



ASX release

28 November 2017

Investor update presentation

Danakali Limited (ASX: DNK) (**Danakali**, or the **Company**) is pleased to release an investor update presentation (attached to this announcement) to inform shareholders of the Company's continued operational and corporate progress. The investor update presentation will be utilised in meetings with members of the UK investment community this week.

Key points

- **FEED optimisation**
 - Preliminary results provided by multi-national engineering and construction company, Fluor, validate a robust project and supporting studies
 - FEED Module I capital estimate within 2% of DFS estimate
 - FEED production capacity 11% higher than DFS
 - FEED capital estimate and increased production further improves sector leading capital intensity
 - Final FEED optimisation results expected to be released in January 2018
 - FEED equipment lists being migrated into debt funding process
 - Colluli continues to differentiate itself as a stand-out project with a highly disciplined execution strategy
 - Colluli is the most advanced stage greenfield SOP development globally
- **Operational contracts**
 - Mining tendering process is complete
 - Technical and commercial compliance evaluations are complete
 - Two bidders have been shortlisted
 - Financials from mining and power contracting bidding processes will be integrated with FEED optimisation results
 - Initial power and mining costs in line with DFS estimates
 - Operating costs currently being finalised for integration with FEED economics
- **Offtake**
 - Advanced negotiations ongoing with strong list of prospective parties
 - Ongoing discussions with financiers and counter parties on offtake contract structure
- **Debt**
 - Discussions well progressed pending final equipment lists, confirmation of key operating contracts and offtake confirmation

Managing Director, Paul Donaldson commented: *"We are happy to provide this update to shareholders as our FEED optimisation work nears completion. Danakali is closing in on a year of exciting and substantial progress and achievement, with 2018 is set to be a defining year for the Company as we look to secure offtake and funding for this world class project."*



DANAKALI

create. nurture. grow.

Colluli Potash Project

Focus, progress and unrivalled potential

Investor update

November 2017

Paul Donaldson, Managing Director



Investment case

Colluli is a unique, Tier 1 project



DANAKALI

1 Most advanced SOP project globally

- Fully permitted
- FEED optimisation results imminent
- Offtake and funding discussions well progressed

2 Exceptional resource

- 1.1Bt ore reserve, 200+ year LOM
- Unique composition of potassium bearing salts
- Among the highest grade SOP deposits globally
- Significant product diversification potential

3 Strategically located

- 230km from established export port
- Privileged access to key markets
- Eritrea has several large scale mining success stories

4 Shallow deposit ideal for open cut mining

- Mineralisation starts only 16m below surface
- Shallowest potash deposit globally
- Exploitable via low cost, open cut mining
- Overburden includes potentially valuable rock salt Ore Resource

5 Commercially proven production process

- Simple mineral processing
- High product yield

6 High value, high grade SOP product

- High grade, chloride free, low salinity index product for high value, chloride intolerant crops
- Contains essential potassium as well as valuable sulphur

7 DFS suggests industry leading economics

- Unique ability to access salts in solid form which significantly reduces project earthworks costs
- Industry leading capital intensity and IRR
- Predicted bottom quartile cash costs

8 Experienced Board and management

- Board and management with successful project development and operational track record

9 Supportive partner and shareholders

- Highly supportive Eritrean government JV partner
- Strong register which includes Well Efficient (Chinese private equity), JPMorgan AM UK and Capital Group

10 Strong social, economic and financial returns

- Colluli will positively impact national, regional and local communities through infrastructure, job creation, and broad economic benefits
- Material share price gains since DFS results and permitting

With FEED optimisation results imminent the stage is set for rapid progression of key operational and corporate workstreams

FEED optimisation

- FEED results validate disciplined execution strategy
 - Annual production increased to 472ktpa (from 425ktpa) for both Module I and Module II¹
 - Reduction in earthworks and recovery pond area²
 - FEED development capital for Module I within 2% of DFS and lower, despite increased SOP throughput
 - Optimisation of the water inlet treatment area (**WITA**) is continuing and expected to yield further capital expenditure improvements
 - Pre-stripping and earthworks timeframe compressed from 12 months to 6 months
 - Material reductions in already industry leading capital intensity
- Final FEED optimisation results for Module I and II and revised Ore Reserve expected to be announced in Jan-18

Operational contracts

- Mining tendering process is complete, two bidders shortlisted, and final negotiations to commence shortly
- Bids in line with DFS estimates – validating quality DFS work
- Discussions progressing with preferred power provider
- Supporting bids for mining and power contracts will be integrated with FEED economics

Offtake

- Advanced negotiations ongoing with strong list of prospective parties, working towards final binding agreements

Funding

- Discussions on debt well progressed pending final equipment lists (FEED reliant), confirmation of key operating contracts (close), and offtake confirmation (well advanced)
- Planned dual listing on LSE with significant institutional investor interest, scale, liquidity, and profile enhancements expected³
- Well funded with capacity to raise a further A\$3.4M from 9.7M A\$0.35 / 30-Mar-18 options held by investors in Danakali's Mar-16 placement

Board and management

- Board has been strengthened with 2017 appointments of Mr Robert Connochie and Mr Andre Liebenberg
- Executive management team also strengthened in 2017 in order to enhance the areas of market development, capital markets, project finance and construction execution

1 Refer ASX announcement on 3-May-17

2 Refer ASX announcements on 20-Jul-17 and 27-Jul-17

3 Refer ASX announcement on 21-Nov-17

Investor update

Positive FEED development capital outcomes

Further improvements in Danakali's already industry leading capital intensity

- Module I FEED capital estimate completed by globally recognised, multi-national engineering and construction firm, FLUOR
- FEED estimate validates disciplined execution strategy
- US\$333m Module I capital expenditure (including working capital) is within 2% and lower than DFS estimate of US\$336M
- Further reduction in capital expenditure expected with WITA optimisation work which is continuing and will be completed and included in final FEED optimisation results
- The increased FEED Module I production rate of 472ktpa (vs. 425ktpa in DFS), significantly reduces the industry leading capital intensity achieved in the DFS – Module I capital intensity of US\$790/t (DFS) has decreased to US\$705/t (FEED) (both including working capital)
- Pre-stripping and earthworks timeframe (and therefore spend) compressed from 12 months to 6 months and will be carried out towards the end of the construction period

Module I capital expenditure – DFS vs. FEED

Metric	DFS	FEED	Further work
Plants, ponds and mine development	US\$133.4M	US\$126.3M	
Supporting infrastructure	US\$76.3M	US\$91.7M	• WITA optimisation work expected to further reduce development capital
Owners costs, EPCM, working capital and contingency	US\$126.2M	US\$114.7M	
Total capital required	US\$335.9M	US\$332.7M	
Capital intensity (including working capital)	US\$790/t	US\$705/t	

Corporate snapshot

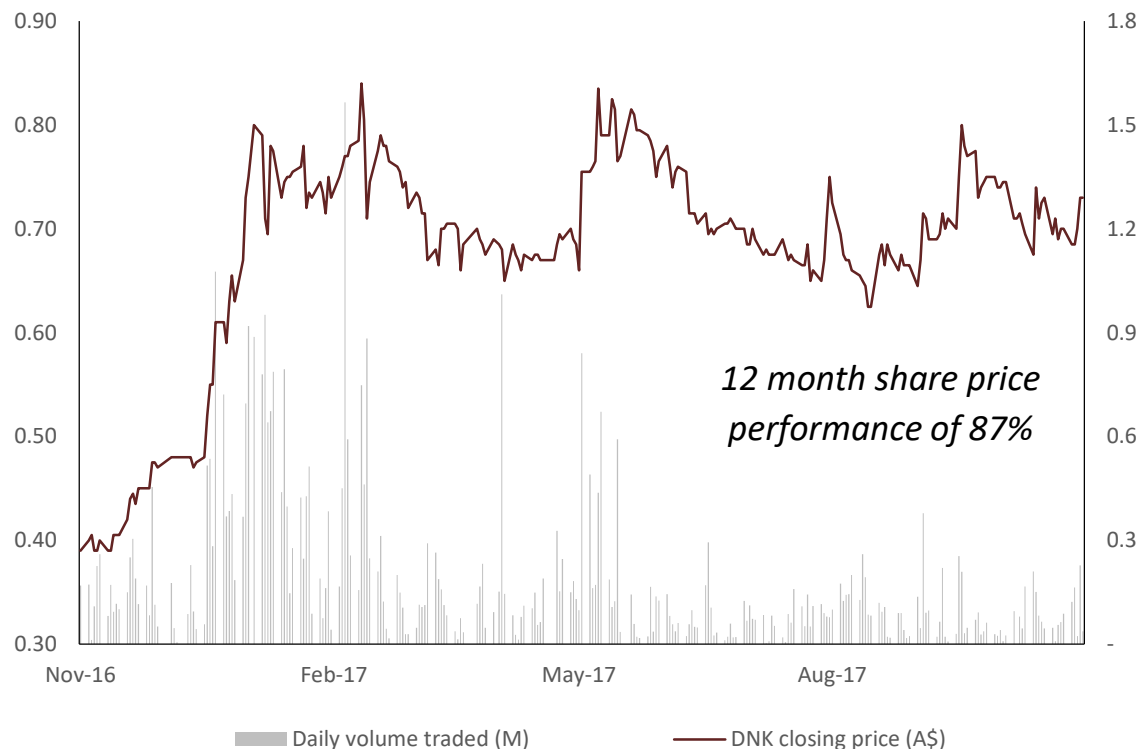
Strong share price performance, supportive register



DANAKALI

Strong share price performance, well capitalised, **supportive register**

Share price and liquidity over last 12 months



Source: BellDirect

1 "Shares on issue" does not include 19.8M 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

Capital structure

As at 24 November 2017

Share price	A\$0.73
Shares on issue ¹	251.6M
Market capitalisation	A\$183.7M
Cash (30-Sep-17)	A\$16.3M
Debt (30-Sep-17)	-
Enterprise value	A\$167.4M

Major shareholders

JP Morgan AM UK Global fund manager	8.7%
Well Efficient Chinese private equity	7.9%
Capital Group Global fund manager	6.6%
Chairman Seamus Cornelius	1.7%
Managing Director Paul Donaldson	1.1%

Colluli Overview

Colluli sits in the world's largest unexploited potash basin

- Colluli is located in the Danakil salt basin on the Eritrean side of the Eritrea-Ethiopia border
 - There are several other development projects in the Danakil salt basin on the Ethiopian side of the border, but their deposits are at a greater depth with a greater distance to port
- Colluli is 50% owned by Danakali and 50% owned by the Eritrean government owned Eritrean National Mining Company (**ENAMCO**)

Location



Ownership structure

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



3 Board seats

50%

50%

2 Board seats



*Eritrean National
Mining Company*



Danakali's track record exhibits swift and sustained operational achievement; **Colluli is the most advanced SOP project globally**

Selected operational achievements since 2015 and current focus points

Studies and enhancement of product range

- ✓ Mar-15: PFS completed
- ✓ May-15: 1.1Bt Ore Reserve confirmed
- ✓ Sep-15-Aug-16: Rock salt, SOP-M and kieserite all established as viable Colluli products
- ✓ Nov-15: DFS completed
- ✓ May-Nov-17: Preliminary FEED optimisation findings: increase in SOP production capacity, reduction in recovery pond area, and reduction in earthworks

Current focus

- Integration of contractor bids into FEED optimisation
- Completion of FEED optimisation

Permitting

- ✓ Jun-15: Final tranche of social and environmental baseline assessments submitted
- ✓ Sep-15: Exploration licence renewal completed
- ✓ May-16: Mining licence application completed
- ✓ Dec-16: Social and Environmental Impact Assessment approved
- ✓ Feb-17: Mining Agreement signed and Mining Licences awarded

Fully permitted for Modules I & II

Operational contracts and pre-works

- ✓ Aug-15: Successful completion of Colluli pilot test program
- ✓ Apr-17: Commencement of geotechnical works
- ✓ May-17: Inglett & Stubbs named as preferred power supplier
- ✓ Oct-17: Mining contract tender process commenced
- ✓ Nov-17: Mining contract bids received, 2 bidders shortlisted

Current focus

- Evaluation of mining contracts for technical and commercial compliance
- Progress discussions with preferred power provider

1 Further detail can be found in ASX announcements released in months stated

A confluence of favourable factors leads to Colluli's **positive uniqueness**

- The most favourable combination of potassium bearing salts available
 - Suitable for production of SOP, SOP-M and MOP
- Massive 1.1Bt Ore Reserve
- Unrivalled diversification potential
 - Appreciable amounts of gypsum, kieserite, rock salt and magnesium chloride, in surplus to the potassium bearing salts
- Shallowest evaporite deposit in the world, commencing at just 16m
 - Overburden includes potentially valuable rock salt Ore Resource
- Shallow inclination
 - Resource slope of only 1°
- Salts are layered with clear distinction, leading to:
 - homogenous, predictable grade;
 - selective extraction of potassium salts; and
 - predictable and reliable production rates



Colluli

Simple, low cost mining

Colluli's favourable resource characteristics **allow simple, low cost, open cut mining**

Proven mining method, and safer than underground mining

Monetisation of other salts extracted as waste

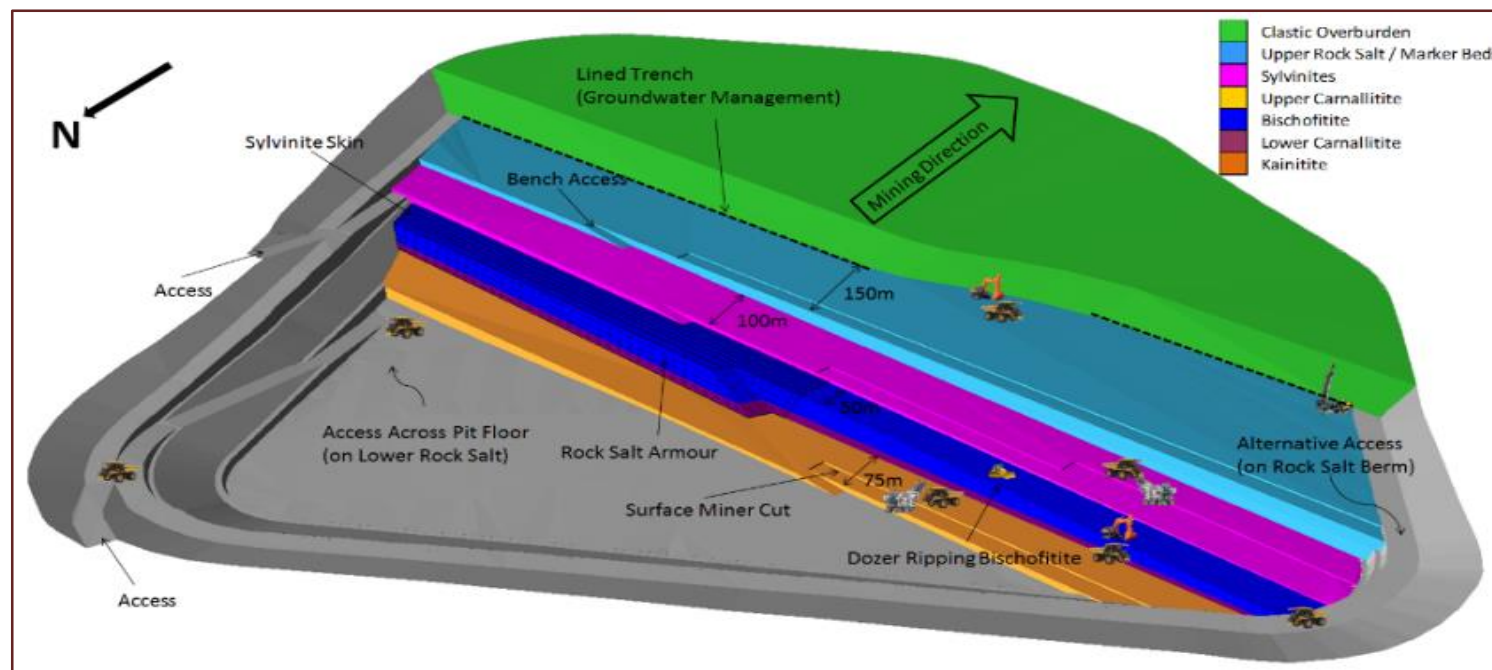
Superior resource to reserve conversion (>85%)

Low risk and complexity

Potassium salts extracted in solid form

Low incremental growth capital

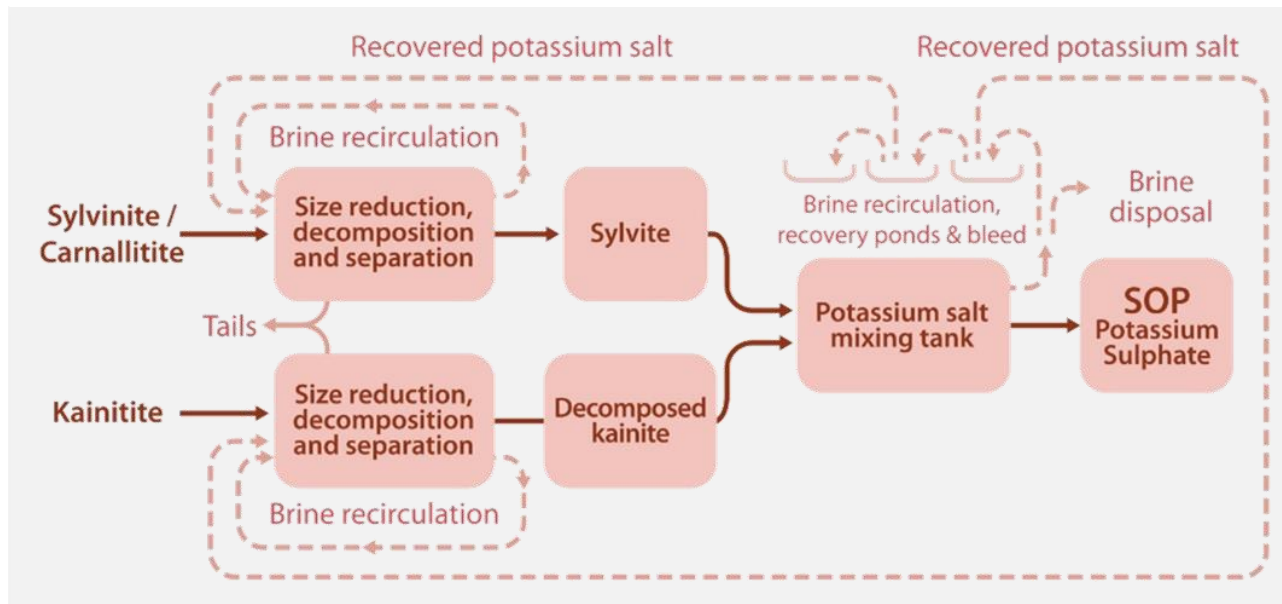
Colluli DFS mine plan



Unique and favourable combination of potassium bearing salts allows simple, energy efficient, commercially proven processing

- Combination of sylvite and kainite is ideal for ambient temperature, high yield conversion to SOP¹
- No thermal decomposition required, resulting in low energy requirements and reduced costs
- No pre-evaporation ponds necessary, reducing capex requirements and time to revenue

Colluli process design



Simple progression from mining to customer



Colluli

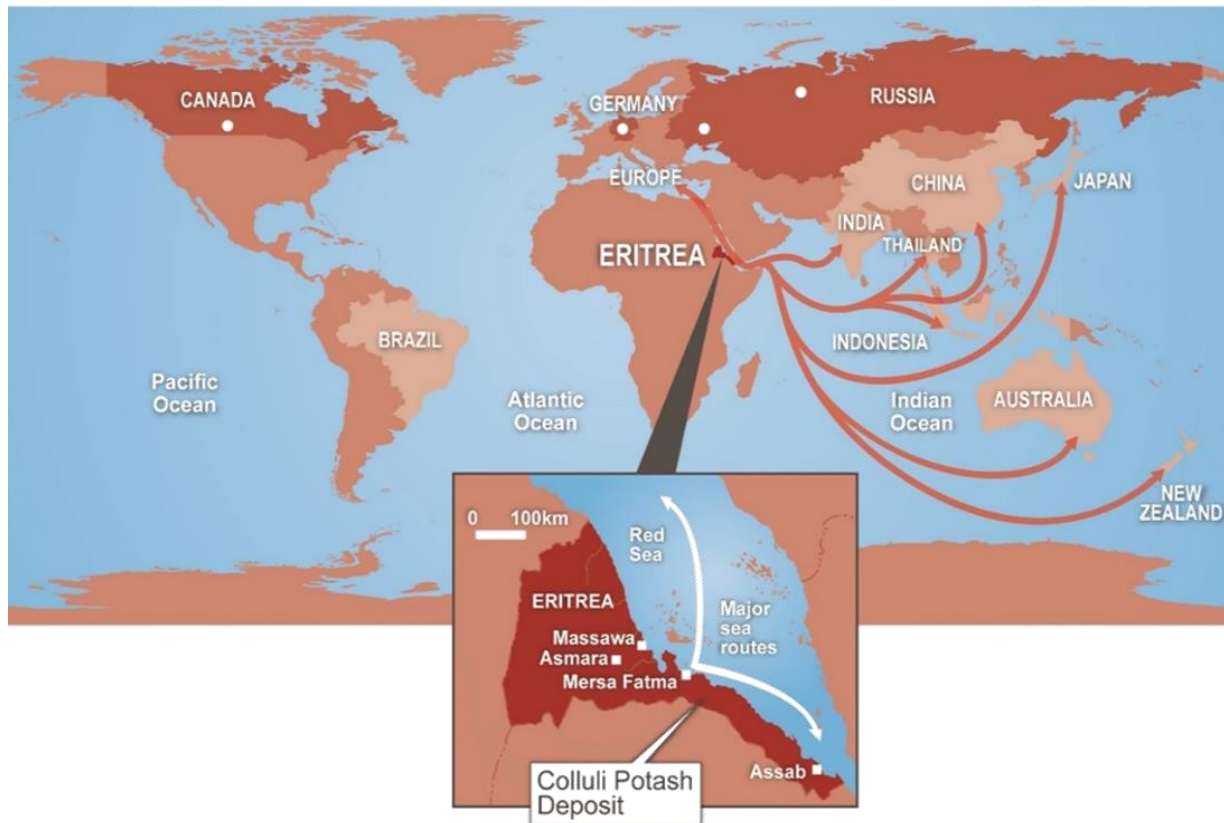
Established infrastructure, highly strategic location



DANAKALI

Colluli boasts the simplest and best logistics in the Danakil; **only 230km to port**

Colluli's strategic positioning; close to key markets and population centres including India, Middle East, North Africa, China, Southeast Asia and Europe



Route to market

All weather coastal road from Massawa runs within 50km of Colluli



→ 40km sealed road running from Massawa towards Colluli



→ Well established shipping infrastructure at the Port of Massawa



Colluli

Outstanding DFS economics

The DFS showcased outstanding economics, preliminary FEED results exhibiting incremental improvements with greater precision

DFS summary¹

- The DFS confirmed a low capex, high margin, long life project
- Industry leading capital intensity and operating costs
- Project post tax NPV of US\$860m and IRR of 29%
- Capital payback period of 3.5 years for Phase I
- Modest price assumptions relative to peers

Key DFS results¹

	Module I	Module I & II ²	FEED optimisation results and expectations
Annualised SOP production	425kt	850kt	• Annual production increased to 472ktpa in Modules I and II
Strip ratio	1.91x	1.93x	• Reduction in earthworks
Module I development capital ²³	US\$298M		• Reduction in earthworks and recovery pond area • WITA optimisation expected to yield capex improvements
Incremental Module II development capital ³		US\$175M	
Capital intensity	US\$702/t	US\$412/t	• Material reductions in already industry leading capital intensity
Average forecast SOP price (FOB Massawa) ^{4,5}	US\$572/t	US\$572/t	
Average mine gate cash costs ⁴	US\$168/t	US\$141/t	
Average total cash costs ^{4,6}	US\$255/t	US\$227/t	
Undiscounted free cash flows ⁷	US\$4,539M	US\$9,637M	
Average annual undiscounted free cash flows ^{4,5}	US\$81M	US\$166M	
Payback period	3.5 years		
Post tax NPV (10% real)	US\$439M	US\$860M	• Compression of pre-stripping and earthworks timeframe
Post tax IRR	25.4%	29.0%	• Compression of pre-stripping and earthworks timeframe
Danakali's 50% share of project			
Post tax NPV (10% real)	US\$206M	US\$415M	• Compression of pre-stripping and earthworks timeframe
Post tax IRR	25.2%	29.3%	• Compression of pre-stripping and earthworks timeframe

1 Refer ASX announcement on 30-Nov-17

2 Additional 425ktpa Phase II production commencing in year 6

3 Including contingency, excluding working capital

4 Average for first 60 years of production

5 Composite price for Standard and Granular SOP

6 Includes mine gate costs, product logistics and royalties

7 Over first 60 years of production

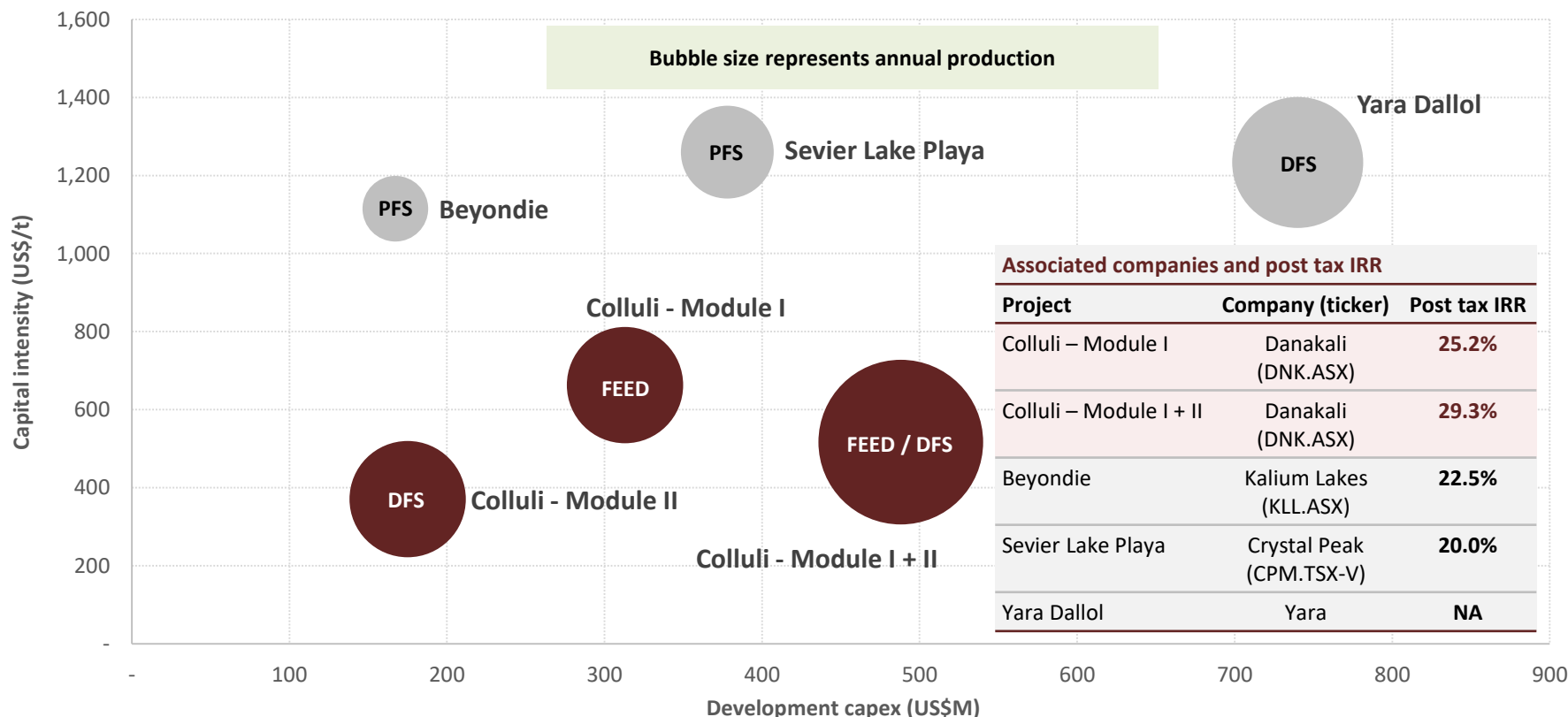
Benchmarking

Unrivalled capital intensity and valuation metrics



Colluli is the leading and most progressed SOP development project globally; without peer on capital intensity or valuation bases

Capital intensity vs. development capex vs. annual SOP production for viable global PFS+ SOP development projects¹



Source: Company announcements

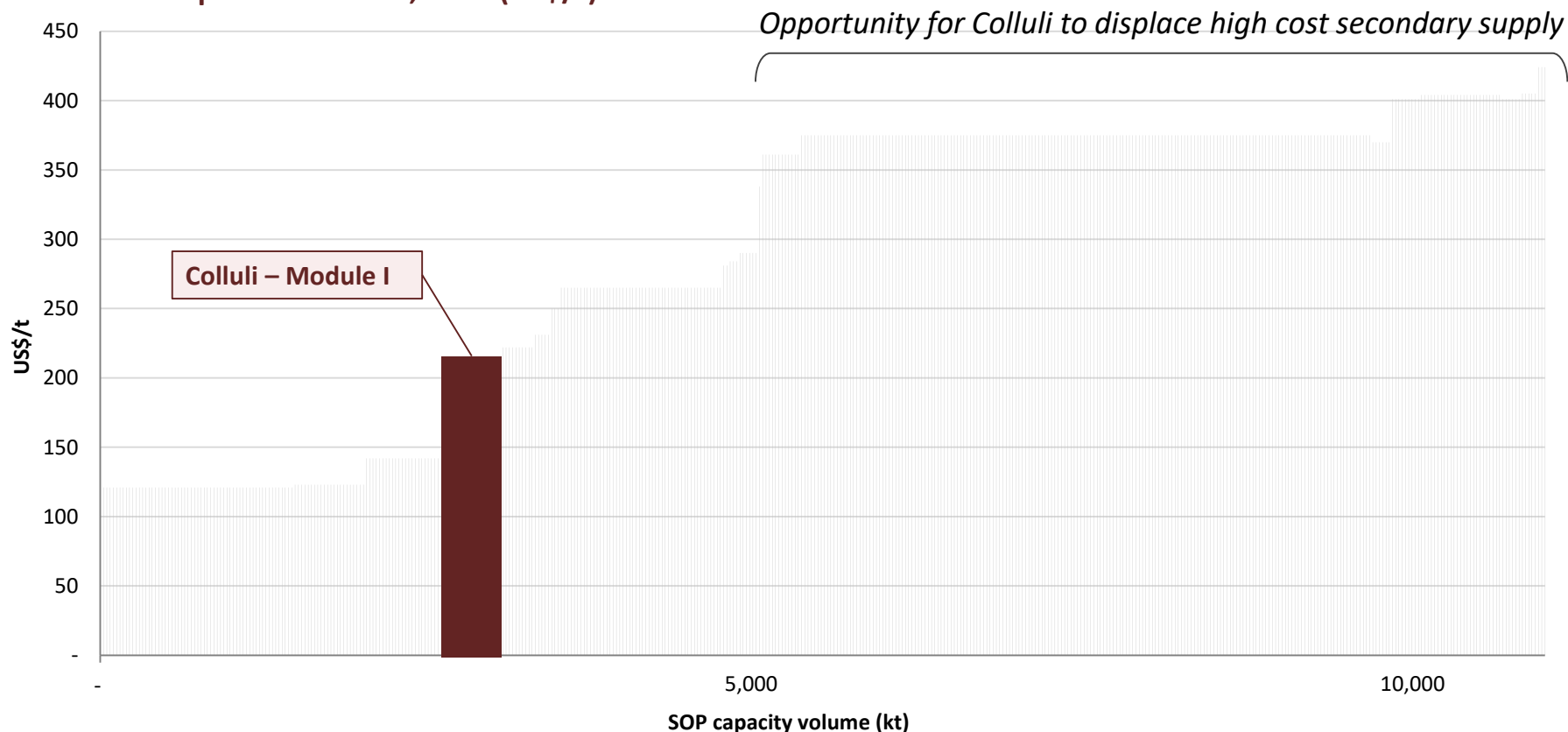
¹ FEED optimisation capital intensity and development capex results utilised for Danakali

Benchmarking

Expected bottom quartile cash costs

Bottom quartile cash costs protects margins and provides opportunity for Colluli to displace high cost secondary supply

SOP netback price cost curve, 2016 (US\$/t)¹



Source: Integer

1 Methodology and source updated relative to Colluli DFS

SOP is a high value, chloride free source of potassium

Premium price

- Sustained price premium of over 130% relative to MOP¹
- Secondary production provides protected high margins for primary producers
 - Over 60% expected to be produced from high cost secondary production by the end of the decade²

Strong demand fundamentals

- 30% increase in demand forecast over next decade²
- Colluli is located at the epicentre of booming population growth, proximate to current and future markets
- Africa, India, and Central and South America set to dominate future demand growth

Limited supply

- Limited economically exploitable primary resources
- Currently over 50% of world's supply is from expensive secondary processing of MOP²

Source: Greenmarkets

1 MOP prices based on FOB Vancouver prices, SOP prices based on FOB Utah prices

2 CRU

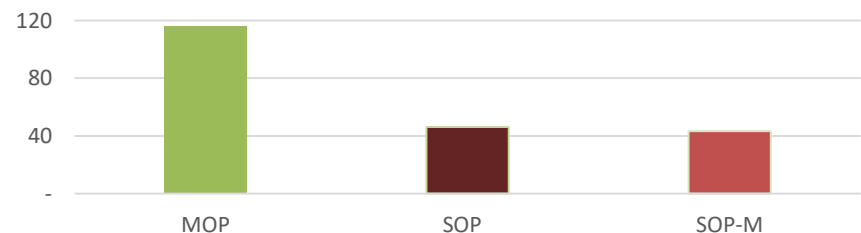
Essential macro-nutrient

- Potassium is an essential, non-substitutable nutrient
- SOP is a premium, chloride free multi-nutrient potash type (supplies sulphur as well as potassium)
- SOP is critical for high value, chloride intolerant crops such as fruits, nuts and vegetables

Increasing importance

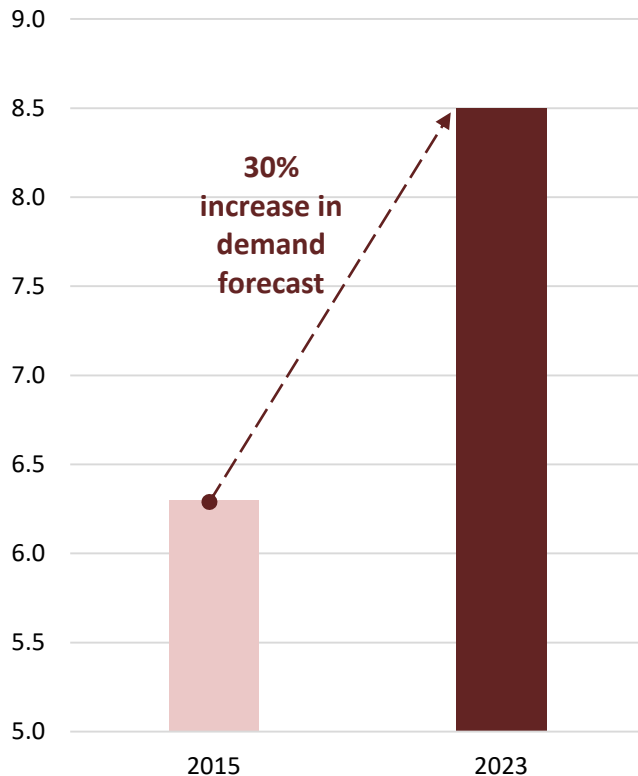
- Demographic shift to high value specialty crops
- Highly suited to increased focus on improved water efficiency in agricultural sector
- Environmentally friendly – no chlorine, low salinity index
- 25% of the world's irrigated land is affected by salinity; SOP and SOP-M have a low salinity index relative to MOP

Salinity index of key potash types

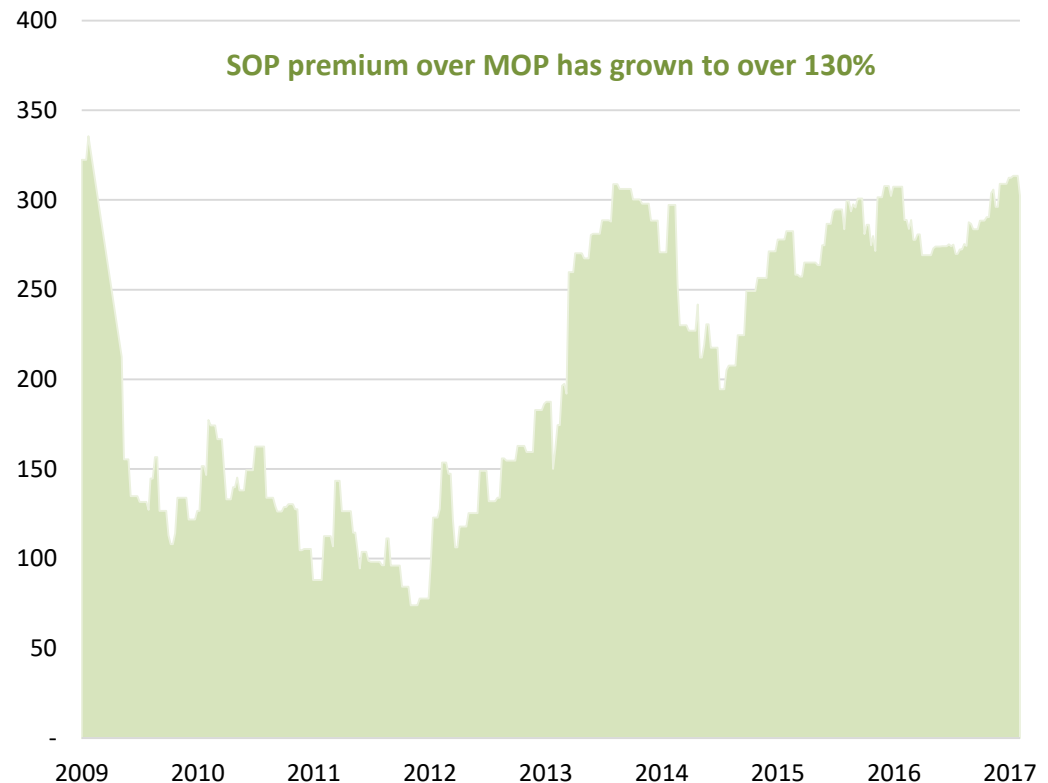


SOP has steadily growing demand with limited new supply coming online, **and a sustained 130%+ premium over MOP**

Forecast SOP demand (Mt)



SOP premium over MOP (US\$/t)



Source: Greenmarkets, CRU, Profercy, Integer Research

Unique, multi-faceted resource and scalable open cut mining method indicate **significant potential upside beyond the DFS**

- DFS focused on the production of SOP, but further revenues may arise through the exploitation of other minerals
- Product specifications have been tested and developed for SOP-M and rock salt
- MOP, kieserite and gypsum are deemed prospective for economic extraction
- The flat, open cut, isolated nature of Colluli lends itself to further expansion beyond Modules I and II

CMSC SOP products

Standard, Granular and Soluble



Potential Colluli product suite

Potential Colluli product suite			Volume ¹
Main products	SOP	<ul style="list-style-type: none"> • Key preliminary Colluli product • Demand is inelastic (difficult to substitute) • Global supply shortage of primary resources • High margin 	1.3Bt Ore Resource @ 11% K₂O equiv. 1.1Bt Ore Reserve @ 10% K₂O equiv.
	SOP-M	<ul style="list-style-type: none"> • Demonstrated production from Colluli • Limited global supply and carries a price premium • A potential substitute for MOP that utilises much less water 	
Potential product	MOP	<ul style="list-style-type: none"> • Possible but preliminary focus on premium products • Demand is elastic (easy to substitute) • Market is well supplied by global potash majors • Generally higher development costs 	
Supplementary products	Kieserite	<ul style="list-style-type: none"> • Within Colluli resource, in potassium salt seams • An effective source of magnesium and sulphur • Suitable for all types of crops and use in any soil type 	85Mt Ore Resource @ 7%
	Gypsum	<ul style="list-style-type: none"> • Detected within the Colluli tenements • Source of calcium and sulphur • Improves acidic soils and treats aluminium toxicity 	Detected, not yet analysed
	Rock salt	<ul style="list-style-type: none"> • Covers the potassium salts within the Colluli Resource • Most commonly used as a gritting application for the management of ice and snow 	347Mt Ore Resource @ 97% NaCl

¹ Refer ASX announcements on 23-Sep-15, 30-Nov-15 and 15-Aug-16

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

- €200m in aid through 2016-2020 announced from European Development Fund
 - Objective of promoting activities for the direct benefit of the population with tangible results
 - Benefits to include creation of job opportunities and the improvement of living conditions in the country
- One of the fastest growing economies globally^{1,2}
 - Growth driven by strong mineral exports, agricultural output and infrastructure development
- Eritrea was the only sub-Saharan African country to meet its Millennium Development Goals by 2015³
 - Decreased malaria infections by 85%
 - On track to reduce maternal mortality by 75%
 - Decreased HIV/AIDs prevalence by 49% to 0.8%
 - Improved access to potable water to 85%
 - Nearly doubled its adult literacy rates to 80%

1 World Bank
2 The Economist
3 World Health Organisation

Asmara cycling race (August 2016)



City of Asmara



Eritrea has a thriving mining industry with a history of investment by global investors and corporates

- Stable government with 24 years of independence
- Increasing support base within Eritrea for the mining industry
- Building a successful track record in successful mining operations – two mines in production and third under construction
- Supportive laws for mining investment in Eritrea¹
 - Accelerated depreciation (straight line, 4 years)
 - 10 year carrying forward of losses
 - Generous reinvestment deduction (5% gross income)
 - Stable corporate tax
- 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

Prominent international companies operating in Eritrea

CATERPILLAR®

Atlas Copco



SCANIA



OMNIA



**BOART
LONGYEAR™**



TOYOTA



aggreko

Major Eritrean mining projects¹

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%

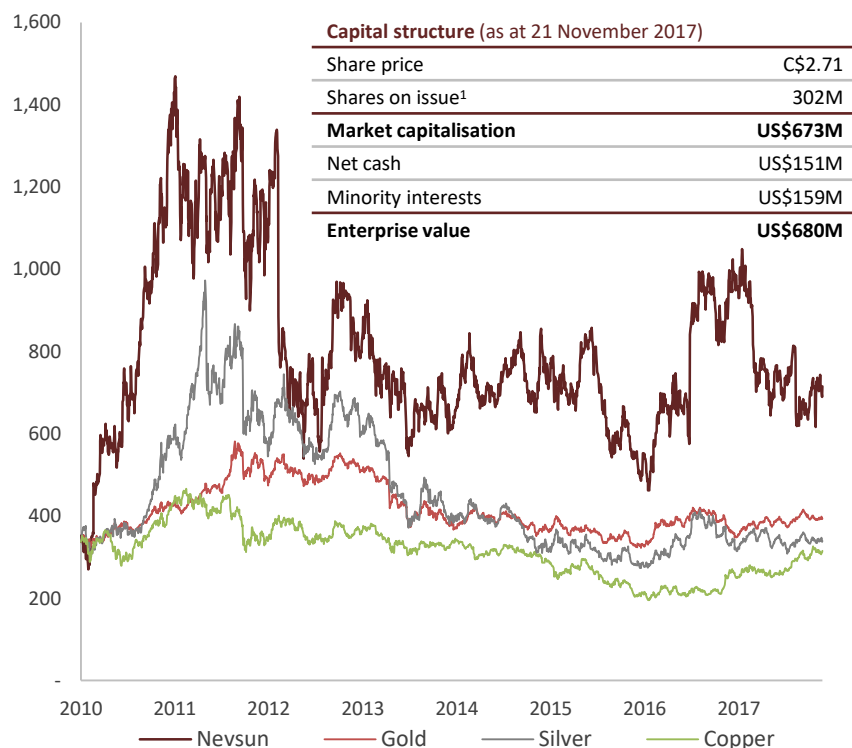
Advanced stages of
development



¹ Eritrean Mining Proclamation

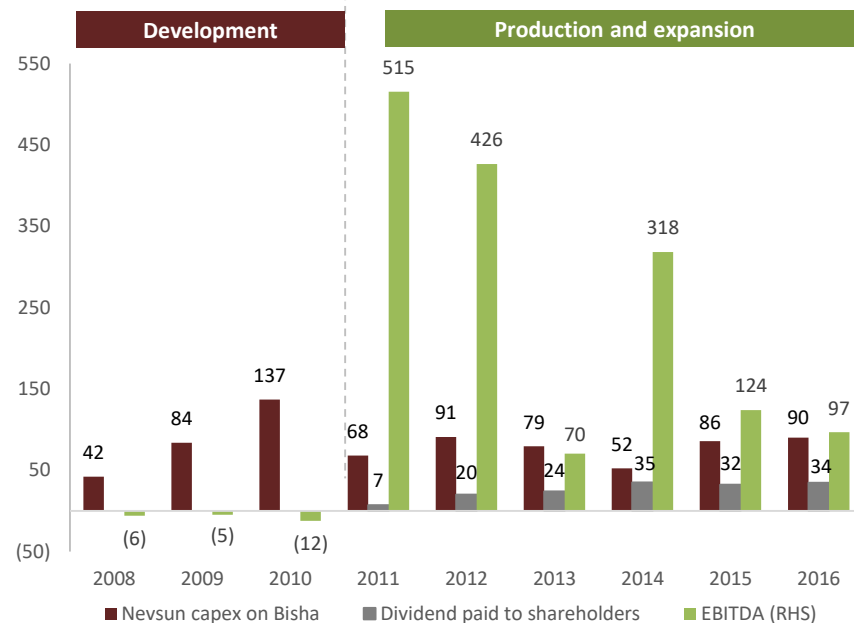
Nevsun produces copper and zinc from its Bisha Mine in Eritrea, and has provided outstanding shareholder returns

Nevsun market capitalisation performance (US\$M)¹



Nevsun's outstanding returns (US\$M)²

- Cumulative capex > US\$700M
- Cumulative EBITDA > US\$1.5B
- Shareholder dividends expatriated > US\$150M



Source: Company filings and S&P Capital IQ as of 12 September 2017

¹ Rrebased to Nevsun market capitalisation

² Development of the Bisha mine commenced in 2008 and commissioning commenced in Q4 2010

Engagement with community and stakeholders has generated strong support for Colluli development

- Colluli will generate long-term economic, social and community dividends
- Stakeholder engagements have been held with representatives from various local communities
 - Project continues to receive overwhelmingly positive support and a deep understanding of each communities' interests has been developed
- Social and environment impact assessments and management plans conducted in line with the Equator Principles (a risk management framework used to manage the environmental and social risk in projects)
- The Danakali experience in Eritrea:

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





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



Robert 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, Non-Executive Director of Northern Star Resources and previously on the boards of Integra Mines and Atherton 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 within BHP Billiton and most recently QKR Corporation



Zhang Jing
*Non-Executive
Director*

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

Management

Proven, energetic and motivated



Paul Donaldson
Managing 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 management
- 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, BHP's largest iron ore operation



Stuart Tarrant
CFO

- Extensive exposure in the mining industry with core skills in financial modelling, financial systems deployment, procurement, budgeting, and cost analysis and optimisation
- Previously a finance manager at BHP
- Fellow of the Association of Chartered Certified Accountants (ACCA)



Danny Goeman
Head of Marketing

- Over 30 years of marketing and sales experience including price negotiation, industry analysis, market segmentation and product placement across multiple commodities and geographies (Australia, Asia, Europe)
- Started career with Anglo American / DeBeers and joined Rio Tinto in 1988 as Technical Advisor and subsequently full time as a Production Manager at Argyle diamond mine
- Responsible for the global sales and marketing of A\$500M of Australian rough diamonds



Tony Harrington
Project Construction Manager

- Over 35 years of experience across a range of mining projects in various African countries, China, Europe, UK and Australia
- Project Manager for the US\$300M Kwale Minerals Sands Project in Kenya, the first ever large scale mine built in the country
- Project Manager on the 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, focusing on equity capital markets and metals & mining advisory
- Previous firms include UBS, Macquarie and Vesparum
- Has been involved in the raising of more than A\$10B in equity and hybrid capital for ASX-listed companies

Upcoming milestones

Upcoming catalysts across project workstreams

Significant activity in the next 6 months as release of FEED results unlocks key operational and corporate workstreams

Workstream	Milestone	Expected timing
FEED	<ul style="list-style-type: none">Complete FEED optimisation and release results	Jan-18
Mining	<ul style="list-style-type: none">Final negotiations with shortlisted bidders	H1 CY18
Power	<ul style="list-style-type: none">Evaluate and finalise preferred power provider's proposal	Q1 CY18
Offtake	<ul style="list-style-type: none">Progress negotiations to final binding offtake agreements	Q4 CY17-Q1 CY18
Debt	<ul style="list-style-type: none">Finalise arrangements with commercial lenders	H1 CY18
Equity	<ul style="list-style-type: none">Capacity to raise A\$3.4M from A\$0.35 exercise price options held by investors in Mar-16 placement	30-Mar-18
	<ul style="list-style-type: none">Dual list on the LSE	H1 CY18



Colluli – Advantages over brines, and Reserves and Resources

Technical glossary

Colluli

Advantages over brines

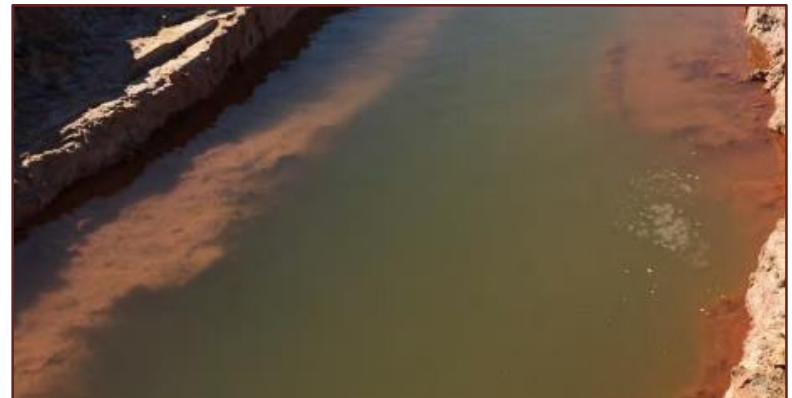
Colluli's advantages over potassium bearing brines are extensive, resulting in industry leading operating costs and capital intensity

- 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 of other comparable projects is complex
- 4 Lower energy input**
 - Colluli salts require no heating
 - In contrast, potassium brines can require heating to over 50°C for thermal decomposition^{1,2}
- 5 Consistent, predictable feed grade**
- 6 Production rates are faster, predictable and not weather dependent**
 - Production rates from brine process projects are slower and directly proportional to weather conditions
- 7 Smaller footprint and water requirements**
 - Colluli has no need for the 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)



Source: Salt Lake Potash (ASX: SO4) announcement

Colluli

Reserves and Resources

Substantial potash resources with **very high reserve conversion** and further upside potential from rock salt and kieserite Ore Resources

JORC 2012 Colluli SOP Ore Resource²

Area	Rock Unit	Measured		Indicated		Inferred		Total	
		Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %
Area A	Silvinite	66	12	38	11	10	8	115	11
	Carnallite	55	7	190	9	6	16	251	9
	Kainite	86	12	199	11	1	10	285	11
Area B	Silvinite	24	15	12	13	5	12	150	13
	Carnallite	25	6	114	7	8	7	147	7
	Kainite	48	13	289	13	4	13	341	13
Area C	Silvinite	90	13	160	13	15	9	265	12
	Carnallite	80	7	303	8	15	11	398	8
	Kainite	133	12	488	12	5	11	626	12
Overall		303	11	951	11	35	10	1,289	11

JORC 2012 Colluli SOP Ore Reserve

Occurrence ³	Proven		Probable		Total			
	Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %	Mt	K ₂ O Equiv %	K ₂ SO ₄ Equiv %	K ₂ SO ₄ Equiv Mt ⁴
Silvinite	78	15	175	12	253	13		
Carnallite	79	7	284	8	363	8		
Kainite	129	12	368	11	497	11		
Total	286	11	827	10	1,113	10	19	216

JORC 2012 Colluli Rock Salt Mineral Resource

Classification	Mt	NaCl (%)	K (%)	Mg (%)	CaSO ₄ (%)	Insolubles (%)
Measured	28	97.2	0.05	0.05	2.2	0.23
Indicated	180	96.6	0.07	0.06	2.3	0.24
Inferred	139	97.2	0.05	0.05	1.8	0.25
Total	347	96.9	0.06	0.05	2.1	0.24

1 Refer ASX announcements on 23-Sep-15, 30-Nov-15 and 15-Aug-16

2 0.03% Kieserite in the Sylvinites, 3% in Upper Carnallite, 22% in Lower Carnallite, 1% in Kainite, 7% Kieserite across the Ore Resource

3 The Ore Reserve estimate contains dilutant material; only sylvite, carnallite and kainite mineral species from Silvinite, Carnallite and Kainite rock types contribute to recovered product

4 Equivalent K₂O₄ (SOP) calculated by multiplying % K₂O by 1.85

Technical glossary

Term	Meaning
CMSC	<ul style="list-style-type: none">• Colluli Mining Share Company, the 50:50 joint venture vehicle owned by Danakali and ENAMCO that 100% owns Colluli
DFS	<ul style="list-style-type: none">• The Colluli Definitive Feasibility Study, the results for which can be found here: http://www.asx.com.au/asxpdf/20151130/pdf/433f3vhj14r4sh.pdf
ENAMCO	<ul style="list-style-type: none">• The Eritrean government owned Eritrean National Mining Company• Owns 50% of Colluli
EPCM	<ul style="list-style-type: none">• Engineering, Procurement and Construction Management
Evaporite	<ul style="list-style-type: none">• A natural salt or mineral deposit left after the evaporation of a body of water
FEED	<ul style="list-style-type: none">• Front End Engineering Design• Engineering works following the DFS process• FEED provides a higher level of certainty than the DFS, typically +/- [10%]
LOM	<ul style="list-style-type: none">• Life of mine• The time over which JORC 2012 Colluli SOP Ore Reserves will be extracted
MOP	<ul style="list-style-type: none">• Muriate of Potash (chemical compound KCl)
SOP	<ul style="list-style-type: none">• Sulphate of Potash (chemical compound: K_2SO_4)
SOP-M	<ul style="list-style-type: none">• Sulphate of Potash Magnesia (chemical compound: $K_2SO_4 \cdot MgSO_4 \cdot 4H_2O$)
WITA	<ul style="list-style-type: none">• Water inlet treatment area

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.



DANAKALI

For more information, please contact:

Paul Donaldson
Chief Executive Officer & Managing Director
+61 8 6315 1444

William Sandover
Head of Corporate Development & External Affairs
+61 499 776 998

About Danakali Ltd

Danakali is an ASX listed company and 50% owner of the Colluli Potash Project in Eritrea, East Africa. Danakali is currently developing the Colluli Potash Project with its joint venture partner Eritrean National Mining Corporation (ENAMCO). Danakali and ENAMCO each have a 50% ownership interest in the joint venture company, the Colluli Mining Share Company (CMSC).

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 definitive feasibility study for the production of potassium sulphate, otherwise known as SOP. SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride. Economic resources for production of SOP are geologically scarce. The unique composition of the Colluli resource favours low energy input, high potassium yield conversion to SOP using commercially proven technology. One of the key advantages of the resource is that the salts are present in solid form (in contrast with production of SOP from brines) with which reduces infrastructure costs and substantially reduces the time required to achieve full production capacity.

The resource is favourably positioned to supply the world's fastest growing markets.

Our vision is to bring the Colluli project into production using the principles of risk management, resource utilisation and modularity, using the starting module as a growth platform to develop the resource to its full potential.

Competent Persons Statement (Rock Salt Resource)

Colluli has a JORC 2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 347Mt @97% NaCl. The resource contains 28Mt @ 97% NaCl of Measured Resources, 180Mt @ 97% NaCl of Indicated Resources and 139Mt @ 97% NaCl of Inferred Resources.

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

Mr Tyrrell consents to the inclusion of the information relating to the rock salt Mineral Resource in the form and context in which it appears.

Competent Persons Statement (Sulphate of Potash Resource)

Colluli has a JORC 2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K₂O. The resource contains 303Mt @ 11% K₂O of Measured Resources, 951Mt @ 11% K₂O of Indicated Resources and 35Mt @ 10% K₂O of Inferred Resources.

The information relating to the 2015 Colluli Mineral Resource estimate was compiled by Mr. John Tyrrell, under the supervision of Mr. Stephen Halabura M. Sc. P. Geo. Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and as a geologist with over 25 years' experience in the potash mining industry. Mr. Tyrrell is a member of the Australian Institute of Mining and Metallurgy and a full-time employee of AMC. Mr. Tyrrell has more than 25 years' experience in the field of Mineral Resource estimation.

Mr. Halabura is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan, a Recognised Professional Organisation (RPO) under the JORC Code and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr. Tyrrell & Mr. Halabura consent to the inclusion of information relating to the 2015 Resource Statement in the form and context in which it appears.

Competent Persons Statement (Sulphate of Potash Reserve)

The November 2015 Colluli Ore Reserve is reported according to the JORC Code and estimated at 1,113Mt @10% K₂O Equiv. The Ore Reserve is classed as 286Mt @ 11% K₂O Equiv Proved and 827Mt @ 10% K₂O Equiv Probable. The Competent Person for the estimate is Mr Mark Cheshier, a mining engineer with more than 30 years' experience in the mining industry. Mr. Cheshier is a Fellow of the AusIMM, a Chartered Professional, a full-time employee of AMC Consultants Pty Ltd, and has sufficient open pit mining activity experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code. Mr Cheshier consents to the inclusion of information relating to the Ore Reserve in the form and context in which it appears.



DANAKALI

In reporting the Mineral Resources and Ore Reserves referred to in this public release, AMC Consultants Pty Ltd acted as an independent party, has no interest in the outcome of the Colluli Project and has no business relationship with Danakali Ltd other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC Consultants Pty Ltd and the Competent Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

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-UmwelttechnikGmbH Sondershausen, Germany utilising flame emission spectrometry, atomic absorption spectroscopy and ion chromatography. Kali-Umwelttechnik (KUTEC) Sondershausen have extensive experience in analysis of salt rock and brine samples and is certified according to DIN EN ISO/IEC 17025 by the Deutsche AkkreditierungssystemPrüfwesen 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 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 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 the Colluli Project will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. To the extent permitted by law, the Company accepts no responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in this 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, 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.