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Company Presentation

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali**, or the **Company**) is pleased to provide an updated Company Presentation.

Danakali's presentation will be available on the Company's website and is attached to this announcement.

No new information is disclosed in this presentation.

Announcement authorised for release by the Chief Executive Officer of Danakali.

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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 Sulphate of 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 known potash deposit. The resource is amenable to open cut 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 Sulphate of Potash or **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.

Development Finance Institutions, Africa Finance Corporation (**AFC**) and African Export Import Bank (**Afreximbank**), have obtained formal credit approval to provide CMSC with US$200M in senior debt finance. The credit documentation was executed in December 2019,

allowing drawdown of CMSC senior debt on satisfaction of customary conditions precedent. This represents the majority of funding required for the development and construction of the Colluli. AFC has also executed a Subscription Agreement to make a US$50M strategic equity investment in Danakali. The receipt of the first tranche of US$21.5M (A$31.8M) allowed commencement of the development.

Project execution has commenced, and SOP production is expected during 2022. 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.

Disclaimer

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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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September 2020

Danakali's Unique Colluli Development: A Global Game Changer

Large deposit with a 200-year mine life

Low cost & Premium product

Production and revenue expected in 2022

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ASX: DNK | LSE: DNK | ADR: DNKLY

Various European OTC: SO3 (e.g. FRA: SO3 | MUN: SO3)

Forward Looking Statements

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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 endeavored 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 a guarantee 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, 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.

This presentation does not comprise an admission document, listing particulars or a prospectus relating to the Company, does not constitute an offer or invitation to purchase or subscribe for any securities of the Company and should not be relied on in connection with a decision to purchase or subscribe for any such securities. This presentation does not constitute a recommendation regarding any decision to sell or purchase securities in the Company. No representation or warranty, express or implied, is given by or on behalf of the Company or its directors, officers or employees or any other person as to the accuracy or completeness of the information or opinions contained in this presentation, and no liability is accepted for any such information or opinions (including in the case of negligence, but excluding any liability for fraud).

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Who is Danakali?

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Danakali is a Sulphate of Potash (SOP) focused crop-nutrient company

The Company is listed on both ASX and LSE

Our flagship project is Colluli – one of the biggest, most advanced, high quality and economically potentially rewarding fertiliser projects in the world

Executive team

Niels Wage, CEO

Stuart Tarrant, CFO

Tony Harrington
Project Director

Danakali Board

Seamus Cornelius
Non-Executive Chairman

Samaila Zubairu
Non-Executive Director

Taiwo Adeniji
Non-Executive Director

Bob Connochie
Non-Executive Director

Neil Gregson
Non-Executive Director

Zhang Jing
Non-Executive Director

John Fitzgerald
Non-Executive Director

Danakali Investment Case

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200 YEARS

Large deposit
1.1 Bt reserve[2]

Advanced financing
US$250M of funding*

Low cost mining
<US$150/t (mine gate)

10-year Offtake
with EuroChem + 3y renewal

Development underway
Expected production in 2022

Premium product
Price premium

Exceptional returns
$NPV_{10, Real}$ US$439m
IRR 31.3%[1]

*Funding remains subject to satisfaction of remaining conditions precedent [1]DNK announcements,29-Jan-18 & 30-Nov-15 [2]Average for first 60ys of production

[1]DNK announcements,29-Jan-18 & 30-Nov-15

[2]DNK announcements,19 May 2015, Maiden JORC (2012), Ore Reserve estimate of 1.1 billion tonnes at 10% K20 equivalent. JORC resources and reserves have not materially changed since 19 May 2015 ASX announcement

Exceptional Economic Returns

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$NPV_{10, Real}$
US$439m[1]

Rate of Return
IRR 31.3%[1]

Total Cash Costs
US$242/t[1,2]

Projected cashflow
US$85M [1,2] per annum

Payback
3.25 years[1]

Capex
Module 1 US$302 [1]

SOP Production
Module 1 472ktpa [1,2]
Module 2 472ktpa [1,2]

[1]DNK announcements,29-Jan-18 & 30-Nov-15
[2]Average for first 60ys of production

Premium Priced Product

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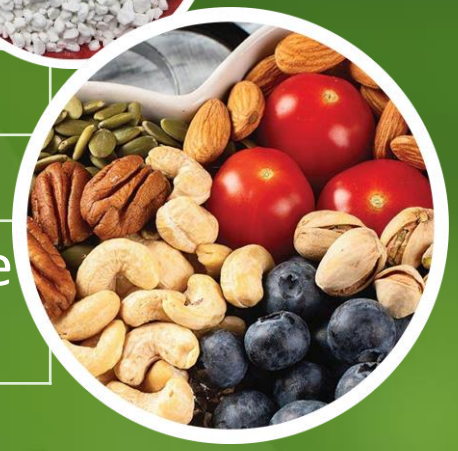
SOP is environmentally-friendly, chloride-free source of Potassium and Sulphur

Price premium due to low levels of chloride, additional nutrients (sulphur) and favourable solubility characteristics

Applied on high value crops such as fruits, vegetables, coffee, tea and nuts

Increasing agricultural intensity to improve crop yields

SOP K_2SO_4
~7Mtpa
US$450-600/t*
High value, chloride sensitive or intolerant



MOP KCl
~67Mtpa
US$200-300/t*
Low value, chloride tolerant

*Price range between Jan. 2014 – Jan. 2020

SOP Demand & Supply Fundamentals

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Demand

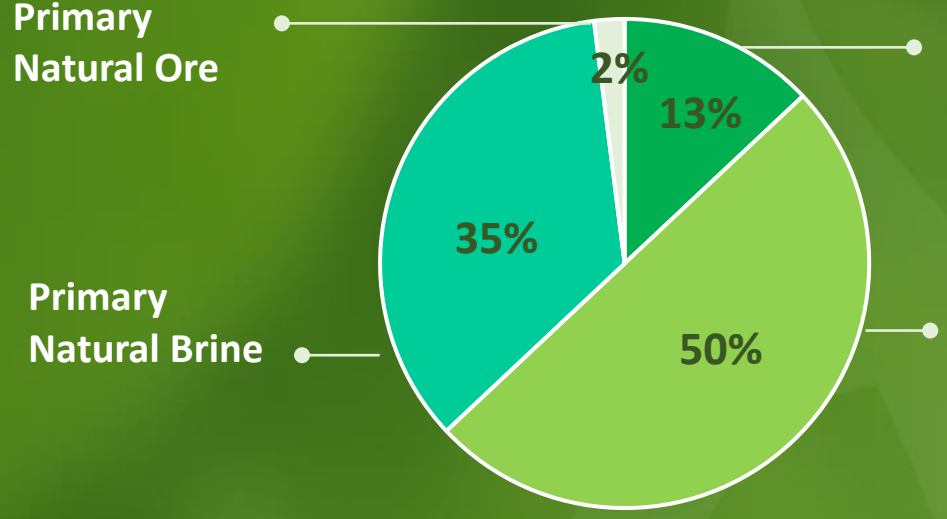
Increasing global population

Changing dietary preferences

Limited arable land available

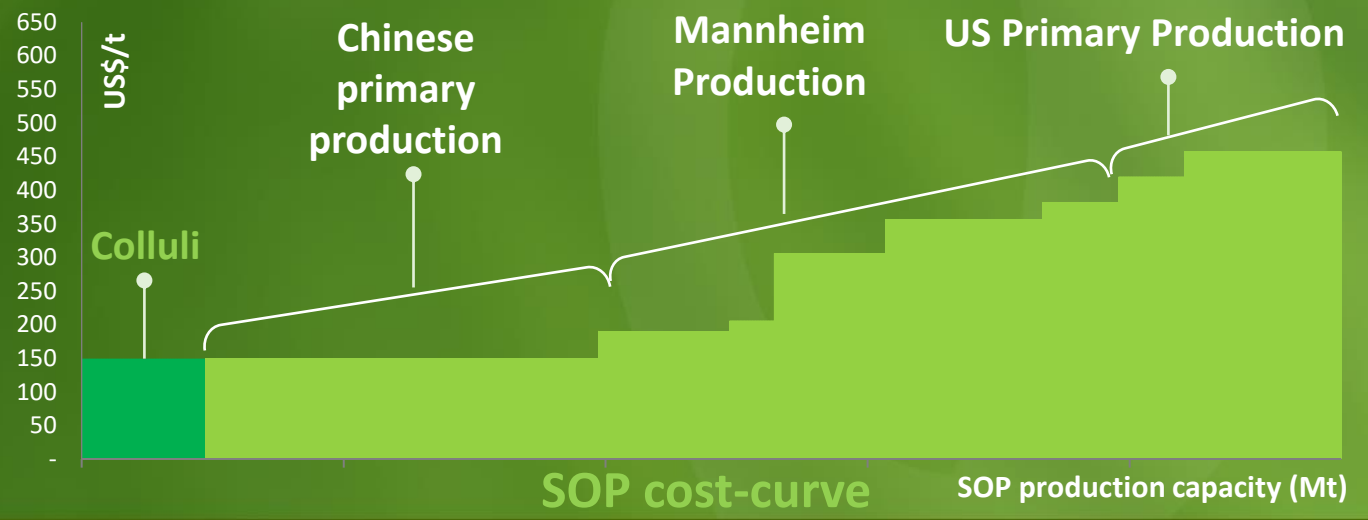
Average CAGR growth around 2 - 2.4% (excluding China)

Supply



Source: Potassium Sulphates and Potassium Nitrate Market Outlook, CRU, January 2020

SOP production structure



Market Potential (SOP Application Rates)

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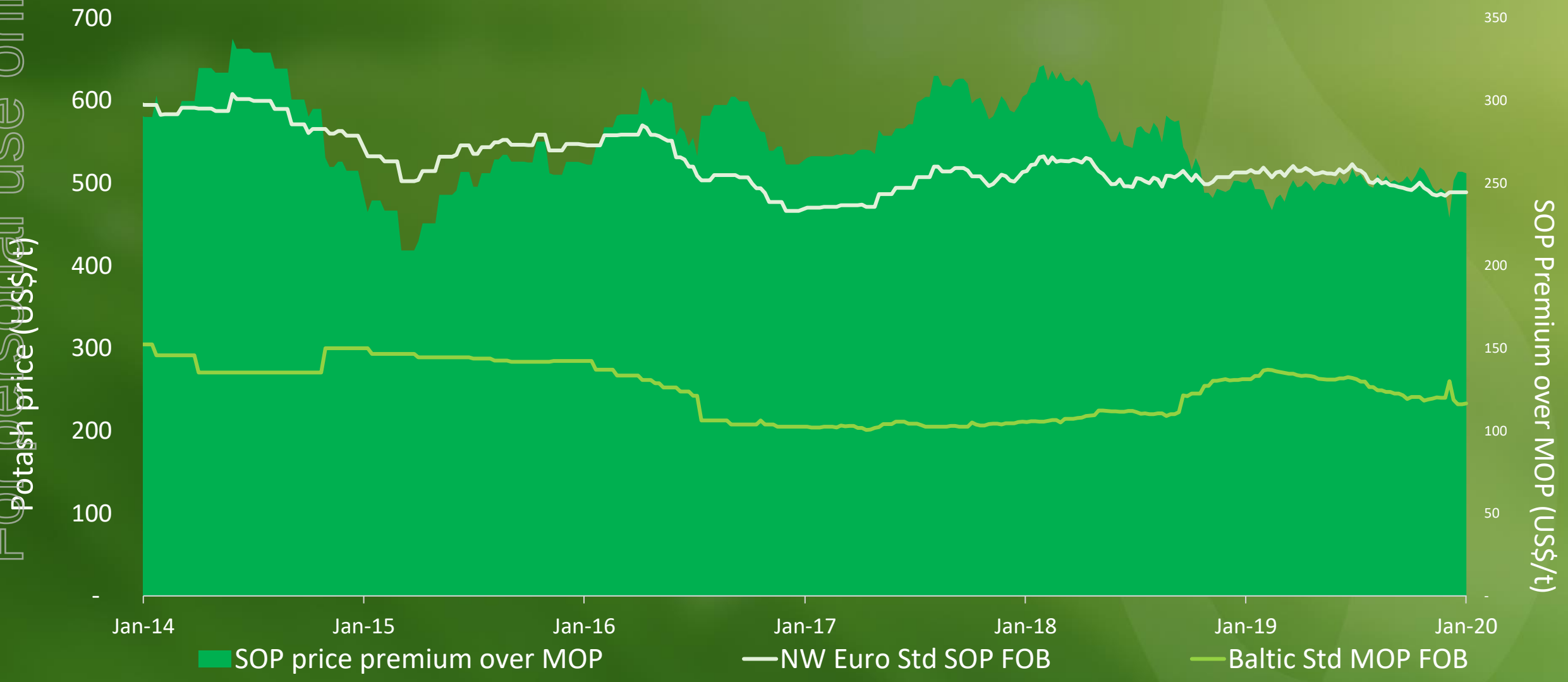
Appropriate-use SOP markets

SOP-under-applied markets

Source: Argus, CRU, Statistics Canada, Australian Bureau of Statistics (2015 data)

SOP Pricing Dynamics

SOP demand and supply dynamics support a robust pricing environment



Source: Potassium Sulphates and Potassium Nitrate Market Outlook, CRU, January 2020

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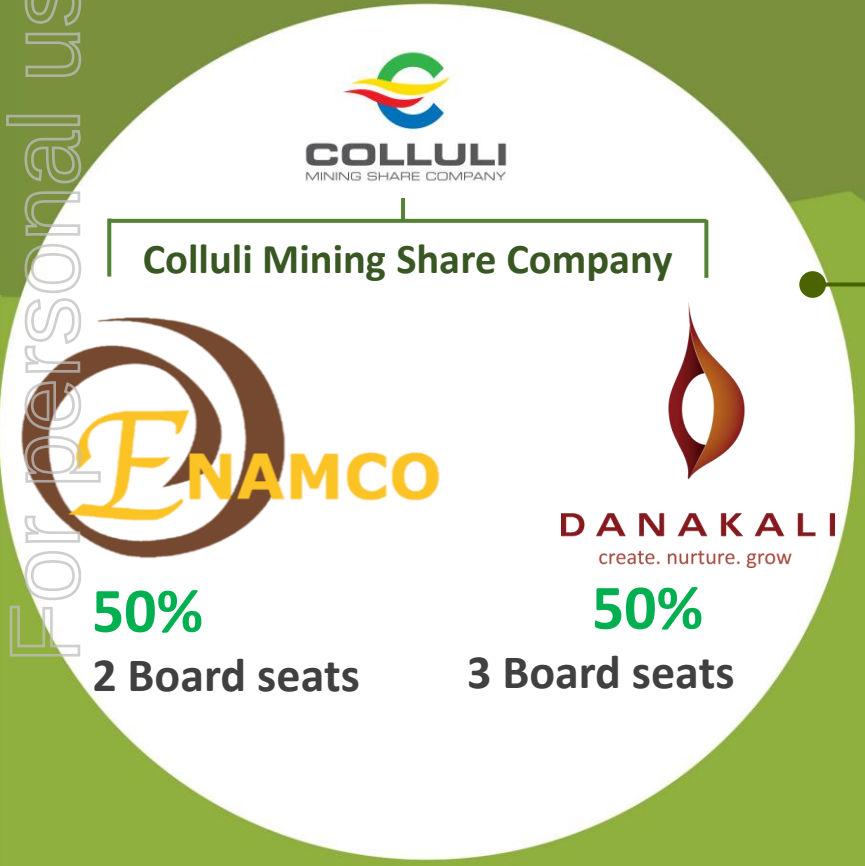
Colluli Project

Danakali is developing the Colluli project in the Danakil basin as a 50/50 JV with ENAMCO



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Colluli's resource attributes

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Massive 1.1Bt Ore Reserve supports almost 200 year mine life[1]

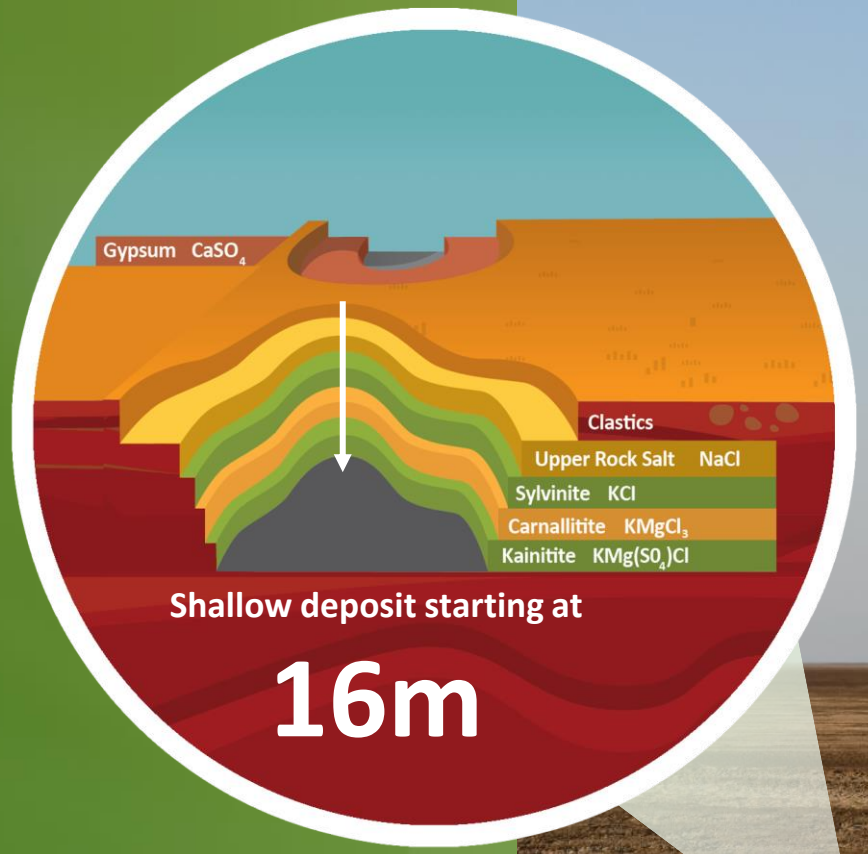
Unique

Favourable combination of potassium bearing salts

- SOP, (SOP-M and MOP-can be produced)
- Gypsum, kieserite and rock salt
- Shallowest evaporite deposit in the world, commencing at just 16m
- 147 drill holes at 500m spacing across Area A and Area B
- Resource slope of only 1^{oG}

Stratification of the Colluli Resource[1]

- Solid Salts are layered with distinction
- Homogenous
- Selective extraction



1 ASX announcements 29-Jan-18 and 19-Feb-18

Simple, Safe, Low-cost Mining & Processing

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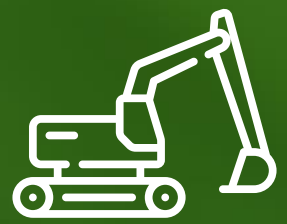
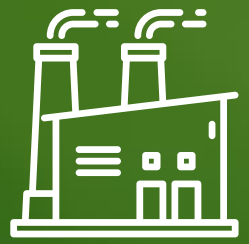
Simple, safe, low cost, open-cut mining

Processing from solid salts

Low complexity commercially proven processing technology



Mine



Crush/Float/Mix/Dry

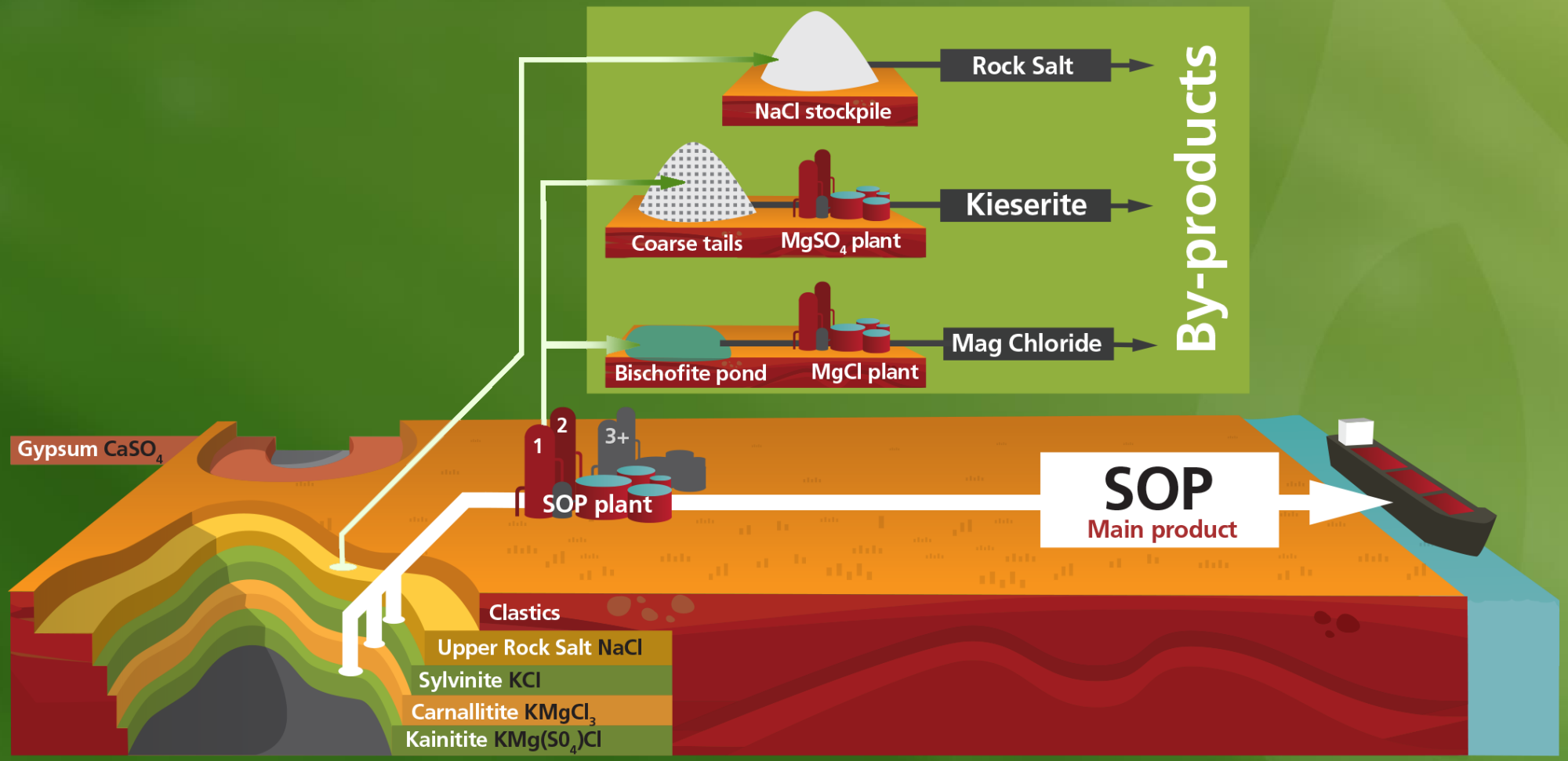
Transport to port

Shipping

Customer

Resource Diversity

Excellent potash product diversification, as well as the potential to produce a suite of other products, including Rock Salt, Kieserite, Gypsum, and Magnesium Chloride



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Infrastructure
Proximity to a Coastline

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Proximity to established port infrastructure provides unrivalled access to the global export markets and significant cost advantage

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Progress update

Project has been significantly de-risked; now in development

Phased EPCM process started by DRA Global

Notice of Mine Development Commencement accepted by Eritrean Ministry of Energy and Mines

EPCM phases 1 & 2
Mobilisation

EPCM phases 3 - 6
Construction

Production

EPCM phases 1&2 complete

Construction expected in 2021

Production targeted for 2022

Eritrea as a Mining Jurisdiction

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

Stable, supportive Government

Simple, predictable tax conditions

Pragmatic and business-friendly mining policies

No evidence of corruption

Improved geopolitical dynamics

Significant community support

Safe and secure operational environment

Improving infrastructure

Developing mining jurisdiction

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Bisha Mine

- Owned 55% by Zinjin Mining 45% by ENAMCO
- First industrial mine in the country since independence (1991)
- Gold, copper, zinc
- 1468 Employees, 95% Eritrean
- Sold for CAD 1.86 Billion to Zijin Mining (2018)

Zara Mining Share Company

- Owned 60% by China SFECO Group (sub of Shanghai Construction Group Co.) & 40% by ENAMCO
- Gold, copper, zinc 80 - 140koz
- 134 employees, 93% Eritrean
- M&A: Purchased from Australian miner Chalice Gold in 2014 for USD 78M

Asmara Mining Share Company

- Owned 60% by China Sichuan Road & Bridge Mining Inv Dev Corp. & 40% by ENAMCO
- Copper, zinc, gold, silver
- 230 employees, 94% Eritrean
- Purchased from Canadian miner Sunridge Gold in 2016 for USD 65M

Sustainability Report

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Inaugural Sustainability report was published in June 2020

Key foundational governance document for corporate and social responsibility

Designed to be consistent with the Global Reporting Initiative Standards

Our ESG Aspirations

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Committed to operating in alignment with the UN Sustainable Development Goals, IFC Performance Standards and Equator Principles

Sustainable Development Framework in place
(Sustainability Report available on website)

Independent UNDP Report
Potential to contribute to 13 of 17 UN SDGs

Operational management systems
Under development will align with IFC PSs and EPs in advance of construction activities

Advanced Funding

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US$250M of funding provides the majority of development capital

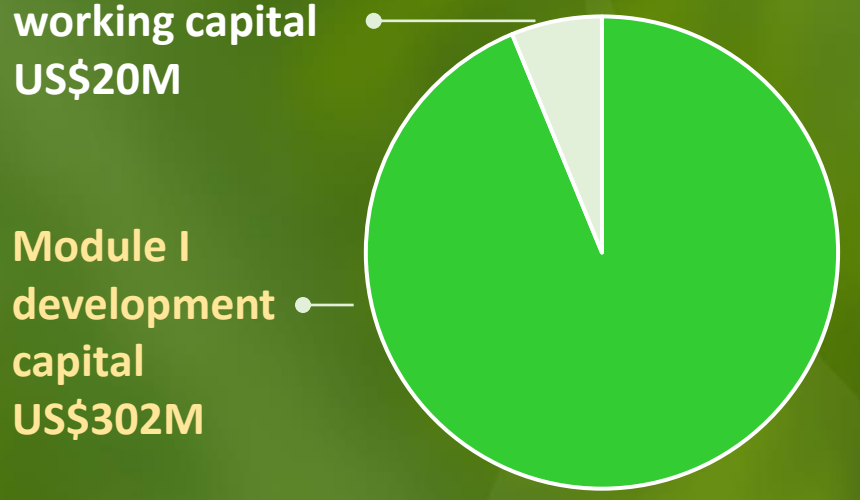
Documentation executed for US$200M in senior debt from AFC and Afreximbank in December 2019

US$50M equity investment from AFC

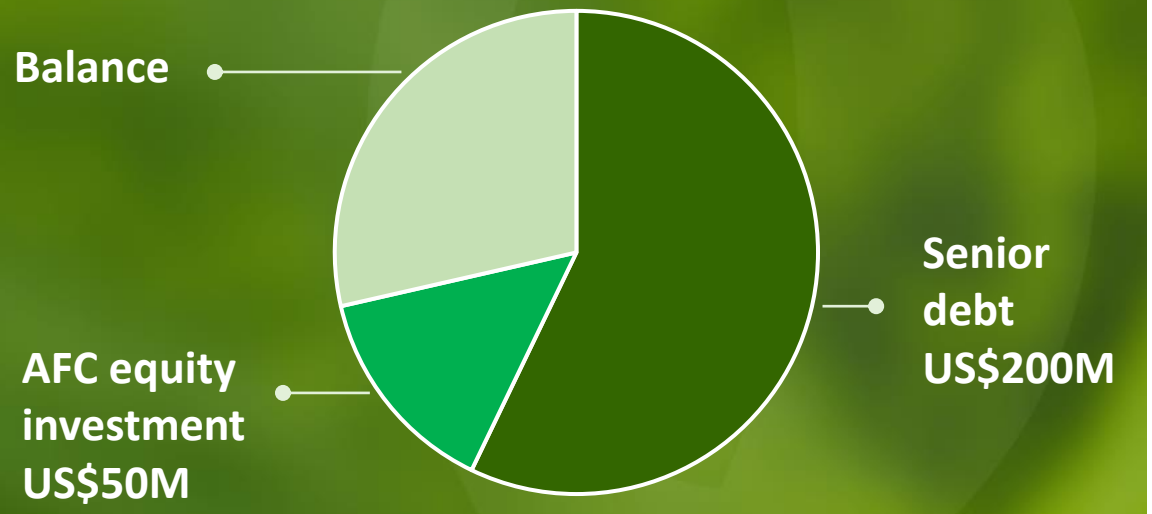
- Tranche 1 (US$21.6M) received in December 2019
- Tranche 2 (US$28.4M) to settle by November 2020*

* Subject to satisfaction of relevant conditions precedent

Uses*



Sources*



Danakali Investment Case

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Large deposit
1.1 Bt reserve[2]

Advanced financing
US$250M of funding*

Low cost mining
<US$150/t (mine gate)

10-year Offtake
with EuroChem + 3y renewal

Development underway
Expected production in 2022

Premium product
Price premium

Exceptional returns
$NPV_{10,\ Real}$ US$439m
IRR 31.3%[1]

*Funding remains subject to satisfaction of remaining conditions precedent [1]DNK announcements,29-Jan-18 & 30-Nov-15 [2]Average for first 60ys of production

[1]DNK announcements,29-Jan-18 & 30-Nov-15

[2]DNK announcements,19 May 2015, Maiden JORC (2012), Ore Reserve estimate of 1.1 billion tonnes at 10% K20 equivalent. JORC resources and reserves have not materially changed since 19 May 2015 ASX announcement

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Thank you

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Appendices

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Capital Structure

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Ticker: DNK	A$ (ASX)	£ (LSE)
Share price[2]	A$0.41	£0.28
Shares on issue[3]	319M	319M
Danakali market capitalisation[3]	**A$135M**	**£75M**
Cash (pro forma including AFC equity tranche 1)	A$16M	£9M[4]
Debt at Danakali level	-	-
Danakali enterprise value	**A$119 M**	**£66 M**
AFC equity tranche 2	**A$42.0M**	**£23.5M[4]**
Executed CMSC senior debt (US$200M, undrawn)	**A$294M**	**£164M**

Danakali capital structure (including US$50M AFC equity investment)

Supportive major shareholders Africa Finance Corporation (AFC), Well Efficient and J.P. Morgan Asset Management

Board and Executive team hold c. 5%

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

2 As at 28 Sept-20

3 Market capitalisation does not include 6.1M unlisted options with exercise prices ranging from A$0.912 to A$1.119 and expiry dates ranging from 11-May-20 to 30-May-22, or 2.195M performance rights

4 £0.55/A$

5 Colluli Modules I & II

6 Subject to satisfactions of condition precdent

Capital and Operating Expenditure

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FEED confirmed industry-leading capital intensity and first quartile operating costs

FEED development and working capital estimates[1,2]

Metric	Module I	Module II
Plants, ponds, and mine development	US$130M	US$97M
Supporting infrastructure	US$80M	US$37M
Owners costs and EPCM	US$56M	US$41M
Contingency	US$36M	US$27M
Development capital	**US$302M**	**US$202M**
Working capital (including working capital contingency)[2]	US$20M	-
Total capital	**US$322M**	**US$202M**
Capital intensity (excluding working capital[3])	***US$640/t***	***US$534/t***
Incremental Module II capital intensity		***US$427/t***

FEED operating cost estimates[4]

Metric	Module I	Modules I & II
Mining	US$77/t	US$73/t
Processing	US$64/t	US$59/t
Water logistics	US$2/t	US$2/t
G&A	US$22/t	US$15/t
Mine gate cash costs	**US$165/t**	**US$149/t**
Product logistics	US$73/t	US$73/t
FOB cash costs	**US$238/t**	**US$222/t**
Royalties	US$20/t	US$20/t
Total cash costs	**US$258/t**	**US$242/t**

Source: DNK FEED results announcement, 29-Jan-18

1 Estimates have been compiled for the economic period of review (first 60 years of production)

2 Capital estimates are presented in real US$, June 2017 (rolled forward from US$, September 2015 used in DFS (ASX announcement 30 November 2015)), to an accuracy of ±10%

3 Working capital is calculated in reference to the delay from first production to cash receipt from product sales

4 Operating cost estimates are presented in real US$, June 2017 (rolled forward from US$, September 2015 used in DFS (ASX announcement 30 November 2015)), to an accuracy of ±10%

Key Project Metrics

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Front End Engineering Design (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 DNK announcement 29 January 2018
2 Economic estimates and outcomes reported in US$ real
3 Assumed that Module I is 60% debt / 40% equity funded
4 Module II production expected to commence in year 6
5 Assumed 100% funded from project cash flows and third-party debt
6 Including contingency, excluding sustaining and working capital
7 Average for first 60 years of production
8 Includes mine gate cash costs, product logistics, and royalties

NPV Sensitivities & Commodity Price Coefficient's

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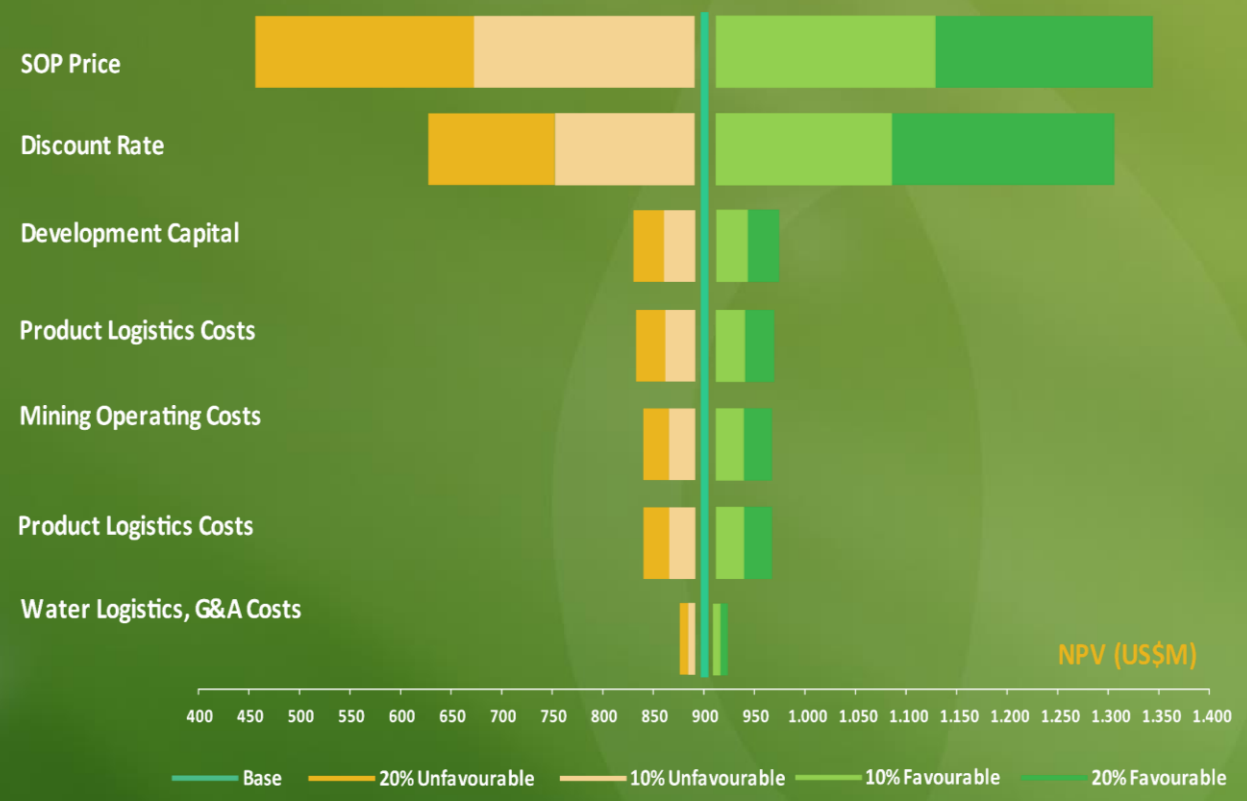
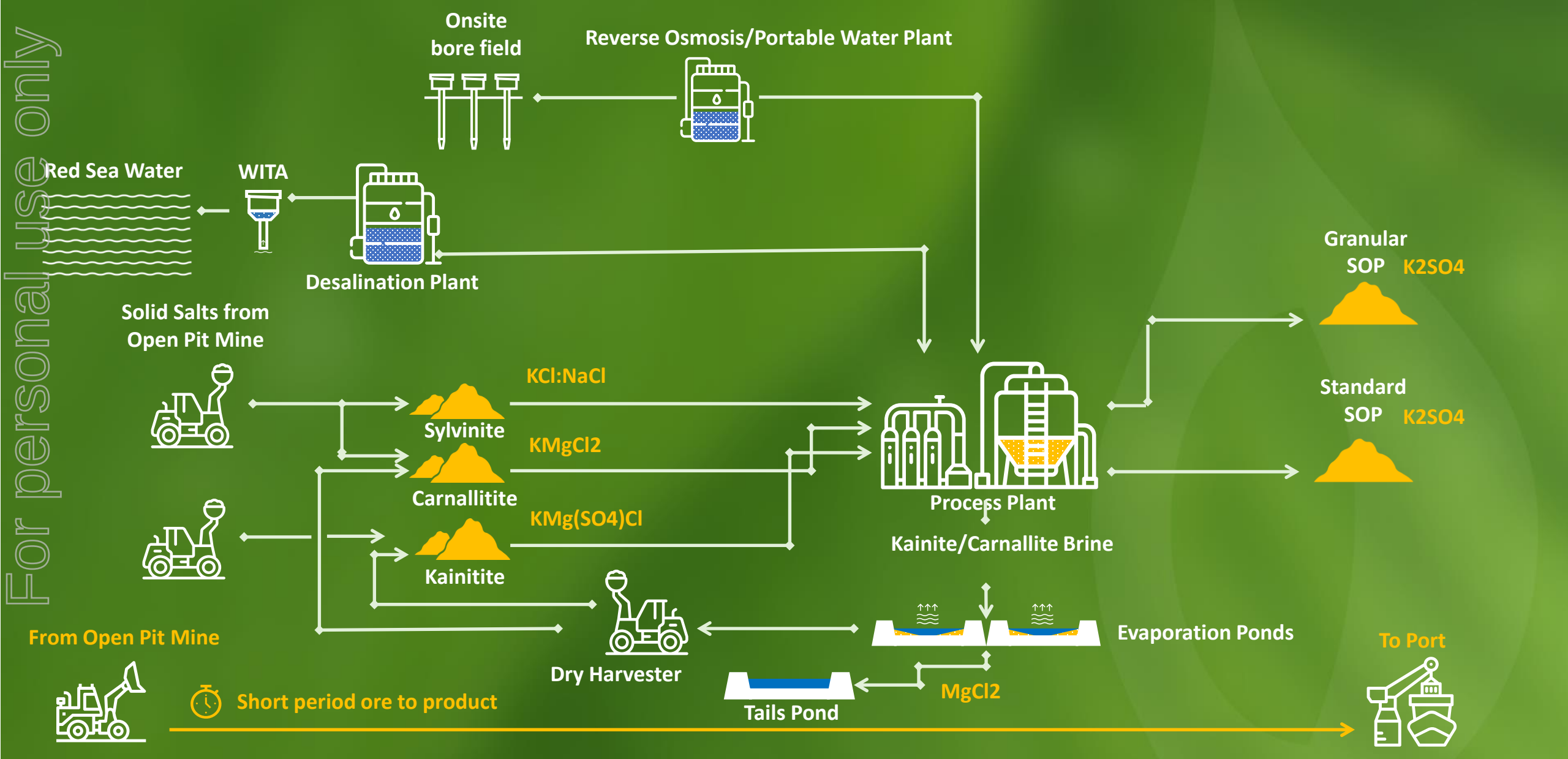
Commodity Price coefficient of variation (2010-2020)

FEED dual module - Economic outcomes for scenario testing



Sources: Bloomberg . Company Data & Standard Chartered Analysis Sept 2020

Overall production process



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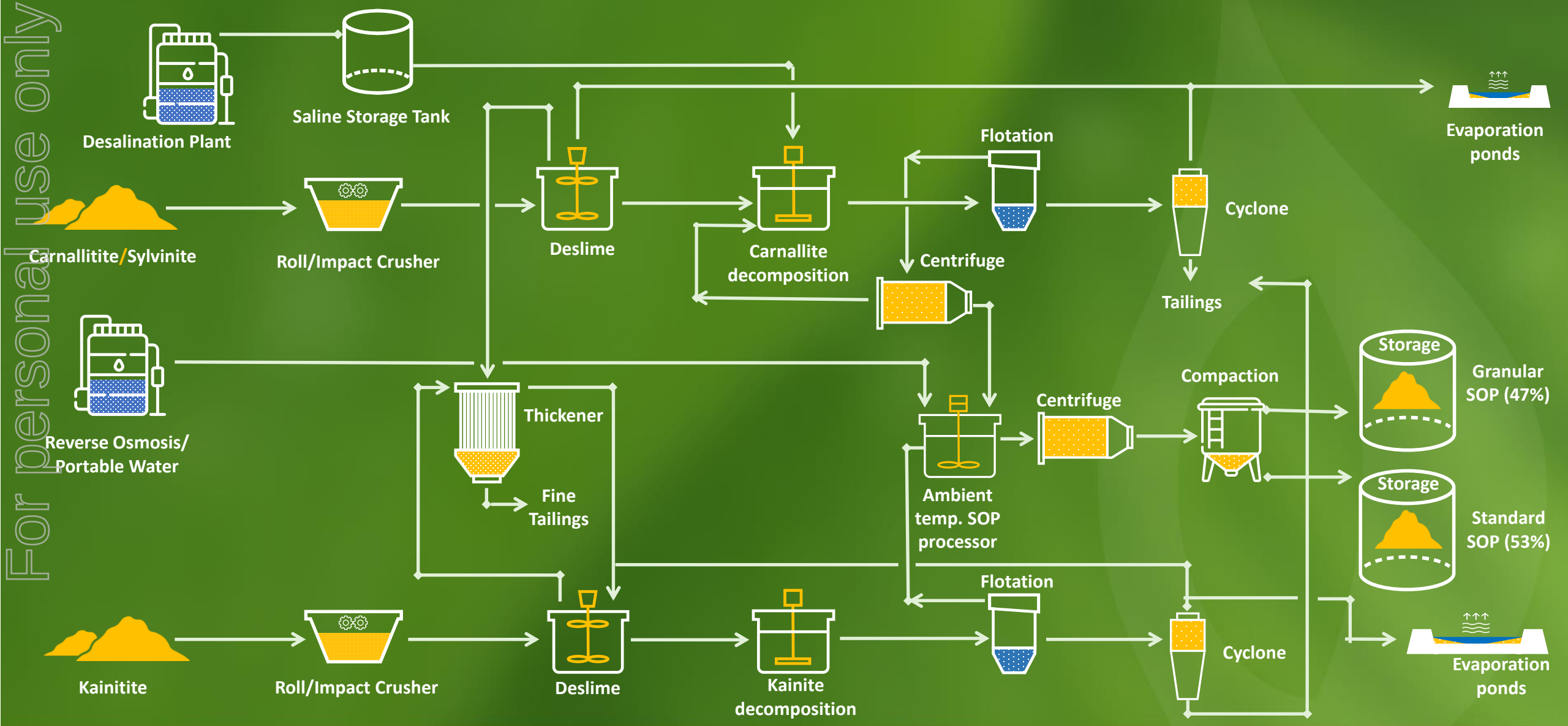
Plant production process



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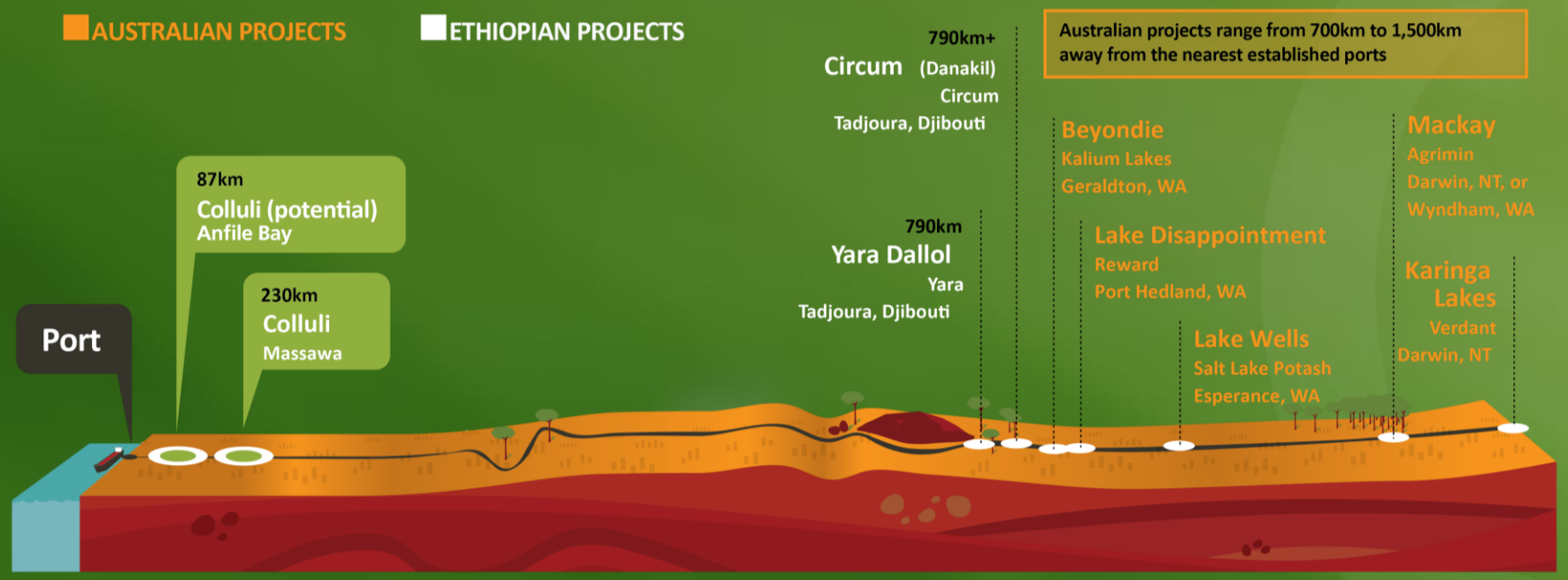
Closest known SOP deposit to a coastline

Colluli's proximity to established port infrastructure provides unrivalled access to the global export markets

- SOP production will be shipped from the well established Port of Massawa, only 230km by road from Colluli
- Potential for future port development at Anfile Bay, which would significantly lower in-country transport costs

Distance to port for Colluli and other SOP greenfield development projects[1]



Source: DNK announcement 29-Jan-18, peer company announcements

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Simple, Low Emission Mining & Processing

DANAKALI
create. nurture. grow

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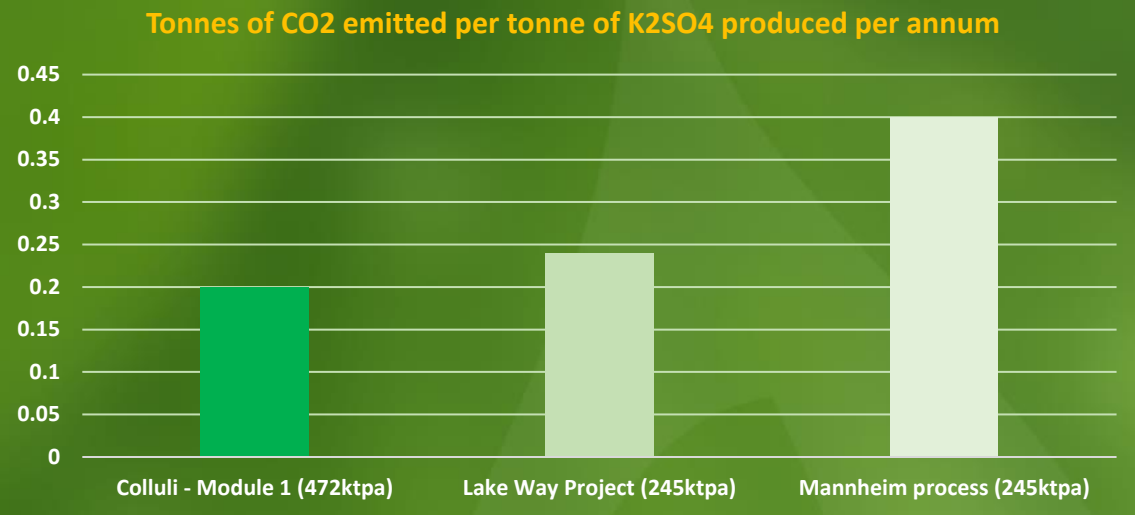
COLLULI

Open-pit Mining → Processing → Sulphate of Potash

Less Energy-intensive

Oil Solar*

*Evaporation ponds



MANNHEIM

Underground or Solution Mining → Surface Processing → Muriate of Potash → Rail/Ship Transport → Mannheim Furnace (600-800 °C) → Sulphate of Potash

Energy-intensive

Gas &/or Electricity Warm Water Tailings (3:1)

Various Fossil Fuels

Gas & Chemical Inputs (H_2SO_4, HCL) → HCL disposal. → Deleterious Environmental Impact

US$200M senior debt facility

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2 leading African development financial institutions, AFC and Afreximbank, have executed documentation to provide CMSC with US$200M in senior debt finance

- To be funded equally by the Mandated Lead Arrangers
- Funds will be used for development and construction of the Project
- Endorsement of the strength of the Project
- Key enabler for further funding requirements
- Further step towards completing ground-breaking project financing in Eritrea

Key terms	Details
Facility type and value	• Senior secured loan facilities of US$200M
Mandated Lead Arrangers	• AFC and Afreximbank
Credit risk insurance	• ECIC
Borrower	• CMSC
Guarantors	• Danakali, STB Eritrea Pty Ltd (fully owned subsidiary of Danakali) and ENAMCO
Tenor	• 7 years from financial close, based on a scheduled amortisation profile
Availability	• For a period of up to 24 months after financial close; and • After satisfaction of all conditions precedent

Source: DNK announcement, 5-Aug-19