



DANAKALI

Announcement

Monday, 27 May 2019

## Annual General Meeting presentation

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**) is pleased to announce that the Company's Chief Executive Officer, Mr. Niels Wage, will present today at the Company's Annual General Meeting. The presentation materials are attached to this announcement.

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ASX: DNK / LSE: DNK / ADR: DNKLY



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# Annual General Meeting presentation

Niels Wage, Chief Executive Officer

Monday, 27 May 2019

# 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.

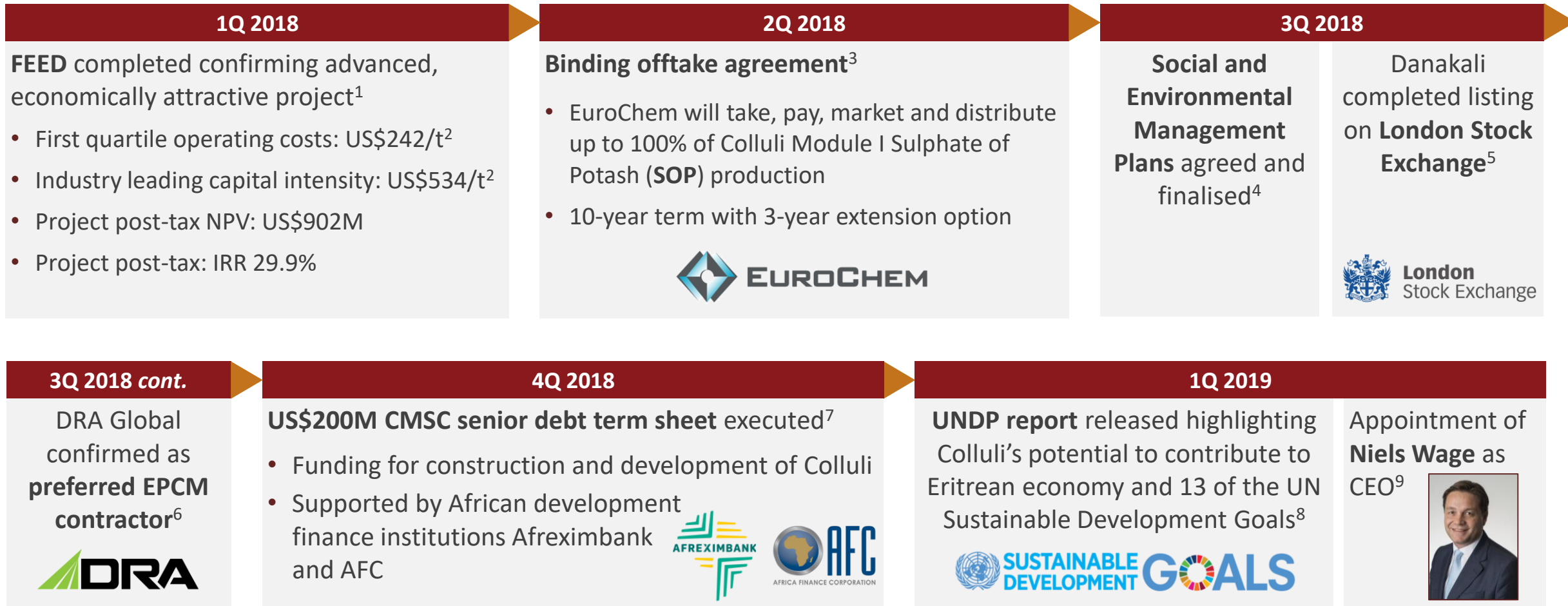
Factors that could cause actual results to differ materially from those in forward-looking statements include market prices of potash and, exploitation and exploration successes, capital and operating costs, changes in project parameters as plans continue to be evaluated, continued availability of capital 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, 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.

# 2018 and year to date in review

**Danakali has established a strong platform for finalising funding and moving towards project execution**



1 DNK, 29-Jan-18

2 Average of Modules I & II

3 DNK, 12-Jun-18

4 DNK, 22-Aug-18

5 DNK, 24-Jul-18

6 DNK, 27-Sep-18

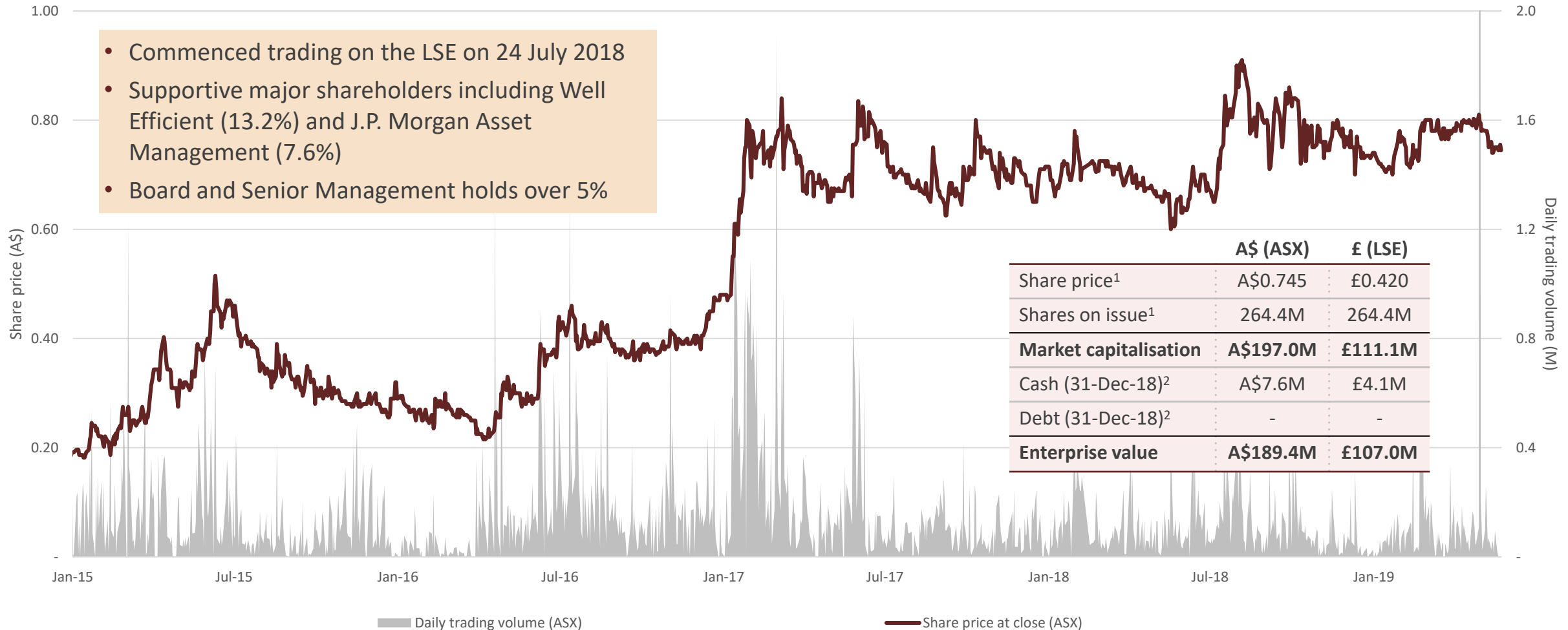
7 DNK, 6-Dec-18

8 DNK, 30-Jan-19

9 DNK, 25-Mar-19

# Corporate snapshot

## Strong share price performance; increase of >290% since Jan-15



Source: BellDirect, LSE website, S&P CapIQ

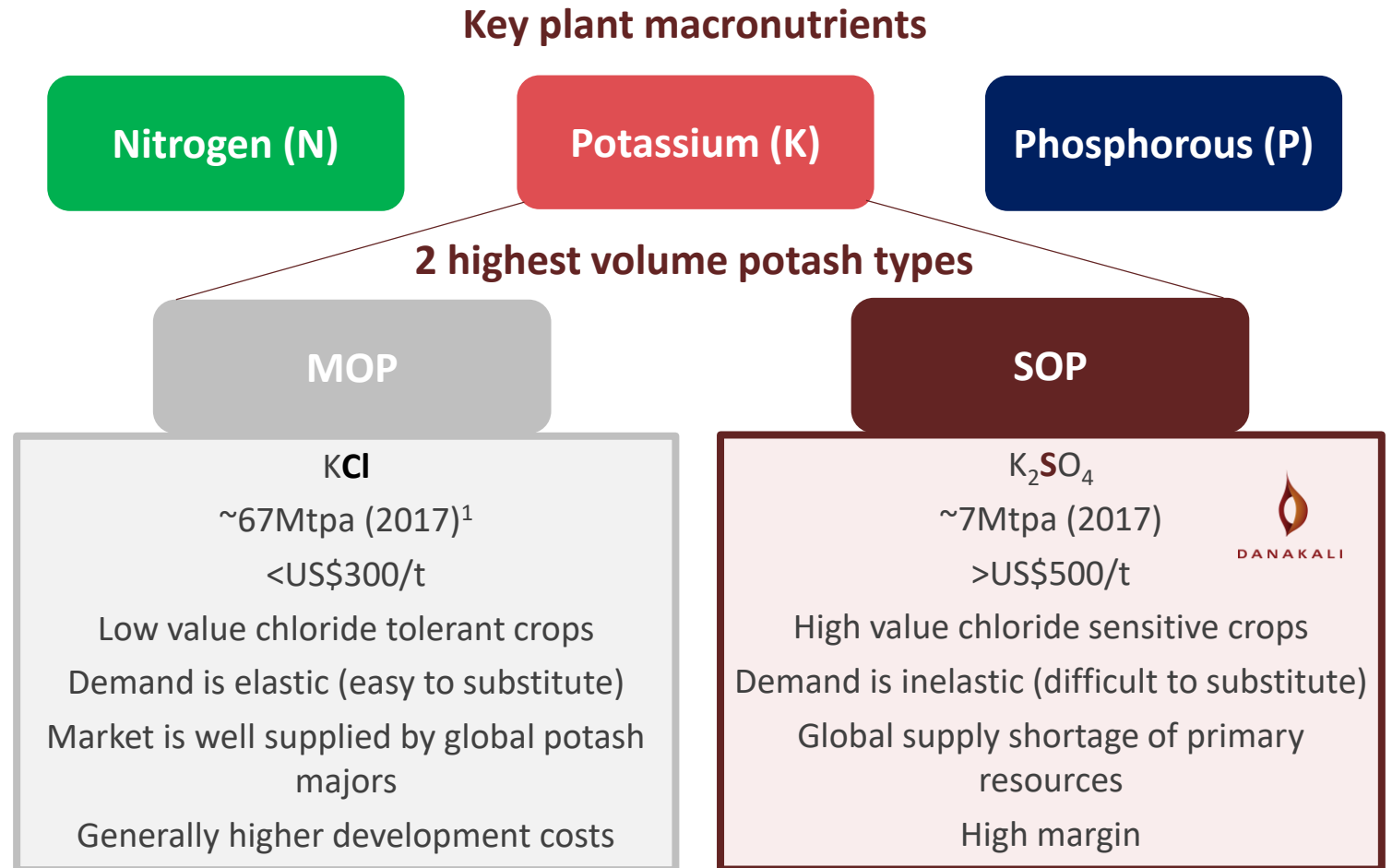
<sup>1</sup> ASX values as at close on 24-May-19, LSE values as at close on 23-May-19; "Shares on issue" does not include 5.23M unlisted options with exercise prices ranging from A\$0.543 to A\$1.108 and expiry dates ranging from 20-Jun-19 to 13-Mar-22, or 1.32M performance rights

<sup>2</sup> Exchange rate of £0.54/A\$

# SOP – The premium potash type

Potassium is one of the 3 key plant macronutrients, along with Nitrogen and Phosphorous

- Potassium is essential for plant life
  - Improves crop quality
  - Increases nitrogen uptake
  - Increases water use efficiencies
- There are 4 potash types:
  - **SOP** – used on high value crops (primary Danakali focus)
  - **SOP-M** – used on high value crops (secondary Danakali focus)
  - MOP – used on low value crops
  - NOP – can only be produced artificially



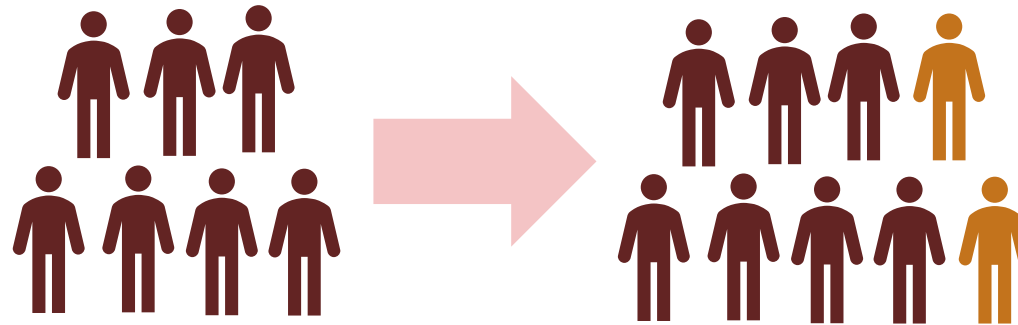
# SOP – Key demand drivers

The SOP market is profitable, growing and increasingly undersupplied

## Key demand drivers:

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

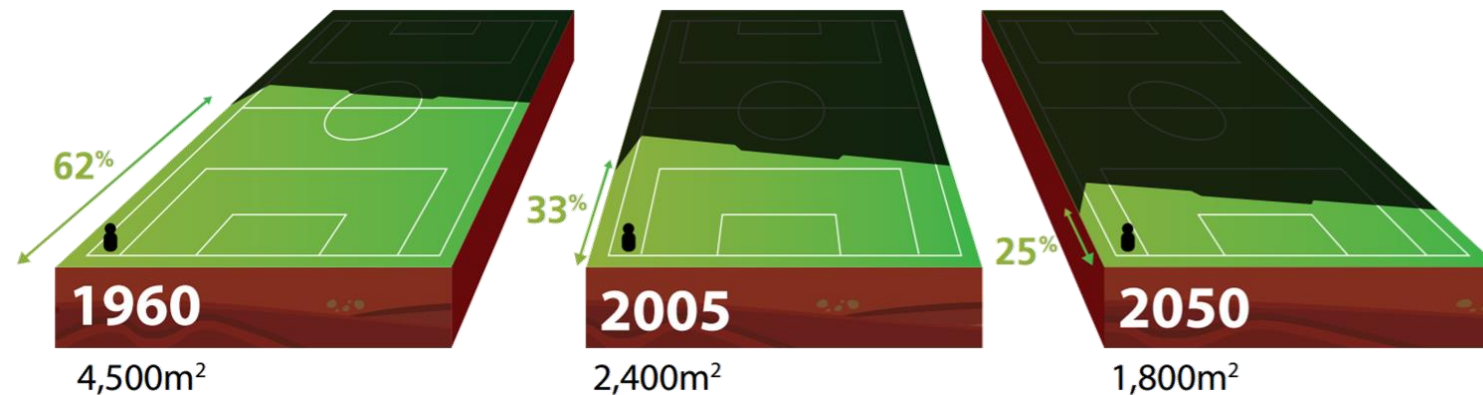
The world's population is set to increase by almost a third by 2050, from 7Bn to 9Bn



The majority of the population increase is expected to come from developing nations

Developing nations have growing middle classes seeking enhanced nutrition from premium crops

Arable land per person globally continues to dramatically decrease from 62% of a soccer pitch in 1960 to 33% in 2005 and expected to be 25% by 2050





# SOP – Supply dynamics

## SOP is generated by either primary or secondary production processes

### Primary production

- Primary production occurs directly from solid salts or brines
- Primary resources are scarce and currently insufficient to meet demand outside of China
- Primary producers usually have lower production costs
- Limited primary production growth outside of China
- **Colluli is the only known greenfield or producing SOP project with solid salt open-cut potential**

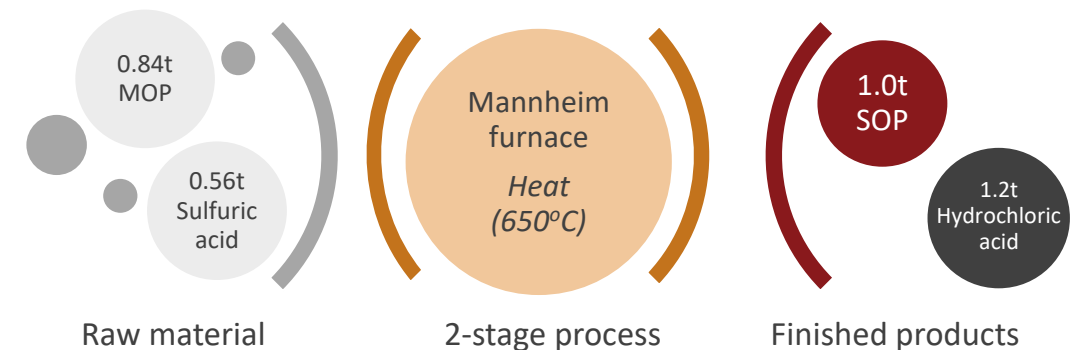
### SOLID SALTS NEAR SURFACE – OPEN-CUT (COLLULI)



Source: CRU, Integer Research, Danakali analysis

### The Mannheim Process (secondary production)

- Accounts for >50% of global production
- High production costs due to costly inputs, energy requirements and acid disposal
- MOP required as an input – MOP price plus conversion costs provides attractive price floor for SOP
- Major Mannheim supply from Europe and China  
— Egypt, India and Southeast Asia also contribute
- **Colluli is well positioned to displace high-cost Mannheim production**



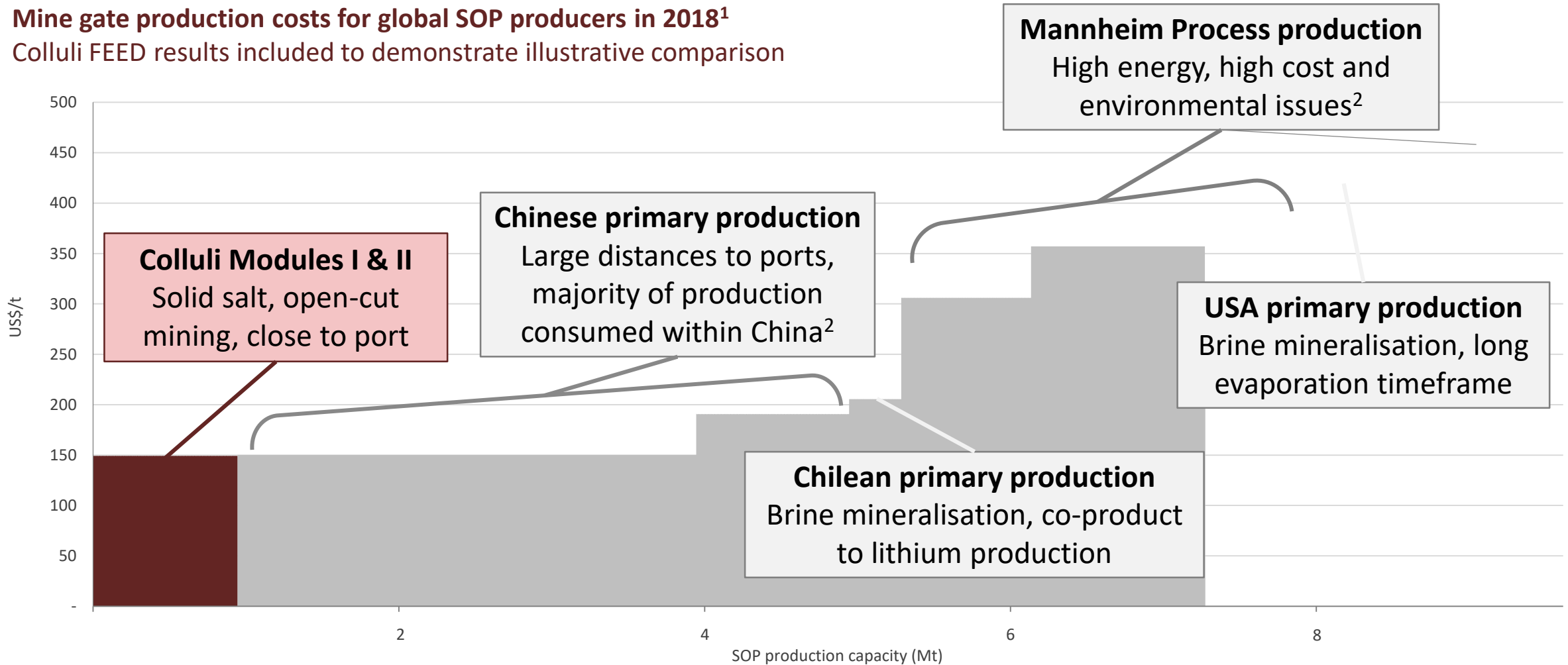


# SOP – Current suppliers and cost curve

If operating in 2018, Danakali would have been the lowest cost SOP producer

## Mine gate production costs for global SOP producers in 2018<sup>1</sup>

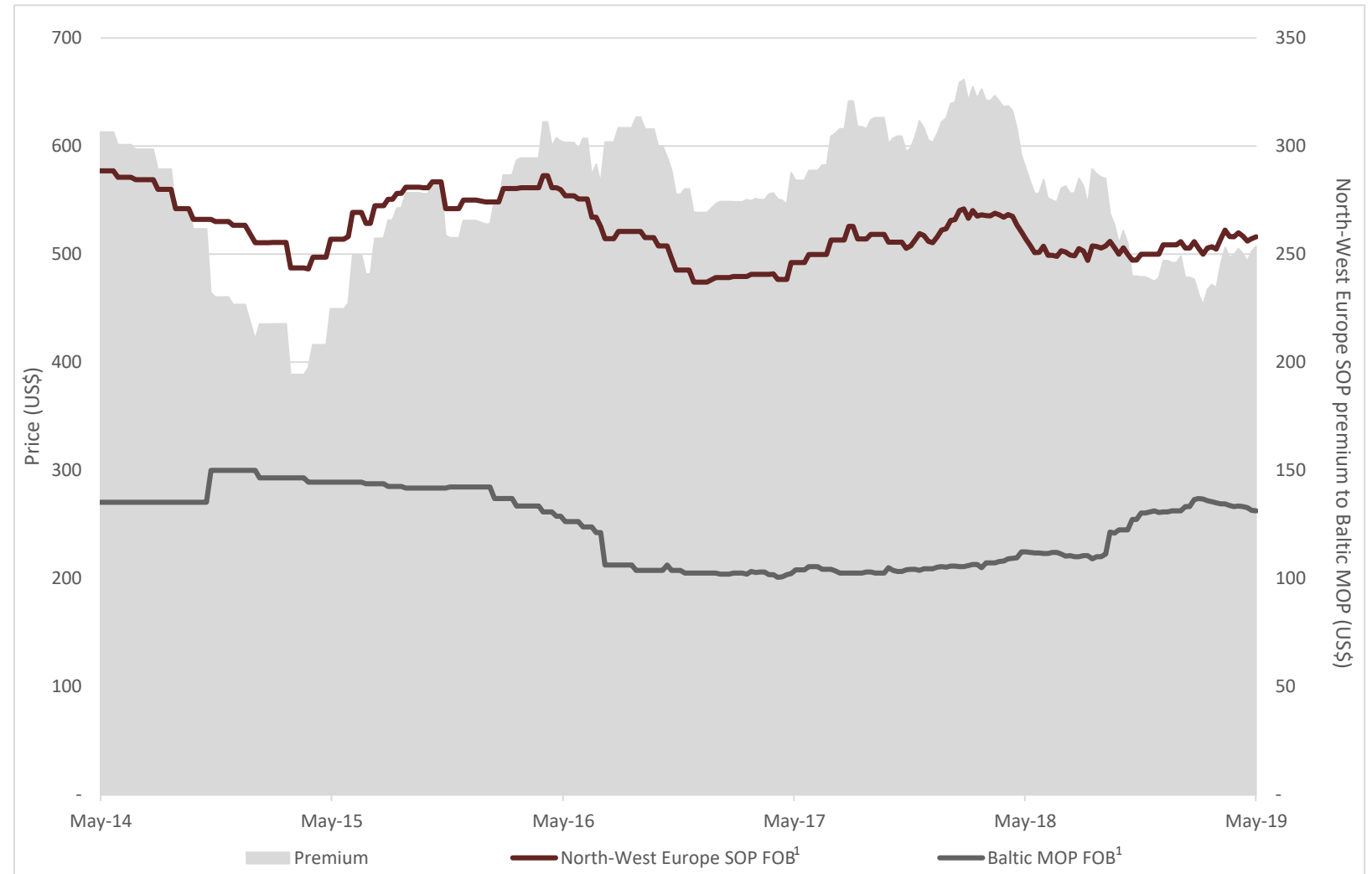
Colluli FEED results included to demonstrate illustrative comparison



# SOP – Pricing dynamics

## SOP demand and supply dynamics support a robust pricing environment

- SOP price provides attractive margins for low cost primary producers
- Substantial increases in MOP contract prices in second half of 2018
- SOP price premium to MOP has consistently remained well above US\$200/t for over 5 years
- Premium is sustainable due to:
  - Mannheim Process conversion cost
  - Mannheim Process environmental issues (carbon emissions and acid disposal)
  - Limited SOP supply expansion
  - Robust and growing SOP demand

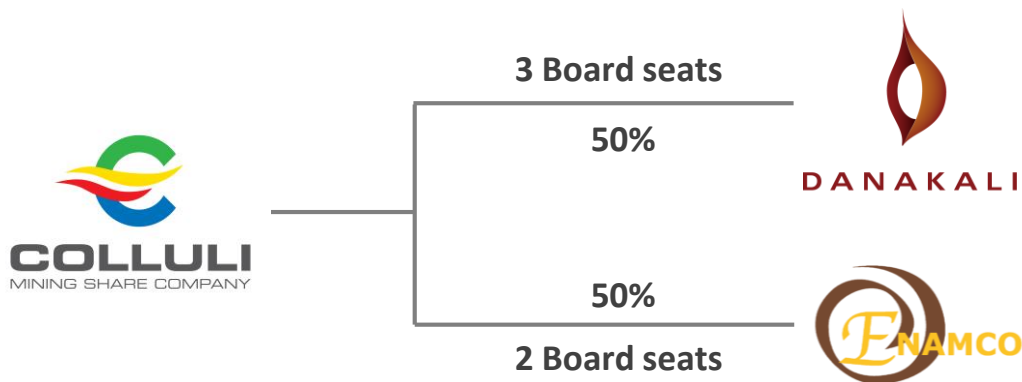


# Colluli overview

## Strategically located SOP development project with all material permits in place

- Located in the Danakil Depression on Eritrean side of Eritrea-Ethiopia border
- Shallowest known evaporite deposit, commencing at just 16m allowing open-cut mining and simple processing
- To be developed utilising a modular approach
  - Module I to produce 472ktpa of premium SOP<sup>1</sup>
  - Module II to increase total SOP production to 944ktpa<sup>1,2</sup>

## Ownership structure<sup>3</sup>



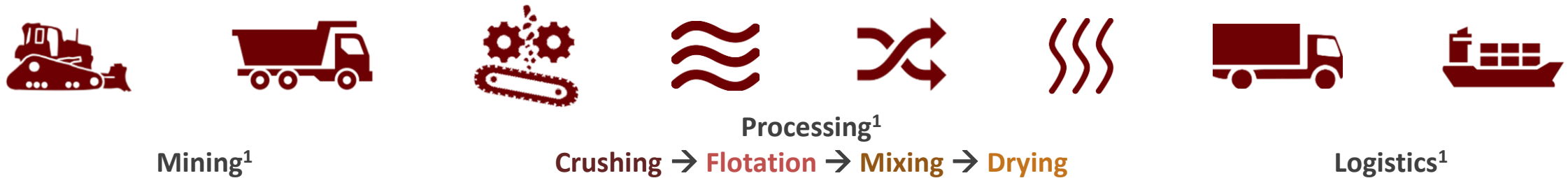
<sup>1</sup> DNK announcement, 29-Jan-18  
<sup>2</sup> Commencing in year 6 of production  
<sup>3</sup> Danakali's disclosed economics reflect the dynamics of the Shareholder's Agreement

## Location – Closest known SOP deposit to a coastline



# Colluli's operational attributes

Suite of attributes that allows for simple, proven, low risk and low-cost mining, processing and logistics, and outstanding project economics compared to other SOP greenfield development projects



Mining <sup>1</sup>	Processing <sup>1</sup> Crushing → Flotation → Mixing → Drying	Logistics <sup>1</sup>
<ul style="list-style-type: none"> <li>✓ Shallow, light inclination, limited flora and fauna, and no communities in immediate vicinity</li> <li>✓ Solid salts</li> <li>✓ Simple, low cost, open-cut mining</li> <li>✓ Conventional truck and shovel methods utilised, complemented by continuous surface miners</li> </ul>	<ul style="list-style-type: none"> <li>✓ Simple, energy efficient, commercially-proven processing</li> <li>✓ Unique and favourable combination of potassium bearing salts</li> <li>✓ Colluli salt composition ideal for low energy, high yield conversion to SOP at ambient temperatures</li> <li>✓ No pre-evaporation ponds necessary, reducing capex requirements and time to revenue</li> </ul>	<ul style="list-style-type: none"> <li>✓ Closest SOP project to a coastline</li> <li>✓ Favourable logistics unlock multi-commodity potential</li> <li>✓ 230km by road to the well-established Massawa port</li> <li>✓ 87km to Anfile Bay, potential site for future port development</li> </ul>



# Colluli's operational attributes *cont.*



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**Mining and processing at Colluli will be simple and modular with minimal environmental footprint; the Port of Massawa is world class and has been utilised by Nevsun's (now Zijin's) Bisha Copper-Zinc Mine for almost 10 years**

The Colluli resource area



The Port of Massawa



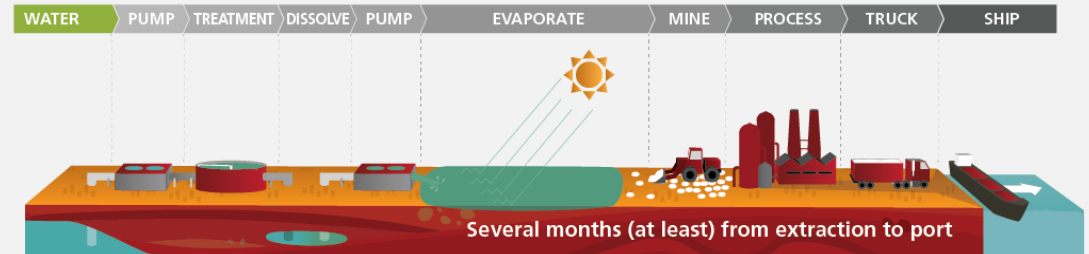
# Mineralisation and mining method peer comparison

Colluli has the unique ability to process solid salts, leading to shortest extraction to port timeframe of any SOP greenfield development project

## SOLID SALTS NEAR SURFACE – OPEN-CUT (COLLULI)

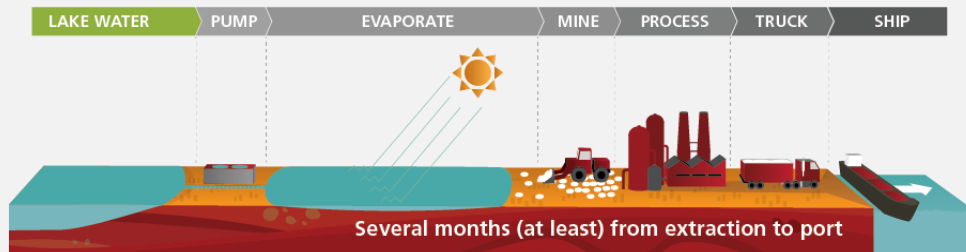


## SOLID SALTS AT DEPTH – SOLUTION



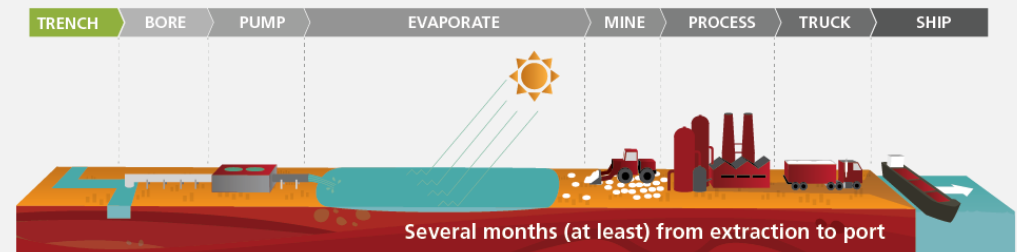
Relevant development peers: Danakil (Circum Minerals), Yara Dallol (Yara international)

## LAKE WATER BRINE



Relevant development peers: Mackay (Agrimin), Lake Wells (Australian Potash), Beyondie (Kalium Lakes), Lake Wells / Lake Way (Salt Lake Potash)

## PLAYA BRINE



Relevant development peers: Sevier Playa (Crystal Peak Minerals)

# FEED overview

## FEED confirms Colluli as an advanced stage and economically attractive project relative to other SOP greenfield development projects

- Globally significant production rates
- Almost 200-year mine life at FEED production rates
- Industry leading capital intensity
- Forecast first quartile operating costs
- Project level NPV of US\$902M with IRR of 29.9% for Modules I & II
- Danakali attributable NPV of US\$439M with IRR of 31.3% for Modules I & II

### Key FEED economic estimates and outcomes<sup>1,2</sup>

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

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

2 Economic estimates and outcomes reported in US\$ real

6 Including contingency, excluding sustaining and working capital

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

7 Average for first 60 years of production

4 Module II production expected to commence in year 6

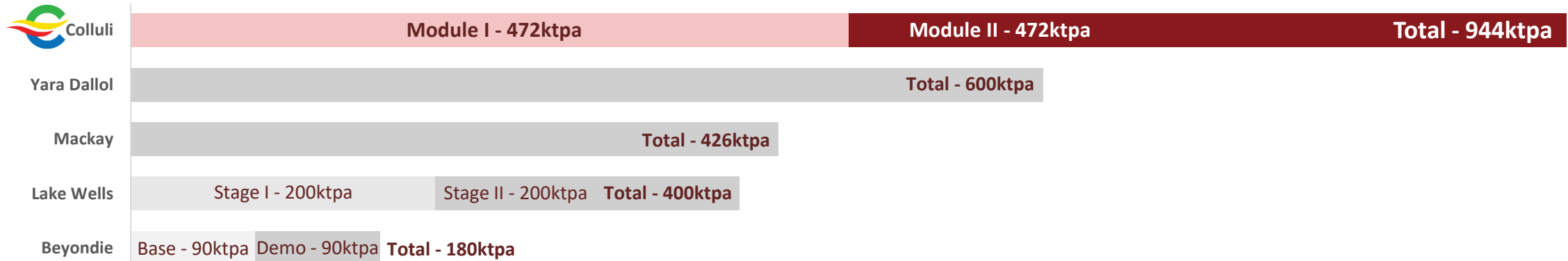
8 Includes mine gate cash costs, product logistics, and royalties



# Production volume peer comparison

**Colluli's unparalleled scale and availability of modular open-cut mining leads to the Project having the largest known production capacity and life of mine among key SOP greenfield development peers**

## Production capacity




## Life of mine



# Listed SOP producers

**A comparison against producing, vertically integrated peers demonstrates Danakali's capacity to be the largest and most direct SOP exposure globally**

	 DANAKALI	SQM (SQM.NYSE)	K+S (SDF.FSE)	Compass (CMP.NYSE)	Tessenderlo (TESB.BSE)
Market capitalisation <sup>1</sup>	<b>A\$197M (US\$136M)</b>	US\$8.12Bn	€3.02Bn (US\$3.37Bn)	US\$1.76Bn	€1.27Bn (US\$1.41Bn)
EBIT (2018) <sup>1</sup>	<b>NA (average annual cash flows to Danakali of US\$85M expected from SOP Modules I &amp; II)</b>	US\$670M	€165M (US\$186M)	US\$135M	€100M (US\$113M)
Key focus areas	<b>Primary – Fertiliser Secondary – Deicing Tertiary – Industrial salts</b>	Lithium, iodine & derivatives Fertiliser Deicing Industrial chemicals	Fertiliser Deicing Consumer & industrial salts	Fertiliser Deicing Consumer & industrial salts	Fertiliser Crop protection Gelatin, proteins & fats Industrial solutions
<b>SOP</b>					
SOP production	<b>Module I: 472ktpa Modules I &amp; II: 944ktpa</b>	340ktpa	850ktpa	500ktpa	580ktpa
SOP production type	<b>Primary (solid salts)</b>	Primary (brine)	Secondary (salt decomposition)	Primary (brine)	Secondary (Mannheim Process)
<b>Other production</b>					
Other fertiliser and salt production lines	<b>Potential for Rock Salt (stockpiled at rate of 1.8Mtpa), SOP-M, MOP, MgSO<sub>4</sub>, MgCl and Gypsum production</b>	MOP (primary) Other specialty fertilisers Rock Salt NOP, MgCl	MOP Other specialty fertilisers Rock, industrial & consumable salts Magnesium products	Rock, solar & evaporated salt MgCl Other specialty fertilisers	Specialty fertilisers Crop protection products

# Partnerships

**Danakali has strong partnerships across project execution and project financing**

## Offtake



Binding take-or-pay agreement for up to 100% (minimum 87%) of Module I SOP production

## Joint venture partner



CMSC is a 50:50 joint venture with Eritrea's government-owned mining company

## EPCM



Preferred EPCM contractor for Colluli

## Power



Preferred power provider for Colluli

## Key shareholder



Danakali's second largest shareholder, holding 7.6%

## Senior debt



Term sheet and mandate executed for US\$200M in CMSC senior debt

## Financial adviser



Acting as strategic financial adviser to Danakali

## Financial adviser

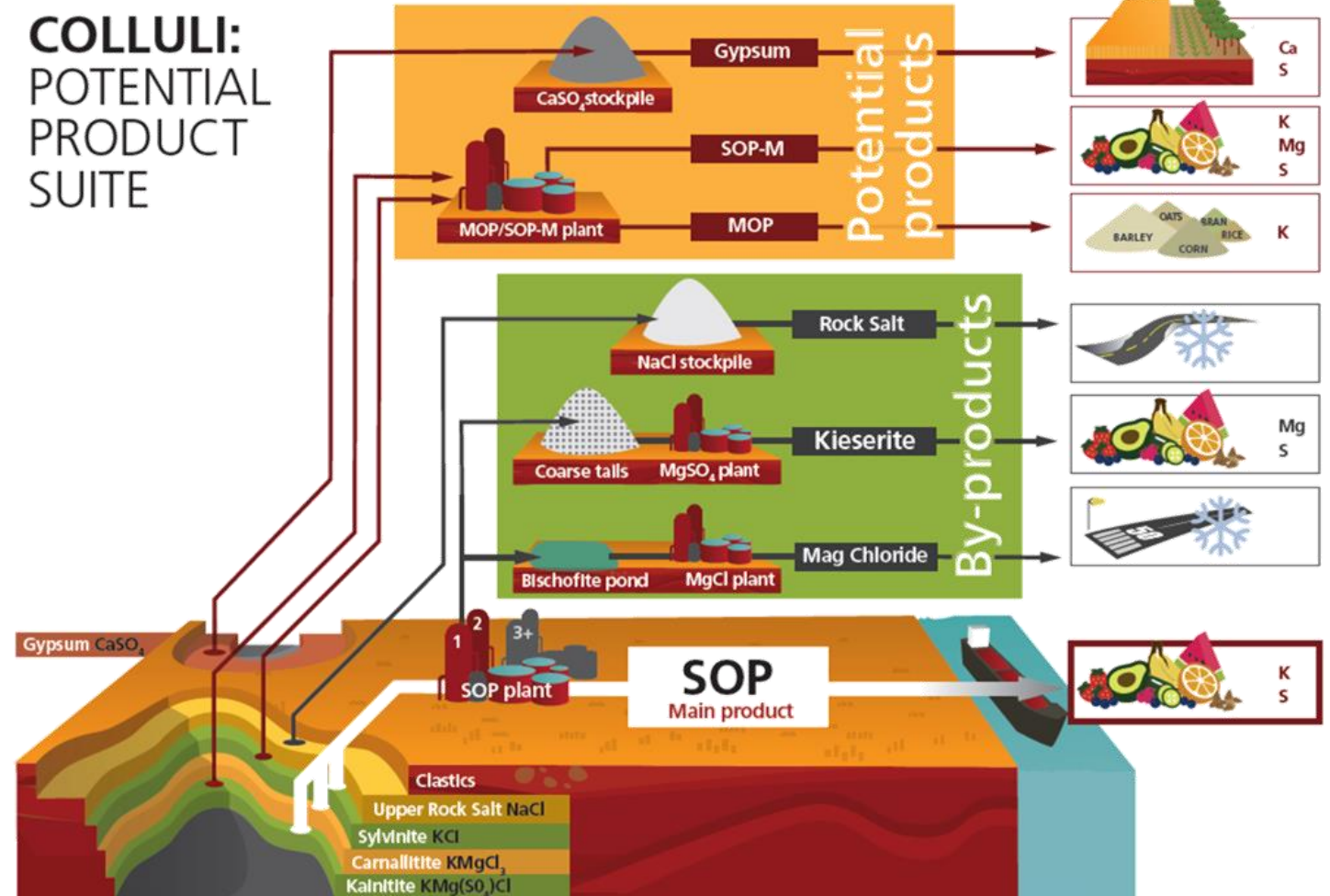


Acting as debt financial adviser to Danakali

# Multi-commodity and supply chain optimisation

## Modular development approach underpins low cost, scalable, long life, agri-mineral and salt project

- Almost 200-year mine life at FEED SOP production rates<sup>1</sup> supports Project optionality
- Low growth capital for further **SOP** modules given size and open-cut mining
- **Rock Salt** stockpiled as by-product
- **Kieserite** and **Mag Chloride** stockpiled with minimal further processing required before commercialisation
- **SOP-M**, **MOP** and **Gypsum** also potential products
- Logistics optimisation potential through development of port at Anfile Bay and reduced trucking costs
- Multi-commodity and supply chain optimisation not currently factored into FEED economics



# Developments in Eritrea

## Rapid diplomatic progress in the Horn of Africa supporting investment and growth in Eritrea

**2 April 2018**  
Ethiopian Prime Minister Abiy Ahmed elected



*Prime Minister Abiy Ahmed initiates peaceful relations with Eritrea's President Isaias Afwerki<sup>2</sup>*

**11 September 2018**  
Eritrea-Ethiopia border opened for first time since 1998

**28 December 2018**  
Zijin acquisition of Nevsun<sup>4</sup>



*Ethiopian Ship, Mekelle, docked in Eritrea<sup>5</sup>*

**31 January 2019**  
Report on Colluli released by UNDP

**8 February 2019**  
EU announced investment into Eritrean roads<sup>7</sup>

**14 November 2018**  
UN lifts sanctions against Eritrea



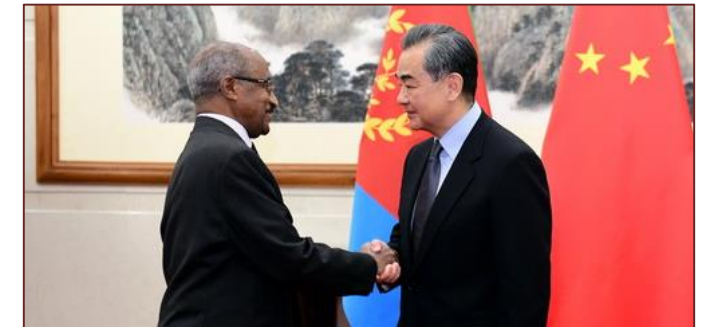
*Signing of the joint declaration in Jeddah<sup>3</sup>*

**9 July 2018**  
Joint declaration of peace & friendship between Eritrea & Ethiopia signed<sup>1</sup>



*The UNSC unanimously voted to lift Eritrean sanctions<sup>6</sup>*

**6 May 2019**  
Eritrean and Chinese Foreign Ministers meet



*Eritrean Foreign Minister meeting China's Foreign Minister<sup>8</sup>*



# UNDP report – Colluli’s impact in Eritrea

## The UNDP has carried out an independent report on the potential of Colluli to contribute to sustainable development in Eritrea

- Independent consultants for the UN Development Programme (**UNDP**) reported Colluli’s potential contributions to Eritrea’s Sustainable Development Goals (**SDGs**)
- Highlighted Colluli as a blueprint for mining in developing countries
- SDGs cover a broad range of issues including poverty, education, environment and social justice
- Colluli’s characteristics contributing to the findings include:
  - Colluli’s size
  - Mineralisation close to the surface
  - Highly valued resource (SOP)
  - Proximity to port
  - 50:50 joint venture with the government

### Factors identified that support Colluli’s development and ability to generate positive social, environmental and economic impacts





















# UNDP report – Colluli’s impact in Eritrea *cont.*

## Colluli has the potential to create numerous benefits for Eritrea, including contributing to 13 UN SDGs

Colluli is expected to make a positive contribution to 13 SDGs through 5 areas of direct impact

Significant potential economic effects 2018-2030+

Colluli’s 5 areas of direct impact	13 corresponding SDGs
 Economic value generated	 No poverty  Zero hunger  Good health and wellbeing for people  Quality education  Gender equality  Clean water and sanitation
 People and society	 Sustainable economic growth & decent work  Industry, innovation and infrastructure  Reduced inequalities  Responsible consumption and production  Climate action
 Environment	 Peace, justice and strong institutions  Partnerships for the goals
 Fiscal effects	
 Production of potash and other minerals and fertilisers	

Significant increase in exports by 2030	Direct capital expenditure and investment inflows	Large positive impact on Eritrean GDP
High levels of indirect employment	Positive fiscal effects	Improved agriculture productivity





# Key focus areas for 2019

**Danakali is focusing on finalising CMSC senior debt, executing equity strategy and advancing towards project execution**

## Key focus areas – Funding and project execution phases

<b>DEBT</b>	<ul style="list-style-type: none"><li>• Obtain CMSC senior debt credit approval</li><li>• Finalise finance documentation ahead of draw-down</li></ul>
<b>EQUITY</b>	<ul style="list-style-type: none"><li>• Ongoing discussions with strategic, institutional and private client investors and brokers globally</li><li>• Moving towards financial close for Colluli Module I in parallel with the CMSC senior debt process</li></ul>
<b>OPERATIONAL CONTRACTS</b>	<ul style="list-style-type: none"><li>• Finalise DRA Global EPCM contract and mobilise team</li><li>• Identify and hire key sub-contractors</li><li>• Finalise Inglett &amp; Stubbs International power contract</li><li>• Confirm preferred mining services contractor</li></ul>
<b>OPERATIONS READINESS</b>	<ul style="list-style-type: none"><li>• Progress the necessary operating procedures, systems and structures to position Danakali and CMSC for project execution, construction and production</li><li>• Make key appointments</li></ul>
<b>PROJECT EXECUTION</b>	<ul style="list-style-type: none"><li>• EPCM, mining, power, camp, logistics, government relations and medical</li></ul>
<b>GOVERNANCE AND CSR</b>	<ul style="list-style-type: none"><li>• Utilise the Sustainable Development Framework to ensure strong outcomes in line with key principles Ethical Work Practices, Zero Harm, Business Performance and Stakeholder Engagement</li></ul>
<b>GROWTH</b>	<ul style="list-style-type: none"><li>• Carry out studies and develop strategies for optimisation, SOP expansion, potash diversification, multi-commodity potential and logistics optimisation (including Anfile Bay)</li></ul>

# Danakali investment case

- Binding offtake agreement for up to 100% (minimum 87%) of Module I SOP production with EuroChem<sup>1</sup>
- US\$200M debt financing term sheet executed
- 1.1Bt Ore Reserve and almost 200-year mine life<sup>2,3</sup>
- Exceptional economics
  - Project NPV of US\$902M and IRR of 29.9%<sup>3</sup>
  - NPV of US\$439M and IRR of 31.3% attributable to Danakali<sup>3</sup>
  - Industry leading capital intensity<sup>3</sup>
  - First quartile operating costs<sup>3</sup>
- Expansion, diversification and multi-commodity potential<sup>3</sup>
- Rapidly improving geopolitical dynamics for Eritrea





# Appendix

Danakali Executives

Danakali Board

SOP – Global utilisation rates

Logistics peer comparison

Binding offtake agreement with EuroChem

US\$200M debt financing term sheet

Project execution – EPCM phases

Technical glossary

Competent Persons Statements



# Danakali Executives

**Niels Wage has been appointed CEO, bringing extensive industry experience, leadership capabilities, and passion for the Project; he is supported by a strong, energetic and accomplished senior management team**



**Niels Wage**

**Chief Executive Officer**

- Significant potash, shipping, logistics, trading and commodity experience
- Employed by Danakali since June 2018 in the role of Chief Commercial Officer
- Previously Vice President Potash and Vice President Freight at BHP
- Board Director of Bahia Mineração, currently developing an integrated greenfield iron ore project



**Stuart Tarrant – Chief Financial Officer**

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



**Tony Harrington – Project Director**

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



**William Sandover – Head of Corporate Development & External Affairs**

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



*The appointment of Mr. Wage, with his considerable leadership and operational credentials, is timely as Danakali finalises project funding and commences project execution*



# Danakali Board

## An experienced, multi-disciplinary and international Board



### **Seamus Cornelius – Executive Chairman**

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



### **Bob Connochie – Non-Executive Director**

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



### **Andre Liebenberg – Non-Executive Director**

- Mining industry professional with extensive investor market, finance, business development and leadership experience
- 25+ years in private equity and investment banking, and senior roles at BHP and QKR Corporation, currently Managing Director of Yellow Cake



### **Paul Donaldson – Non-Executive Director**

- 30+ years experience in senior management at BHP in head of carbon steel materials technical marketing team, management of Port Hedland iron ore export facility, GM of Mining Area C, Danakali and Pacific National (currently Chief Transformation Officer)
- Experience in technical project management, open cut mining operations, marketing and supply chain



### **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 Director of Northern Star Resources and Non-executive Chairman of Exore Resources

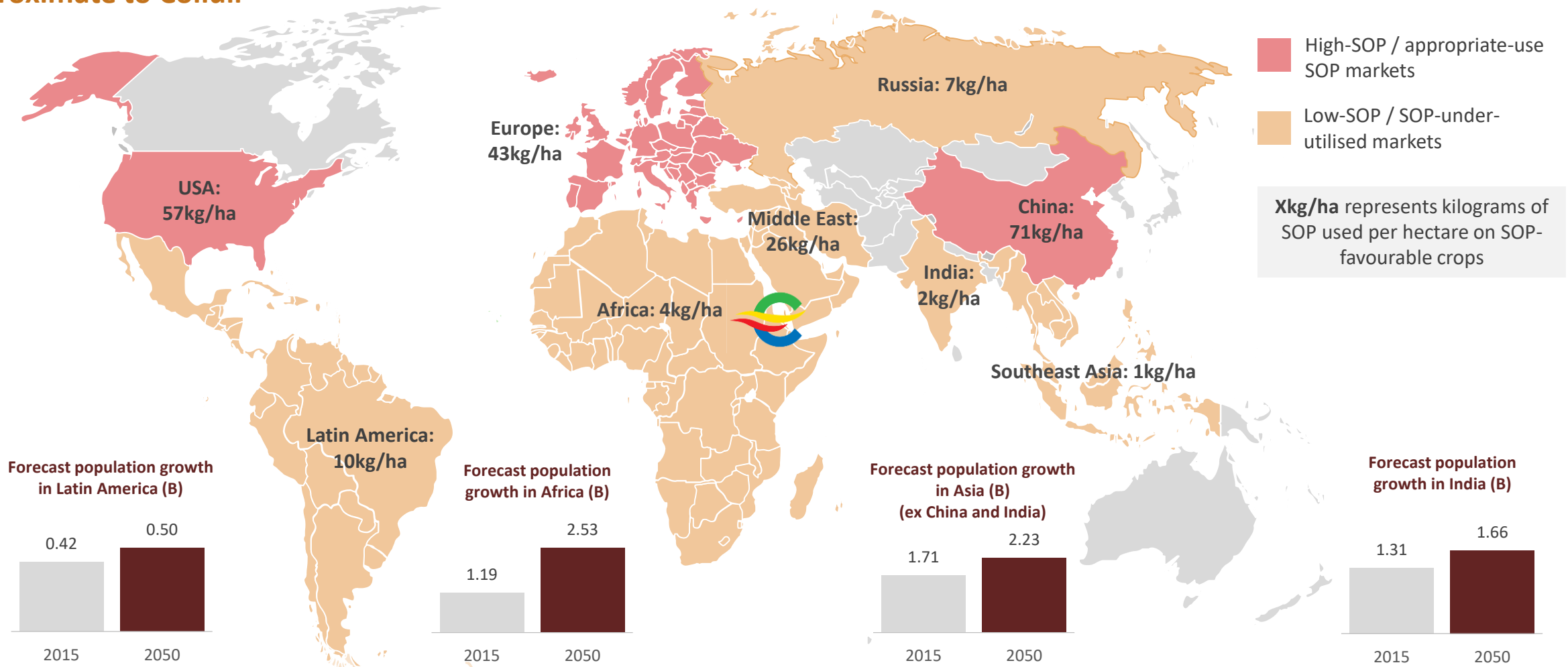


### **Zhang Jing – Non-Executive Director**

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

# SOP – Global application rates

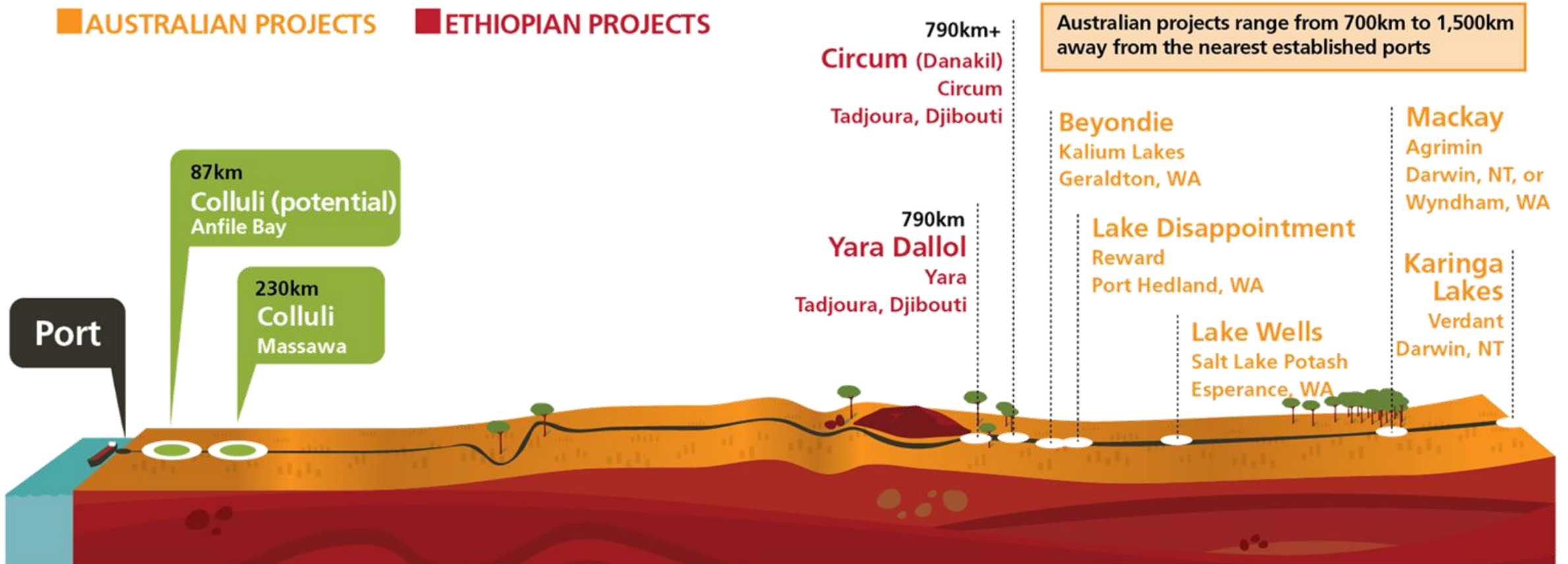
**SOP is currently underapplied in the areas expecting the highest rates of population growth, the majority of which are proximate to Colluli**



# Logistics peer comparison

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

Distance to port for Colluli and other SOP greenfield development projects<sup>1</sup>





# Binding offtake agreement with EuroChem

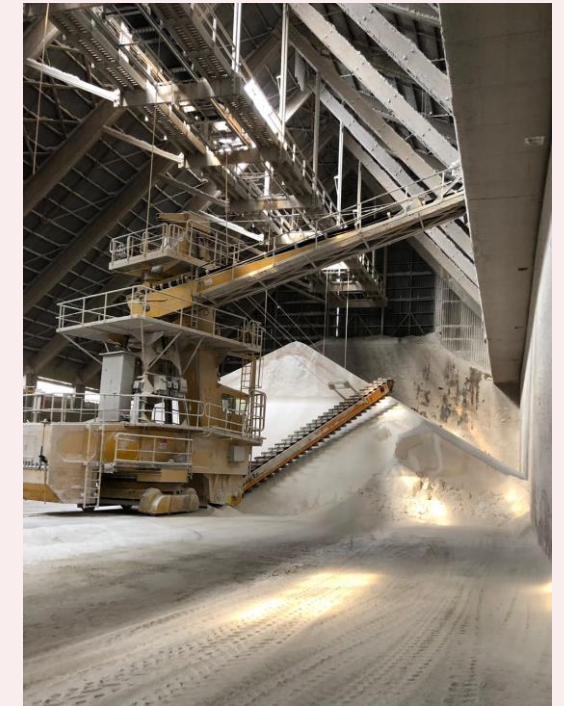
## CMSC's take-or-pay offtake agreement with EuroChem provides cash flow certainty to unlock project funding

- EuroChem will take, pay, market and distribute up to 100% of Colluli Module I SOP production<sup>1</sup>
  - CMSC has the option to retain and sell up to 13% through alternative sales channels
- 10 year term with 3 year extension option<sup>1</sup>
- EuroChem to provide technical support<sup>1</sup>



- Leading global fertiliser producer<sup>2</sup>
- Integrated mining, fertiliser production, logistics and distribution<sup>2</sup>
- CY2017 revenue of US\$4.9B and EBITDA of US\$1.1B<sup>2</sup>

## Danakali's Executive Chairman and Chief Commercial Officer recently visited EuroChem's Antwerp, Belgium fertiliser production facility (Aug-18)



# US\$200M debt financing term sheet

**Danakali has executed a non-binding indicative US\$200M debt term sheet and associated mandate with highly reputable African development financial institutions to fund construction and development of Colluli**

- African Export-Import Bank (**Afreximbank**) and Africa Finance Corporation (**AFC**) will act as the Mandated Lead Arrangers
- Due diligence satisfied for US\$200M of senior debt
- AFC and Afreximbank moving through internal approvals required for credit approval
- Credit approval is a key enabler for equity investment



In 2017 Afreximbank was lead / co-lead arranger on 11 syndicated debt transactions totalling over US\$3Bn



US\$4.5Bn in total assets  
Investment footprint across 28 African countries

*“The execution of the Mandate represents a significant milestone for the Colluli project funding. We are very pleased to be partnering with strong, experienced African financial institutions.”*

**Stuart Tarrant, CFO**

# Project execution – EPCM phases

**Well-defined, phased engineering, procurement and construction process will be commenced by DRA and the Owner's Team post funding**

## Phase 1

FEED review

- Mobilise EPCM Owner's Team
- Critical review of FEED in context of EPCM methodology
- Finalise geotechnical test work
- Purchase critical equipment including reverse osmosis plant

## Phase 2

Capital estimate and schedule

- Complete updates to scope of work
- Investigate optimisation opportunities
- Develop optimal execution strategy
- Relocate camp
- Review and agree on capital estimates and schedule

## Phases 3-6

Detailed engineering, procurement, construction and project management

- Finalisation of engineering design, development and drafting
- Finalisation of vendor packages, and procurement
- Finalisation and award of site contracts
- Construction
- Commissioning and ramp-up

# Technical glossary

Term	Meaning
<b>AFC</b>	<ul style="list-style-type: none"> <li>Africa Finance Corporation</li> </ul>
<b>Afreximbank</b>	<ul style="list-style-type: none"> <li>African Export-Import Bank</li> </ul>
<b>CMSC</b>	<ul style="list-style-type: none"> <li>Colluli Mining Share Company, the 50:50 joint venture vehicle owned by Danakali and ENAMCO that 100% owns Colluli</li> </ul>
<b>Colluli</b>	<ul style="list-style-type: none"> <li>The Colluli Potash Project</li> </ul>
<b>The Company</b>	<ul style="list-style-type: none"> <li>Danakali Limited, DNK.ASX</li> </ul>
<b>Danakali</b>	<ul style="list-style-type: none"> <li>Danakali Limited, DNK.ASX</li> </ul>
<b>DFIs</b>	<ul style="list-style-type: none"> <li>Development financial institutions</li> </ul>
<b>DFS</b>	<ul style="list-style-type: none"> <li>Definitive Feasibility Study, refer ASX announcement 30 November 2015 for the Colluli results</li> </ul>
<b>DRA</b>	<ul style="list-style-type: none"> <li>DRA Global, preferred EPCM contractor</li> </ul>
<b>EBITDA</b>	<ul style="list-style-type: none"> <li>Earnings before interest, tax, depreciation and amortisation</li> </ul>
<b>ENAMCO</b>	<ul style="list-style-type: none"> <li>The Eritrean government owned Eritrean National Mining Company (owns 50% of Colluli)</li> </ul>
<b>EPCM</b>	<ul style="list-style-type: none"> <li>Engineering, Procurement and Construction Management</li> </ul>
<b>Evaporite</b>	<ul style="list-style-type: none"> <li>A natural salt or mineral deposit left after the evaporation of a body of water</li> </ul>
<b>FEED</b>	<ul style="list-style-type: none"> <li>Front End Engineering Design, refer ASX announcement 29 January 2018 for the Colluli results</li> </ul>
<b>FOB</b>	<ul style="list-style-type: none"> <li>Free On Board, specifies the point at which respective obligations, costs, and risk involved in the delivery of goods shift from the seller to the buyer, in the case of operating cost metrics this is when product is put on board a ship at port</li> </ul>
<b>IRR</b>	<ul style="list-style-type: none"> <li>Internal Rate of Return, the discount rate at which the net present value of all the cash flows from a project equal zero</li> </ul>
<b>Kieserite</b>	<ul style="list-style-type: none"> <li>MgSO<sub>4</sub>·H<sub>2</sub>O</li> </ul>
<b>ktpa</b>	<ul style="list-style-type: none"> <li>Kilotonnes per annum (measure of production output)</li> </ul>
<b>Mandated Lead Arrangers</b>	<ul style="list-style-type: none"> <li>Afreximbank and AFC (mandated to provide US\$200M of senior debt to CMSC)</li> </ul>
<b>Mannheim Process</b>	<ul style="list-style-type: none"> <li>The high energy reaction of MOP with sulphuric acid (H<sub>2</sub>SO<sub>4</sub>) to produce SOP</li> </ul>
<b>MOP</b>	<ul style="list-style-type: none"> <li>Muriate of Potash (KCl)</li> </ul>
<b>Mtpa</b>	<ul style="list-style-type: none"> <li>Million tonnes per annum (measure of production output)</li> </ul>
<b>NOP</b>	<ul style="list-style-type: none"> <li>Potassium Nitrate (KNO<sub>3</sub>)</li> </ul>

# Technical glossary *cont.*

Term	Meaning
<b>NPV</b>	<ul style="list-style-type: none"><li>• Net Present Value, the difference between the present value of cash inflows and the present value of cash outflows over a period of time</li></ul>
The <b>Project</b>	<ul style="list-style-type: none"><li>• The Colluli Potash Project</li></ul>
<b>SDGs</b>	<ul style="list-style-type: none"><li>• Sustainable Development Goals, developed by the United Nations' Development Programme</li></ul>
<b>SEIA</b>	<ul style="list-style-type: none"><li>• Social and Environmental Impact Assessment</li></ul>
<b>SEMPs</b>	<ul style="list-style-type: none"><li>• Social and Environmental Management and Monitoring Plans</li></ul>
<b>SOP</b>	<ul style="list-style-type: none"><li>• Sulphate of Potash (<math>K_2SO_4</math>)</li></ul>
<b>SOP-M</b>	<ul style="list-style-type: none"><li>• Sulphate of Potash Magnesia (<math>K_2Mg(SO_4)_2 \cdot 4H_2O</math>)</li></ul>
<b>UNDP</b>	<ul style="list-style-type: none"><li>• United Nations Development Programme</li></ul>

# 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% K<sub>2</sub>O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K<sub>2</sub>O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K<sub>2</sub>O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K<sub>2</sub>O 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](http://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% K<sub>2</sub>O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K<sub>2</sub>O Equiv. Proved and 815Mt @ 10.3% K<sub>2</sub>O 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](http://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](http://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.

## **Quality control and quality assurance**

Danakali exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals. The samples are derived from HQ diamond drill core, which in the case of carnallite ores, are sealed in heat-sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory. Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-Umwelttechnik GmbH, Sondershausen, Germany, utilising flame emission spectrometry, atomic absorption spectroscopy and ion chromatography. Kali-Umwelttechnik (KUTEC) has extensive experience in analysis of salt rock and brine samples and is certified according to DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungsstelle GmbH (DAR). The laboratory follows standard procedures for the analysis of potash salt rocks chemical analysis (K+, Na+, Mg<sup>2+</sup>, Ca<sup>2+</sup>, Cl<sup>-</sup>, SO<sub>4</sub><sup>2-</sup>, H<sub>2</sub>O) 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.