
"Joint declaration of peace and friendship" signed between Eritrea and Ethiopia¹

- Ending 2 decades of war
- Re-establishing diplomatic and trade ties
- Reopening of respective embassies



Peace talks between the leaders³



Signing of the "joint declaration of peace and friendship" in Jeddah⁴

11 September
The United Nations has hailed the normalisation of relations in the Horn of Africa⁶



26 June
Eritrea enters ground-breaking peace talks with Ethiopia after a 20-year standoff



Prime Minister Abiy Ahmed initiates peaceful relations with Eritrea's President Isaias Afwerki²

11 September
Eritrea-Ethiopia border opens for first time since 1998

- First Ethiopian ship to dock in Eritrean port
- Flights resume between the two countries



Ethiopian Ship, Mekelle, due to carry Eritrean zinc to China, docked in Massawa, Eritrea⁵

1 Aljazeera, 11-Sep-18

2 BBC News, 14-Sep-18

3 The Defense Post, 9-Jul-18

4 Reuters, 17-Sep-18

5 Reuters, 05-Sep-18

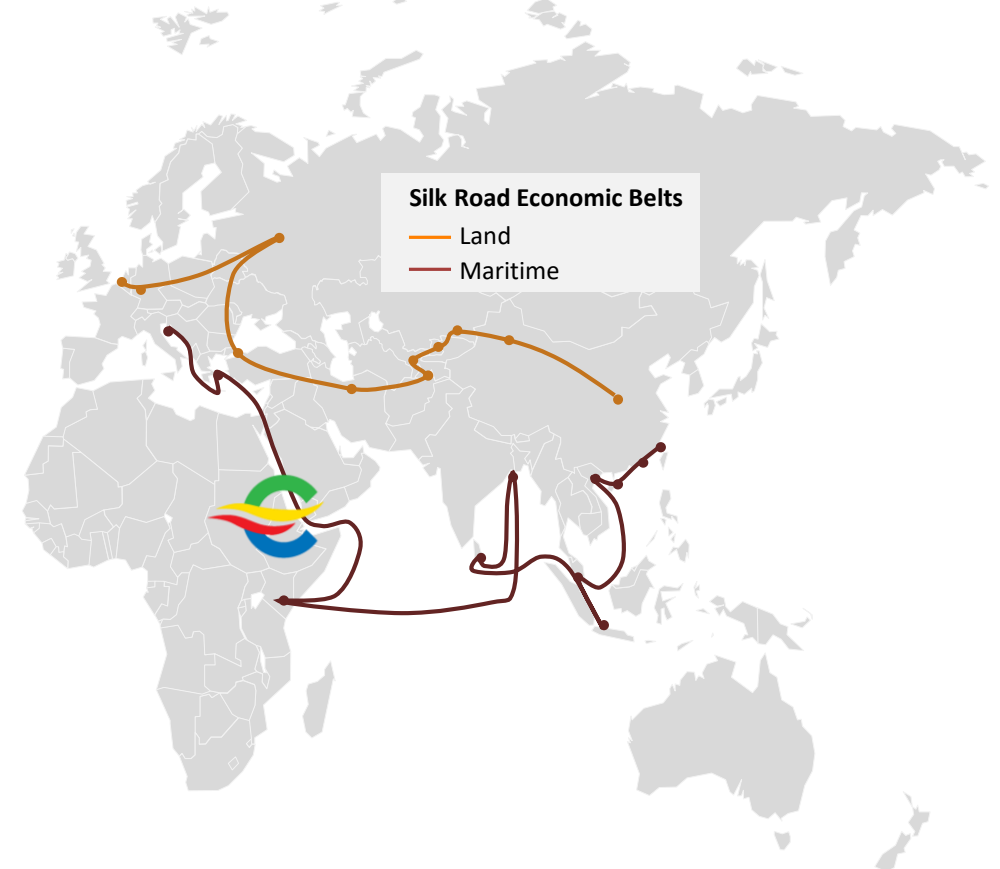
6 Aljazeera, 11-Sep-18

Strategic position on the “Maritime Silk Road”

Eritrea is ideally situated to take advantage of China’s focus on expanding trade into new markets

- The “Maritime Silk Road”, links China and Europe via Africa and the Middle East
 - Expected to help the Horn of Africa integrate into global value chains¹
 - Eritrea boasts 2,234km of coastline
 - Chinese companies have been actively acquiring mining projects in Eritrea²
- China is Sub-Saharan Africa’s top export partner, with exports totaling US\$9.5B (7.8% of China’s imports)³
- Russia has stated plans to establish a ‘logistics centre’ in Eritrea
- India, Southeast Asia, Africa and the Middle East could represent significant SOP demand centres in the future⁴

Colluli is on the Maritime Silk Road and proximate to growing fertiliser markets in Asia, Africa and the Middle East



¹ IMF
² Company announcements

³ World Bank
⁴ Integer Research

Working in Eritrea – Danakali’s experience



Danakali has been operating in Eritrea since 2009 and has found the country to be safe, stable and development focused

- Danakali has a strong, effective working relationship with the Eritrean government
- Significant community support

The Danakali experience in Eritrea

Safe and friendly
Development focused
Stable government
Strong focus on health & education
No evidence of corruption
Gender equality

“We were very impressed with the country itself, and with Colluli. Management has a very good relationship with the Government.”

Hartleys research: *Site visit to Eritrea confirms world class SOP project, November 2016*

“Our recent site visit demonstrated to us that Eritrea is a much easier and friendlier country to operate in than the current global perception.”

Bell Potter research: *World class SOP development project, August 2017*

“The government is pragmatic in its approach to the development of the Eritrean mining industry. The Eritrean people are friendly, patriotic and exhibit no signs of corruption.”

Baillieu Holst research: *Postcard from Eritrea, July 2016*

Colluli – sustainable development



Danakali and the Eritrean government are focused on sustainable development for the benefit of all stakeholders

- CMSC is progressing a sustainable development framework
- Policies, management plans and compliance monitoring in key areas including:
 - Human rights
 - Anti-corruption
 - Communities
 - Health and safety
- Joint venture provides the Eritrean government with direct insight into mining industry
 - Important given a key part of Eritrea’s development

“Colluli has the potential to make a significantly positive impact in Eritrea.

Our economy and people stand to benefit through considerable revenue generation, the expansion of our mining industry, the development of skills, and the flow-on effects to associated industries.

Our joint venture with Danakali continues to achieve its stated goals in a timely and professional manner.”

ENAMCO General Manager, Berhane Habtemariam, January 2018

Colluli's impact in Eritrea

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
- Social & Environmental Impact Assessment and Social & Environmental Management 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

Eritrea summary

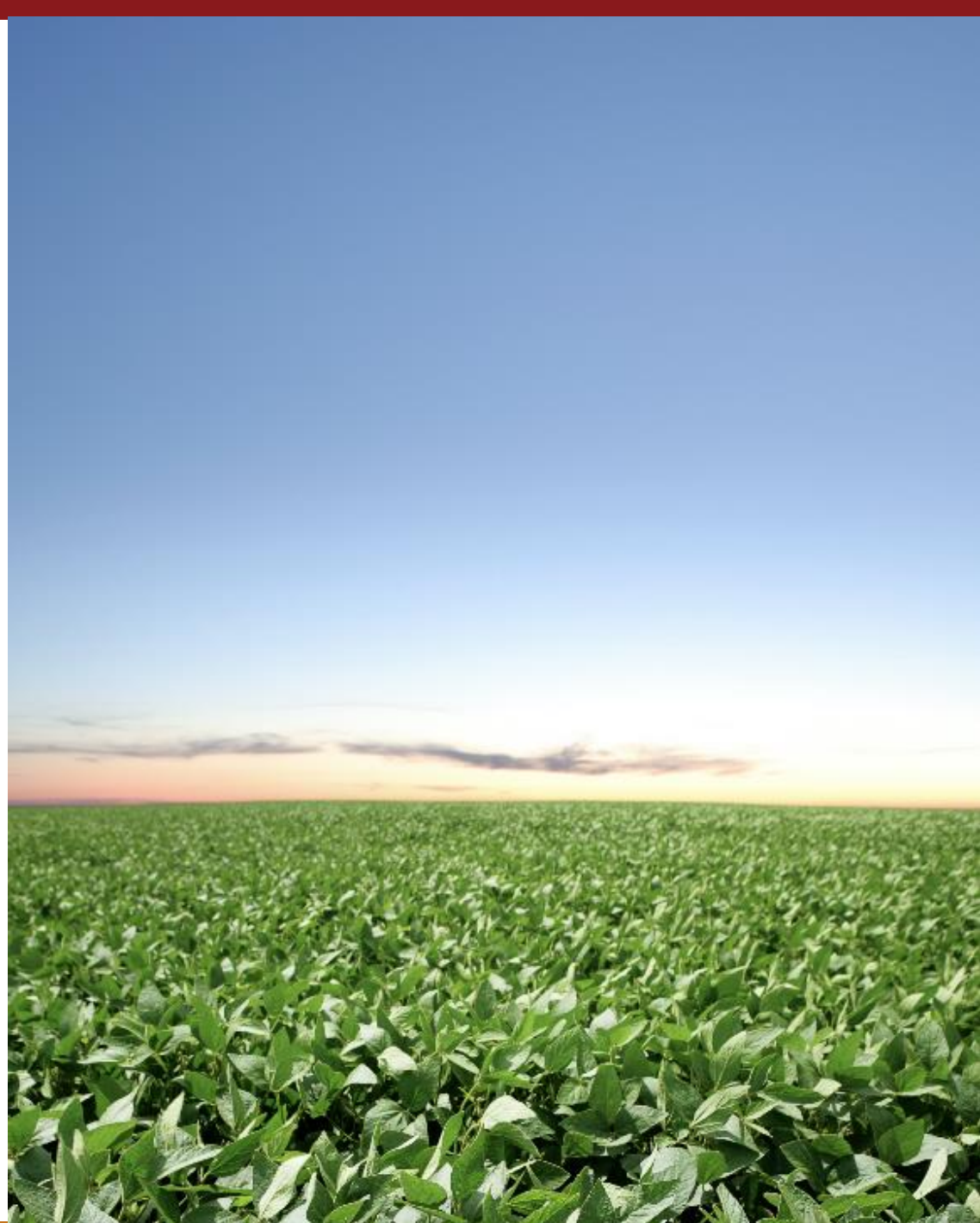
Eritrea is a maturing country focused on equitable development and Colluli has the potential to have a large supporting impact

1. Danakali has found Eritrea to be safe, stable and development focused
2. Rapid diplomatic progress in the Horn of Africa region in 2018
3. CMSC has carried out extensive social and environmental policy, planning and implementation work
4. Eritrea stands to benefit from the long term economic, social and community dividends that Colluli will generate
5. Potential for adjacent industry development – including infrastructure, mining services, transport and hospitality
6. The Eritrean Government has been transparent, collaborative and responsive



Danakali investment case

- Binding offtake agreement for up to 100% (minimum 87%) of Module I SOP production with EuroChem¹
- FEED confirmed an advanced stage and economically attractive SOP greenfield development²
- All material permits in place³
- 1.1Bt Ore Reserve and almost 200 year mine life^{2,4}
- Shallow mineralisation allowing low cost open-cut mining²
- Simple, proven, low cost processing²
- Favourable logistics²
- Expansion, diversification and multi-commodity potential²
- Significant economic, social, community and environmental benefits^{2,5}
- **Rapidly improving geopolitical dynamics for Eritrea**



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Competent Persons Statements

Competent Persons Statement (Sulphate of Potash and Kieserite Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K₂O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K₂O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K₂O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K₂O Equiv. and 9% Kieserite of Inferred Resource.

The information relating to the 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 the report entitled "In excess of 85 million tonnes of Kieserite defined within Colluli Project Resource adds to multi agri-commodity potential" disclosed on 15 August 2016, which are 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)

Colluli Proved and Probable Ore Reserve is reported according to the JORC Code and estimated at 1,100Mt @ 10.5% K₂O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K₂O Equiv. Proved and 815Mt @ 10.3% K₂O Equiv. Probable. The Colluli SOP Mineral Resource includes those Mineral Resources modified to produce the Colluli SOP Ore Reserves.

The information relating to the January 2018 Colluli Ore Reserve is extracted from the report entitled "Colluli Ore Reserve update" disclosed on 19 February 2018 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 (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.

AMC Consultants Pty Ltd (AMC) independence

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.



DANAKALI

About Danakali

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali**, or the **Company**) is an ASX- and LSE-listed potash company focused on the development of the Colluli Potash Project (**Colluli** or the **Project**). The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (**ENAMCO**).

The Project is located in the Danakil Depression region of Eritrea, East Africa, 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. A binding take-or-pay offtake agreement has been confirmed with EuroChem Trading GmbH (**EuroChem**) for up to 100% (minimum 87%) of Colluli Module I SOP production.

The Company's 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.

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

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AMC Consultants Pty Ltd (AMC) independence

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.

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

No representation or warranty, express or implied, is or will be made by or on behalf of the Company, and no responsibility or liability is or will be accepted by the Company or its affiliates, as to the accuracy, completeness or verification of the information set out in this announcement, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Company and each of its affiliates accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement or any such statement.

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