



Proactive One2One Investor Forum presentation

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**), is pleased to share the investor presentation that Chief Executive Officer, Niels Wage, will present at Proactive One2One Investor Forum in London today, 18 September 2019.

Key event details:

- Date – Wednesday, 18 September 2019
- Time – 6.00pm – 9.00pm
- Location – The Chesterfield Mayfair, 35 Charles St, London
- Link to event registration: <https://www.eventbrite.co.uk/e/proactive-one2one-forum-18th-september-tickets-65102545466>

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ASX: DNK / LSE: DNK / ADR: DNKLY



DANAKALI

create. nurture. grow.

Low risk, high return, shovel ready SOP project

Proactive One2One Investor Forum

Niels Wage, Chief Executive Officer
London | Wednesday, 18 September 2019

Forward looking statements, disclaimer and contact

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 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.

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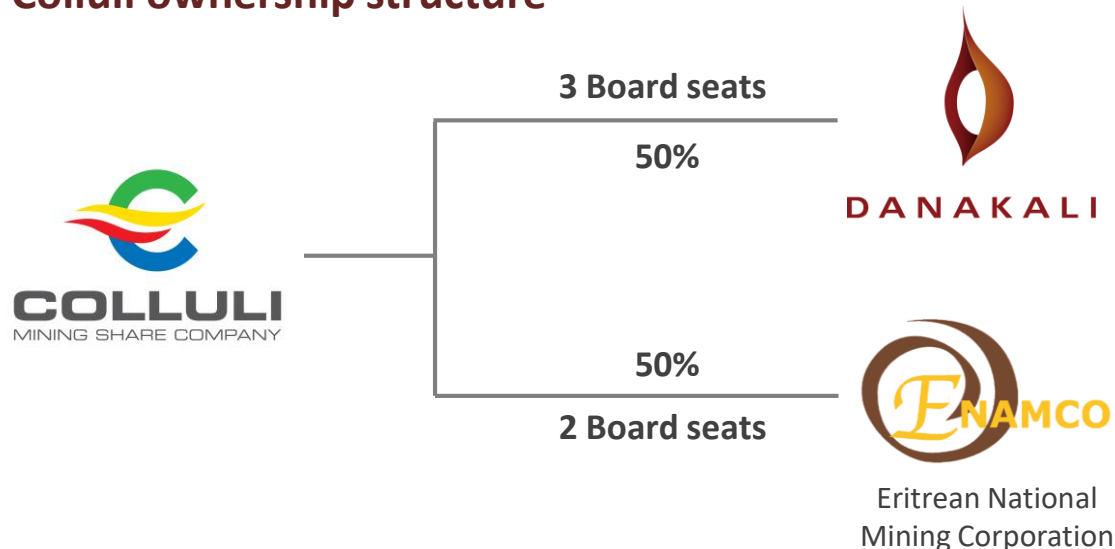
Danakali and Colluli – Overview



Danakali is an ASX- and LSE-listed company developing the low risk, high return, shovel ready Colluli SOP Project

- Located in Eritrea, East Africa
- Modular development approach
 - Module I to produce 472ktpa of premium SOP¹
 - Module II to increase total SOP production to 944ktpa^{1,2}

Colluli ownership structure³



Danakali capital structure

Ticker: DNK	A\$ (ASX)	£ (LSE)
Share price ⁴	A\$0.65	£0.42
Shares on issue ⁵	265M	265M
Market capitalisation⁵	A\$172M	£111M
Cash (30-Jun-19)	A\$6.3M	£3.5M ⁶
Debt (30-Jun-19)	-	-
Enterprise value	A\$166M	£108M

Danakali key shareholders

- Supportive major shareholders Well Efficient (13.2%) and J.P. Morgan Asset Management (7.6%)
- Board and Executive team hold over 5%

¹ DNK announcement, 29-Jan-18

² Commencing in year 6 of production

⁴ As at 16-Sep-19

⁵ Market capitalisation does not include 6.35M unlisted options with exercise prices ranging from A\$0.543 to A\$1.119 and expiry dates ranging from 7-Oct-19 to 30-May-22, or 2.30M performance rights

³ Danakali's disclosed economics reflect the dynamics of the Shareholder's Agreement

⁶ £0.55/A\$

Fertiliser – SOP and the 3 key plant macronutrients

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

- Fertiliser is essential in yield improvement of the crops required to feed the rapidly growing global population
- Sulphate of Potash (SOP) is a premium, environmentally-friendly source of potassium and sulphur for high value crops

Potassium (K) Potash

Improves crop quality,
nitrogen uptake and water
use efficiency

2 highest volume potash types: MOP and SOP

MOP_{KCl}

~67Mtpa¹

US\$200-300/t

- Low value chloride-tolerant crops including barley, oats, corn, bran and rice
- Well supplied by global potash majors
- Can be converted into SOP using the Mannheim Process



SOP_{K₂SO₄} – Danakali focus

~7Mtpa

US\$500-700/t

- ✓ High value chloride-sensitive crops including fruits, vegetables, coffee, tea and nuts
- ✓ Global supply shortage of primary resources
- ✓ High margin



Nitrogen (N) Nitrates

Promotes
photosynthesis and
forms the main
component of plant
proteins

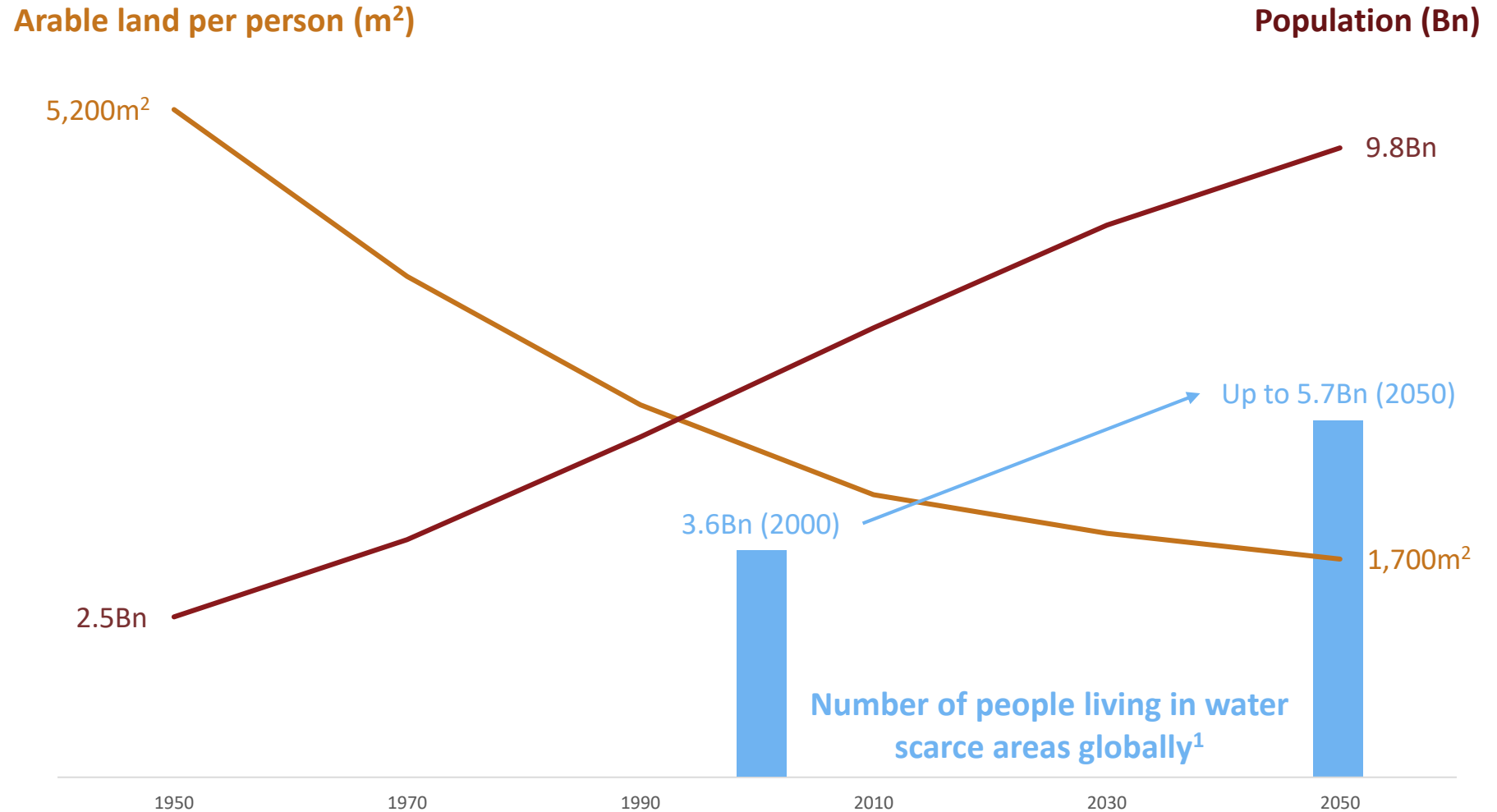
Phosphorous (P) Phosphates

Improves transfer of
energy to promote
root growth and
flowering

SOP – Strong demand fundamentals

Key demand drivers:

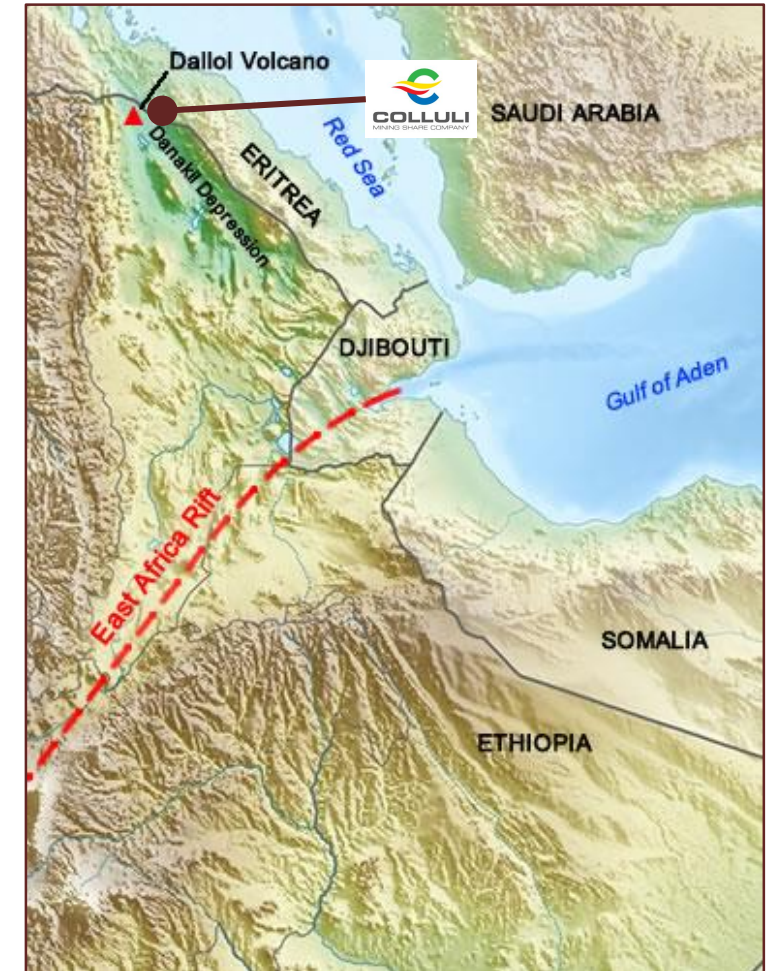
1. Global population growth
2. Reduction in arable land per capita
3. Changing dietary preferences
4. Under-application in developing countries
5. Water availability



Colluli – The Danakil Depression

The isolation, barren landscape and geological characteristics of the Danakil Depression allows Danakali to mine a potassium rich salt deposit while avoiding disruption to local communities and the environment

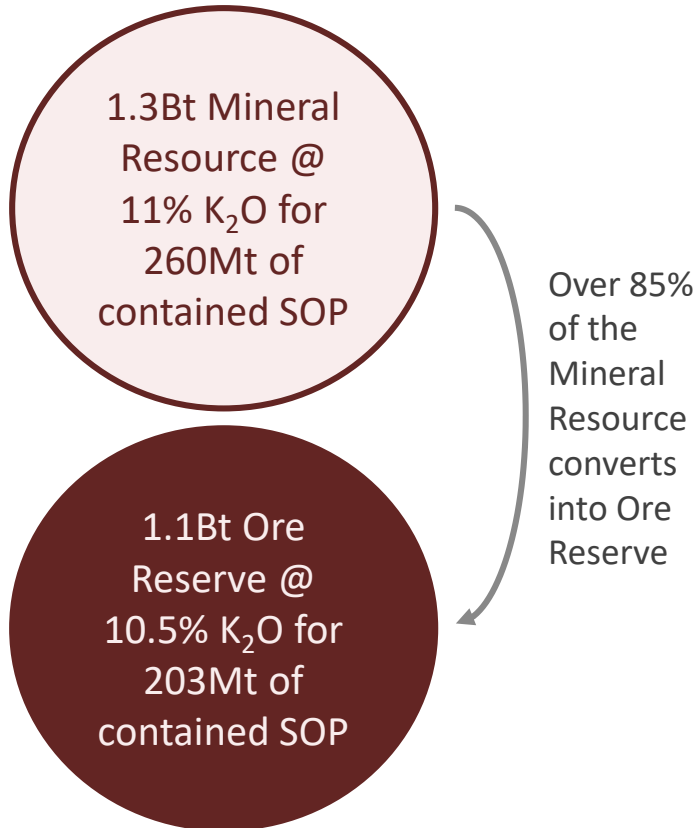
- The Danakil Depression is one of the hottest, driest and lowest places on earth
- Previously submerged by the Red Sea
- Contains rich salt deposits left behind as moisture evaporated
- The combination of extreme heat and lack of water make it one of the most remote and inhospitable environments in the world



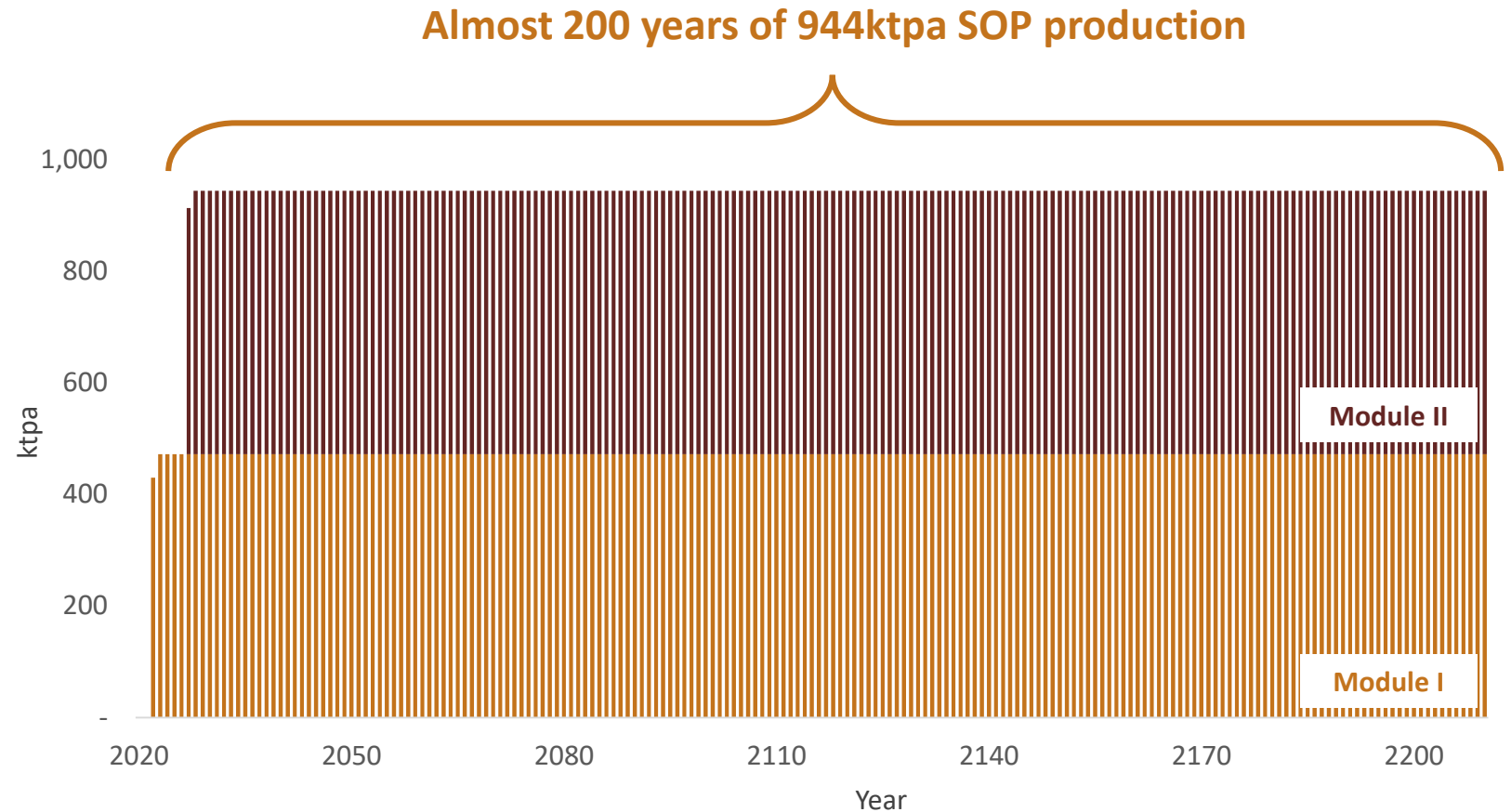
Colluli – Unrivalled scale

Colluli is the largest known SOP Resource and Reserve, with the largest production potential and longest life of mine of its SOP development and production peers (ex China)

Colluli Resource and Reserve



Colluli production and life of mine



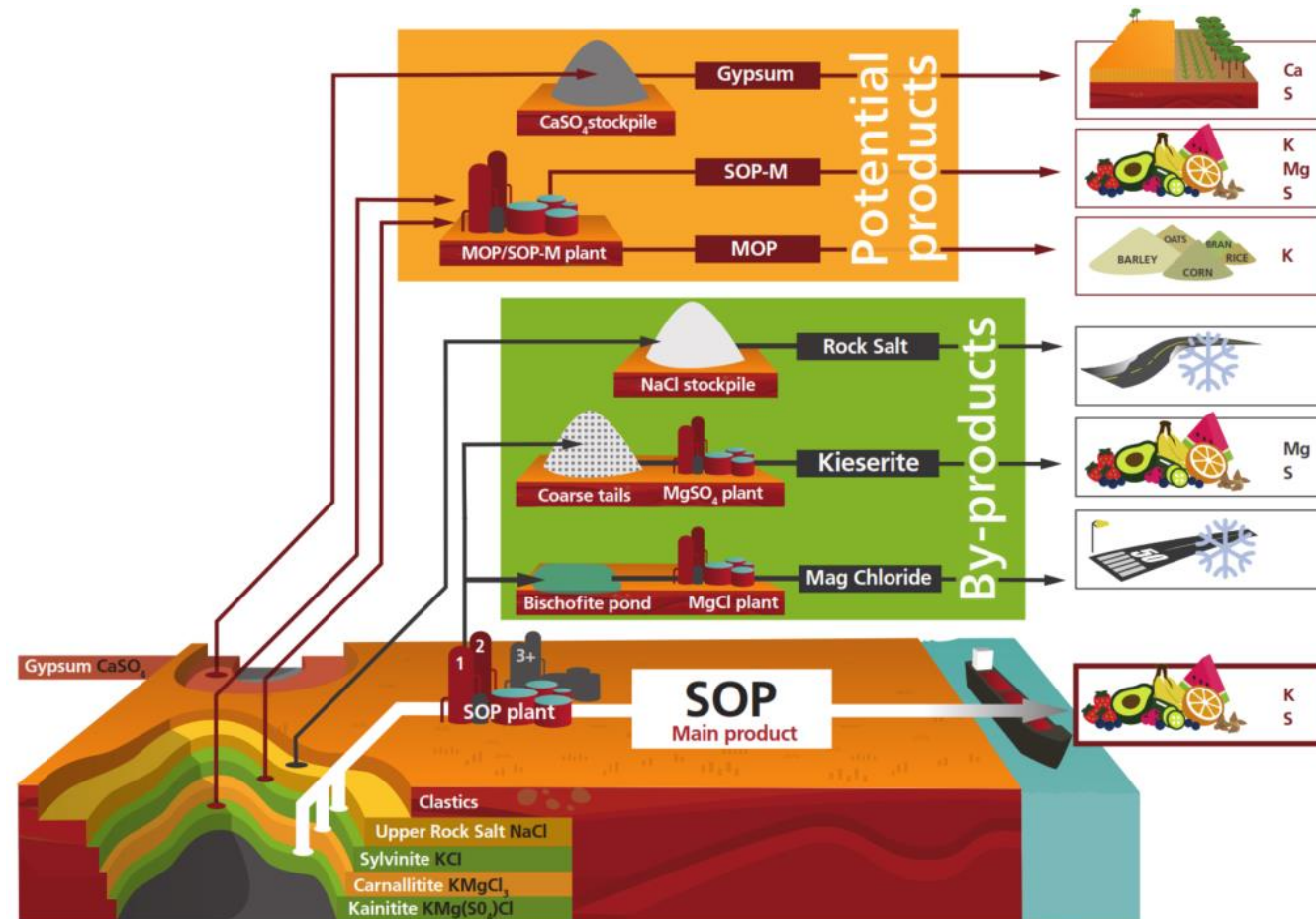
Colluli – Quality Reserve with multi-commodity potential

High grade solid salts from shallow deposit (16m below surface) and multi-commodity potential

Established products



Colluli potential product suite, including established SOP, SOP-M and Rock Salt products



Colluli – Low risk, high return, shovel ready project



Simple mining
and processing

- Open-cut mining
- Commercially proven processing with 85% recoveries



Closest SOP
deposit to coast

- Only 230km by road to the well-established Port of Massawa
- 87km to Anfile Bay, potential site for future port development



Stable, supportive
mining jurisdiction



Industry leading
capital intensity



First quartile
operating costs



Exceptional
returns


- Front End Engineering Design study complete
- +/-10% accuracy level
- Post tax US\$439M NPV and 31.3% IRR attributable to Danakali



'Shovel ready'
SOP project



Binding offtake
agreement



US\$200M
senior debt

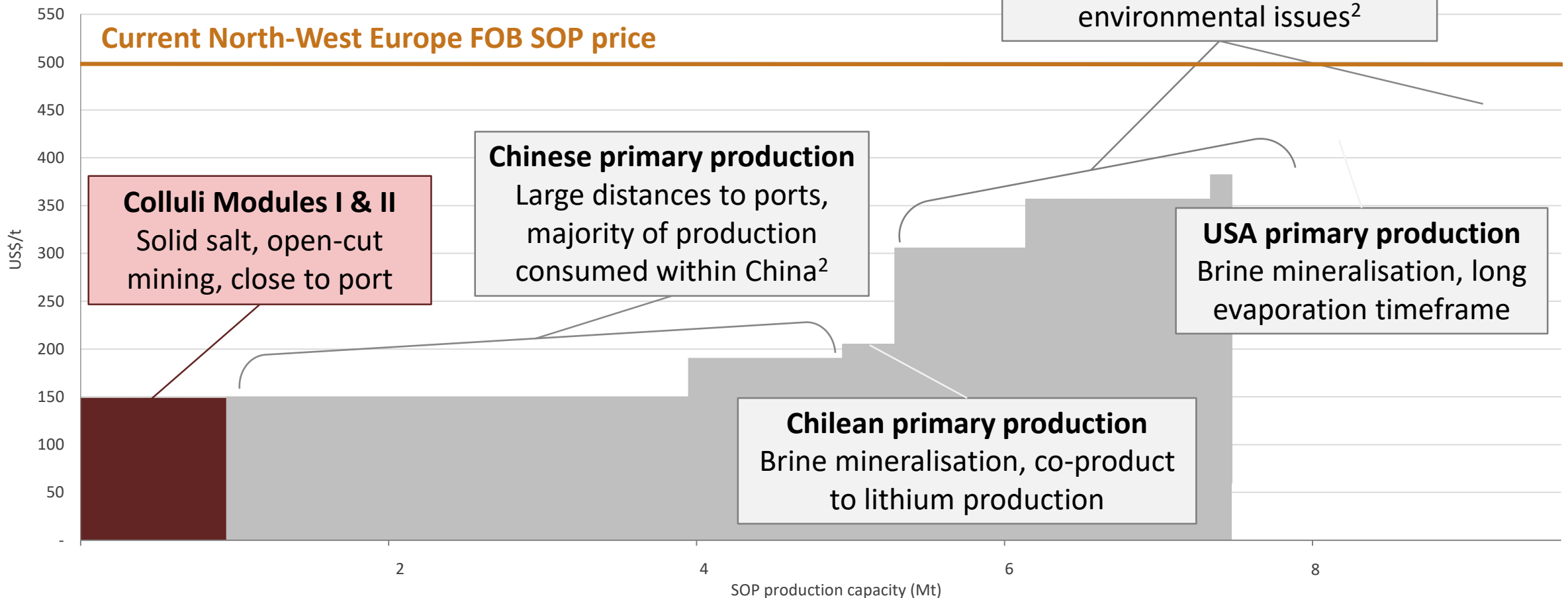
- Fully permitted

- EuroChem will take, pay, market and distribute up to 100% of Colluli Module I SOP production

Colluli – First quartile operating costs

Mine gate production costs for global SOP producers in 2018¹

Colluli FEED results included to demonstrate illustrative comparison



¹ Greenmarkets and internal Company analysis

² Integer Research

Funding – Nearing completion

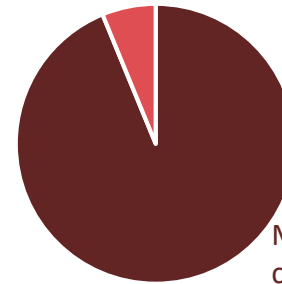
Credit approval for US\$200M in CMSC senior debt, a key enabler for the remaining project funding requirement

- AFC and Afreximbank have extensive experience in providing finance to African projects
 - Approval of export credit support from the Export Credit Insurance Corporation of South Africa
 - First time ECIC has provided to a non-South African bank
 - Afreximbank also obtained credit approval to grant a US\$42M guarantee in support of Inglett & Stubbs International’s Colluli power plant
- Danakali is now focusing on attracting strategic and institutional equity investment
 - Standard Chartered is acting as corporate financial adviser

CMSC senior debt is set to provide the majority of project funding

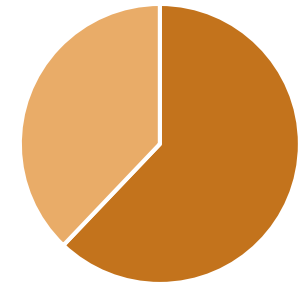
Uses

Module I working capital, US\$20M



Module I development capital, US\$302M

Sources



Credit approved CMSC senior debt, US\$200M

Funding partners

Senior debt



Mandated Lead Arrangers

Export credit



Corporate financial adviser



Colluli – Sustainable, high impact development project

Colluli has the potential to create numerous benefits for Eritrea, including contributing to 13 of the 17 UN Sustainable Development Goals

- UNDP reported Colluli’s potential contributions to Eritrea’s Sustainable Development Goals
- Colluli highlighted as a blueprint for mining in developing countries
- Sustainable Development Goals cover issues including poverty, education, environment and social justice



“Colluli has the potential to boost the national economy [of Eritrea] and potentially transform agriculture in the region”

Christian Parra and Dr P Anand (UNDP report authors),
Analysis of the potential contributions of Colluli to sustainable development goals in Eritrea, January 2019

Investment case

- ✓ Modular approach with low capital intensity
- ✓ First quartile operating costs
- ✓ Long life asset with significant production
- ✓ US\$200M in senior debt
- ✓ Binding offtake
- ✓ Fully permitted
- ✓ **Low risk**
- ✓ **High return**
- ✓ **Shovel ready**



Danakali is focused on building shareholder value

Completion of project funding enables realisation of extensive project execution milestones and accelerates Colluli towards production

Thank you



DANAKALI

create. nurture. grow.



COLLULI
MINING SHARE COMPANY



Eritrea – Asmara



DANAKALI

create. nurture. grow.

Asmara, the capital of Eritrea



Eritrea – Asmara cont.



DANAKALI

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Market in Asmara



Storefronts in Asmara



Logistics – Massawa and Anfile Bay



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The Port of Massawa



Anfile Bay – a potential site for port development



Colluli

Danakali and CMSC employees at the Colluli mine site



Colluli mine site terrain



Appendix

Executive team and Board

FEED results

Binding offtake agreement with EuroChem

Competent Persons Statements



Executive team and Board

Strong, energetic and accomplished Executive team supported by experienced, multi-disciplinary Board

Danakali Executive team



Niels Wage

Chief Executive Officer

Significant potash, shipping, logistics, trading and commodity experience including at BHP



Stuart Tarrant

Chief Financial Officer

Extensive mining industry exposure, previously a finance manager at BHP



Tony Harrington

Project Director

Over 30 years' experience across a range of mining projects in Africa and globally



William Sandover

Head of Corporate Development & External Affairs

Extensive investment banking and corporate advisory experience, including at UBS and Macquarie

Danakali Board



Seamus Cornelius

Non-Executive Chairman

Corporate lawyer with over 20 years' experience in the resource sector



Bob Connochie

Non-Executive Director

Highly experienced potash and mining specialist with over 40 years' industry experience



Andre Liebenberg

Non-Executive Director

Mining industry professional with extensive finance, business development and leadership experience



Paul Donaldson

Non-Executive Director

Over 30 years' experience in senior management at BHP, Danakali and Pacific National



John Fitzgerald

Non-Executive Director

Chartered Accountant with over 30 years' finance and corporate advisory experience in the resource sector



Zhang Jing

Non-Executive Director

Over 15 years of international trading and business development experience in China

FEED results

FEED confirmed 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^{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

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

Binding 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 production¹
 - CMSC has the option to retain and sell up to 13% through alternative sales channels
- 10 year term with 3 year extension option¹
- EuroChem to provide technical support¹

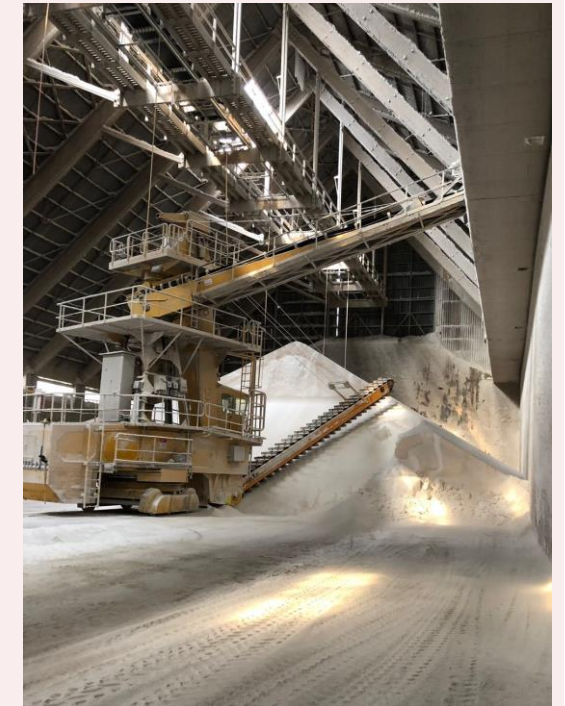
- Leading global fertiliser producer²



EUROCHEM

- Integrated mining, fertiliser production, logistics and distribution²
- CY2018 revenue of US\$5.6Bn and EBITDA of US\$1.52Bn²

Danakali's Executive Chairman and Chief Executive Officer visited EuroChem's Antwerp, Belgium fertiliser production facility



Competent Persons Statements

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

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

The information relating to the Colluli Mineral Resource estimate is extracted from the report entitled “Colluli Review Delivers Mineral Resource Estimate of 1.289Bt” disclosed on 25 February 2015 and the report entitled “In excess of 85 million tonnes of Kieserite defined within Colluli Project Resource adds to multi agri-commodity potential” disclosed on 15 August 2016, which are available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Competent Persons Statement (Sulphate of Potash Ore Reserve)

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

The information relating to the January 2018 Colluli Ore Reserve is extracted from the report entitled “Colluli Ore Reserve update” disclosed on 19 February 2018 and is available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Competent Persons Statement (Rock Salt Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 347Mt @ 96.9% NaCl. The Mineral Resource estimate contains 28Mt @ 97.2% NaCl of Measured Resource, 180Mt @ 96.6% NaCl of Indicated Resource and 139Mt @ 97.2% NaCl of Inferred Resource.

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

AMC Consultants Pty Ltd (AMC) independence

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

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⁺, Mg²⁺, Ca²⁺, Cl⁻, SO₄²⁻, H₂O) 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.