



## Danakali investment case

Danakali Limited (ASX: DNK, LSE: DNK, **Danakali** or the **Company**) is pleased to share the Company's *Investing in African Mining Indaba* conference presentation. Indaba takes place this week and will be attended by members of the Danakali Executive team. The presentation covers Danakali's compelling investment case<sup>1</sup>:

- High quality Board and Executive team with deep project execution experience
  - Binding 10 year offtake with EuroChem
  - US\$250m of funding
  - Sulphate of Potash (**SOP**) is the premium, high margin potash type
  - First quartile operating costs
    - <US\$150/t (mine gate)
  - Unrivalled scale
    - 1.1Bt Ore Reserve and almost 200 year mine life
  - Strong cash flow
    - US\$85M p.a. to Danakali at full production
  - Lowest capital intensity and highest returns
    - Danakali NPV<sub>10,real</sub> US\$439m, IRR 31.3%
- **Low cost**  
→ **Premium product**  
→ **Development underway**  
→ **Production and revenue in 2022**

For more information, please contact:

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Announcement and presentation authorised for release by the CEO of Danakali. The presentation can be found in the pages that follow.

<sup>1</sup> DNK announcements 29-Jan-18, 19-Feb-18, 12-Jun-18, 3-Dec-19 & 23-Dec-19



ASX: DNK / LSE: DNK / ADR: DNKLY /  
Various European OTC: SO3 (e.g. FRA: SO3, MUN: SO3)



**DANAKALI**

create. nurture. grow.

Low cost  
Premium product  
Development underway  
Production and revenue in 2022

February 2020

# Danakali investment case

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- ✓ Binding 10 year offtake with EuroChem
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  - Danakali NPV<sub>10, Real</sub> US\$439m, IRR 31.3%<sup>1</sup>

**Low cost**

**Premium product**

**Development  
underway**

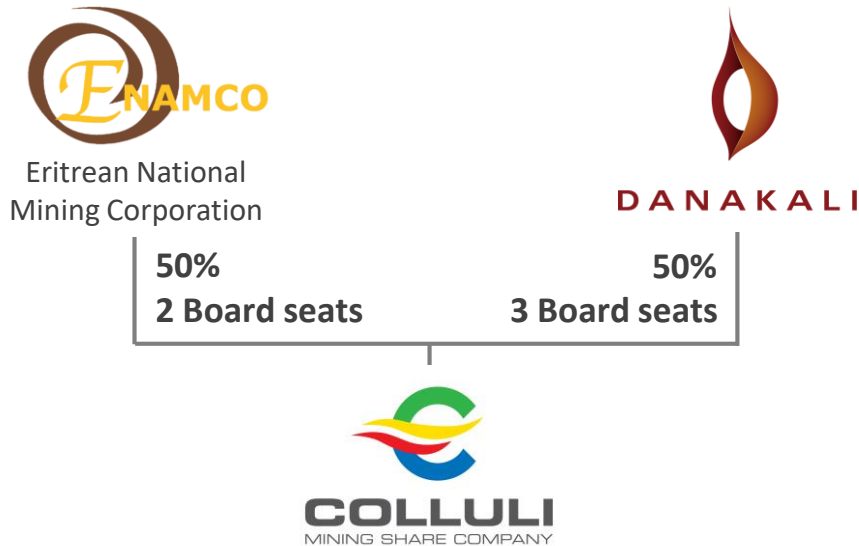
**Production and  
revenue in 2022**

# Key financial metrics

## Colluli provides investors with exposure to one of the lowest cost SOP developers

- Located in Eritrea, East Africa
- Module I to produce 472ktpa of premium SOP, production to commence in 2022
- Module II to increase total SOP production to 944ktpa

## Colluli ownership structure<sup>1</sup>



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

Ticker: DNK	A\$ (ASX)	£ (LSE)
Share price <sup>2</sup>	A\$0.58	£0.325
Shares on issue <sup>3</sup>	319M	319M
<b>Danakali market capitalisation<sup>3</sup></b>	<b>A\$185M</b>	<b>£104M</b>
Cash (pro forma including AFC equity tranche 1)	A\$31.7M	£16.3M <sup>4</sup>
Debt at Danakali level	-	-
<b>Danakali enterprise value</b>	<b>A\$153M</b>	<b>£88M</b>
<b>AFC equity tranche 2 – IN TRAIN</b>	<b>A\$42.0M</b>	<b>£22.0M<sup>4</sup></b>
<b>Executed CMSC senior debt (US\$200M, undrawn)</b>	<b>A\$294M</b>	<b>£154M</b>

## Danakali key shareholders

- Supportive major shareholders Africa Finance Corporation (AFC), Well Efficient and J.P. Morgan Asset Management
- Board and Executive team hold c. 5%

<sup>1</sup> Danakali's disclosed economics reflect the dynamics of the Shareholder's Agreement

<sup>3</sup> Market capitalisation does not include 6.1M unlisted options with exercise prices ranging from A\$0.912 to A\$1.119 and expiry dates ranging from 11-May-20 to 30-May-22, or 2.195M performance rights <sup>4</sup> £0.52/A\$ <sup>5</sup> Colluli Modules I & II

<sup>2</sup> As at 31-Jan-20

# Key project metrics

## Front End Engineering Design (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

# High quality Board and Executive team

## 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

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



**Todd Romaine** – Chief Sustainability Officer

Extensive experience across Corporate Social Responsibility, government relations and workers' rights in Eritrea

### Danakali Board – Soon to be joined by 2 AFC nominee directors



**Seamus Cornelius**

Non-Executive Chairman

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



**Andre Liebenberg**

Non-Executive Director

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



**John Fitzgerald**

Non-Executive Director

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



**Bob Connochie**

Non-Executive Director

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



**Paul Donaldson**

Non-Executive Director

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



**Zhang Jing**

Non-Executive Director

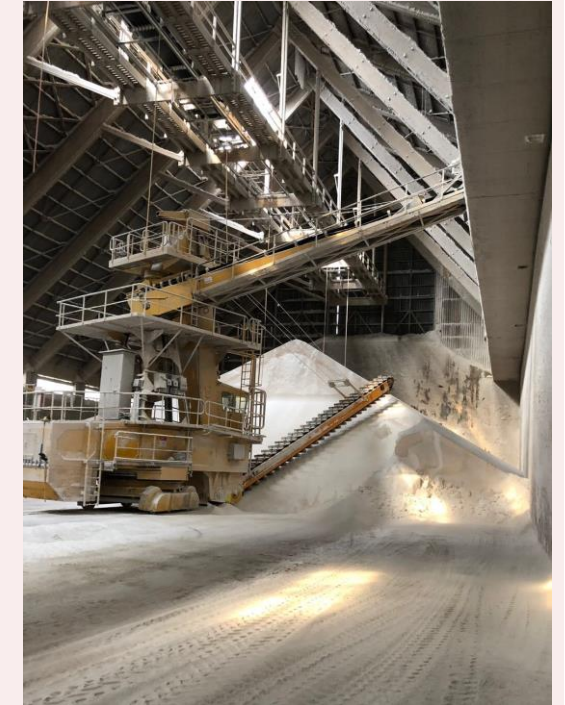
Over 15 years of international trading and business development experience in China

# Binding offtake provides cash flow certainty

- 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>
- Leading global fertiliser producer<sup>2</sup>
  - Integrated mining, fertiliser production, logistics and distribution<sup>2</sup>
  - CY2018 revenue of US\$5.6Bn and EBITDA of US\$1.5Bn<sup>2</sup>



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



# US\$250M of funding

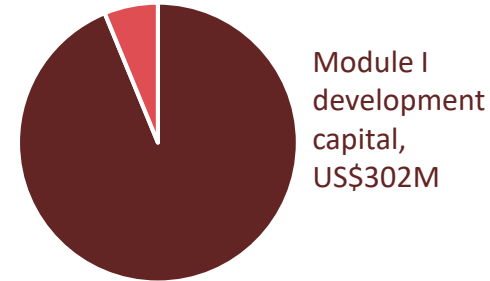
- Final documentation executed for US\$200M in CMSC senior debt from AFC and Afreximbank in December 2019
- US\$50M cornerstone equity investment from AFC
  - Tranche 1 (US\$21.6M) received in December 2019
  - Tranche 2 (US\$28.4M) expected to settle in March 2020
- AFC and Afreximbank have extensive experience in providing finance to African projects
- Approval of export credit support from the Export Credit Insurance Corporation of South Africa

Source: DNK announcement 3-Dec-19 & 23-Dec-19

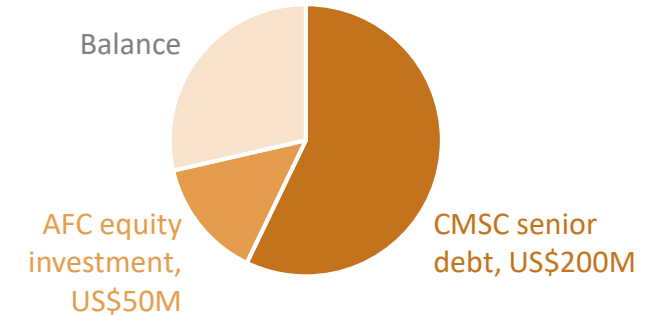
## US\$250M provides the majority of development capital

### Uses

Module I working capital, US\$20M




### Sources



## Funding partners

**Senior debt**




**Mandated Lead Arrangers**

**Strategic equity investor**



**AFC**  
AFRICA FINANCE CORPORATION

**Corporate financial adviser**



**Standard Chartered**

**Export credit**



**ECIC**  
EXPORT CREDIT INSURANCE CORPORATION OF SOUTH AFRICA LTD.

# AFC is a strong partner for Danakali, Colluli and Eritrea

**AFC is a leading investment bank and development finance institution created to help mobilise required capital towards driving Africa's economic development**

- Expertise in principal investing, project development and financial advisory
- Addressing Africa's infrastructure development needs
- Investment footprint across 30 African countries
- International organisation established by treaty
- Comprised of 24 member countries (including recent addition Eritrea)
- US\$4.5Bn in total assets and across 28 African countries

*"AFC is excited by opportunity to accelerate development in Eritrea through investment in Colluli. Our strategic focus relies on financially and technically strong partnerships and we look forward to continuing to foster economic growth and industrial development alongside the Eritrean government."*

**Chief Executive Officer of AFC, Samaila D. Zubairu**



# Sustainable, high impact development project

## Contributing to 13 of 17 Sustainable Development Goals

- The United Nations Development Programme reported Colluli's potential contributions to Eritrea's Sustainable Development Goals
- Colluli highlighted as a blueprint for mining in developing countries
- Five areas of direct positive impact including environmental, people and society, and fiscal effects

*"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*



# Development underway

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

## EPCM phases 1 & 2 – Mobilisation



- Mobilise EPCM Owner's Team
- Finalise geotechnical test work
- Purchase critical equipment, including reverse osmosis plant
- Investigate optimisation opportunities
- Develop optimal execution strategy

## EPCM phases 3 to 6 – Construction



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

## Production





- Module I – 472ktpa of SOP, US\$88M p.a. Project cash flow
- Modules I & II – 944ktpa of SOP, US\$173M p.a. Project cash flow

**Production in 2022, ramp-up to full production within 12 months**

# SOP is the premium, high margin potash type

- SOP is an environmentally-friendly, chloride-free source of Potassium and Sulphur
- SOP prices are typically 2-3x MOP prices
- SOP is used to enhance yields for high value crops such as fruits, vegetables, coffee, tea and nuts
- Demand driven by rapidly growing middle class in developing nations and changing dietary preferences globally
- Limited primary production available
- Secondary production (typically the high cost, energy intensive and environmentally unfriendly Mannheim Process<sup>1</sup>) accounts for over 50% of supply

	MOP <sub>KCl</sub> 	SOP <sub>K<sub>2</sub>SO<sub>4</sub></sub> 
Production volume	~67Mtpa <sup>2</sup>	~7Mtpa
Price	US\$200-300/t	US\$500-650/t
Crop application	Low value, chloride tolerant	High value, chloride sensitive / intolerant

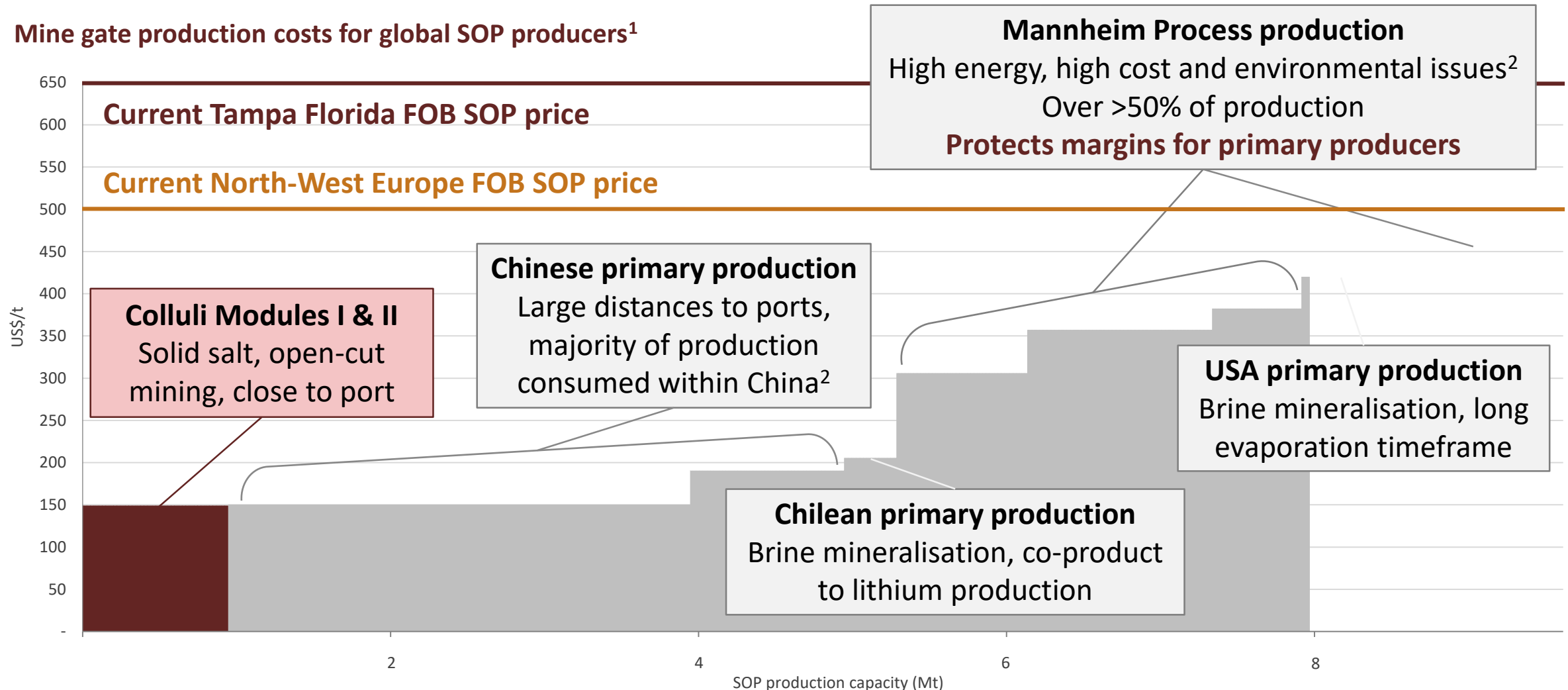
Price reporting agency CRU “*global SOP prices to increase to 2023 as the market balance tightens with limited new capacity to enter production*”

Indicatively, Colluli’s assumed FOB Eritrea SOP price of US\$569/t could lead to **over a US\$300/t margin**  
(based on total cash costs for Module I & II of US\$242/t)

# First quartile operating costs, <US\$150/t (mine gate)

## Danakali will be one of the lowest cost SOP producers

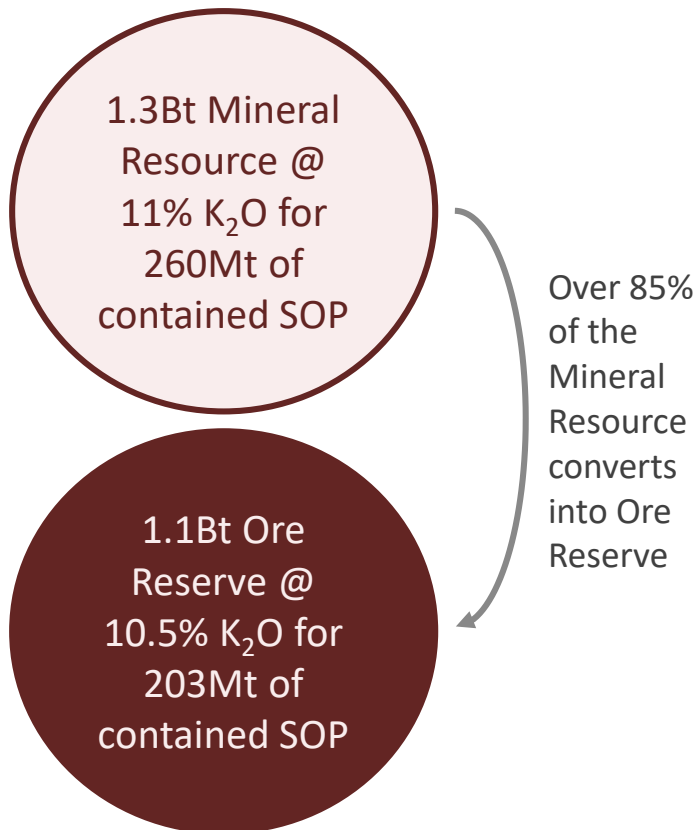
### Mine gate production costs for global SOP producers<sup>1</sup>



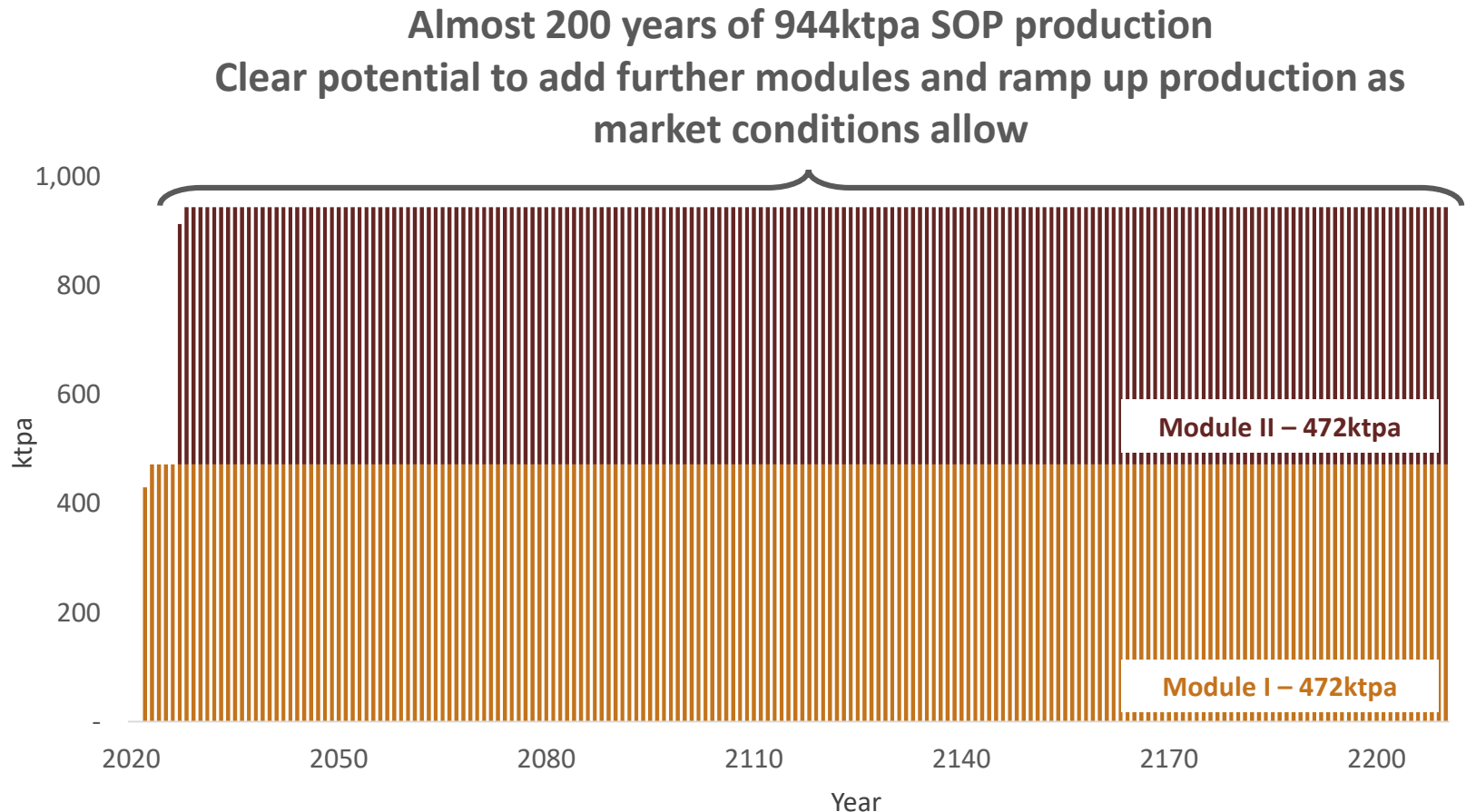
# Unrivalled scale

**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



# Closest known SOP deposit to a coastline

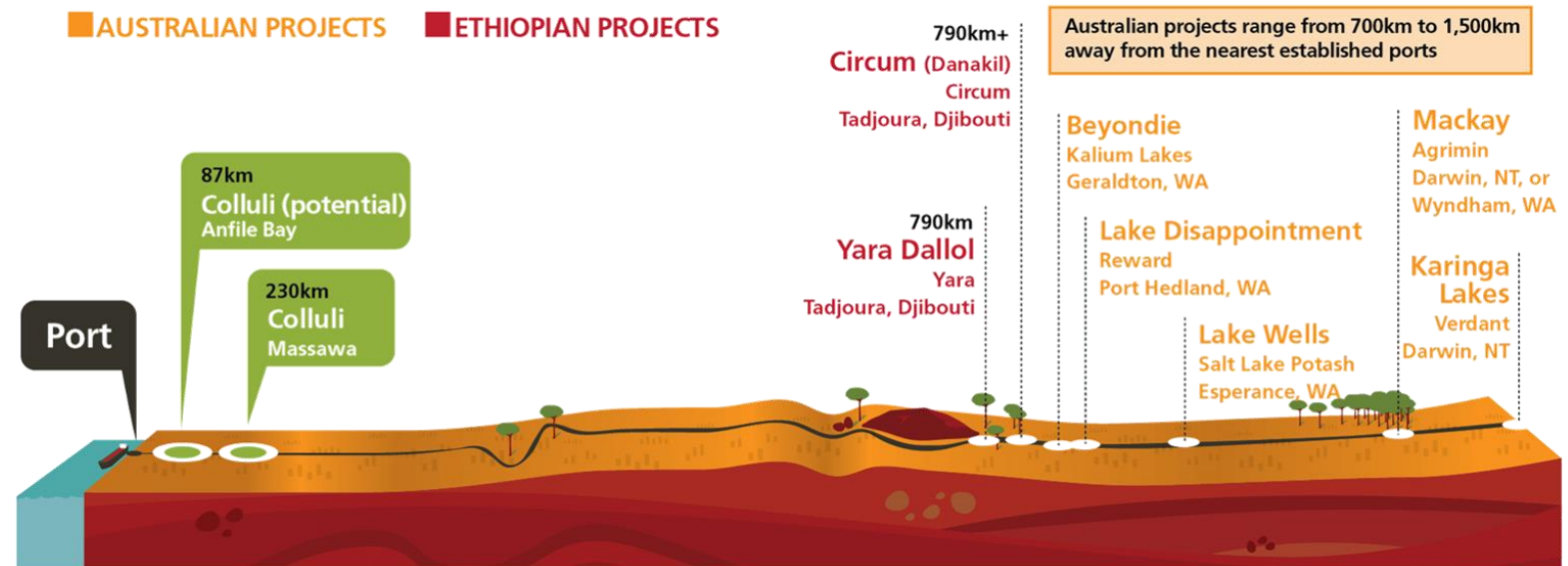
## Colluli's proximity to established port infrastructure provides unrivalled access to the global export markets

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

## Closest known SOP deposit to a coastline



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

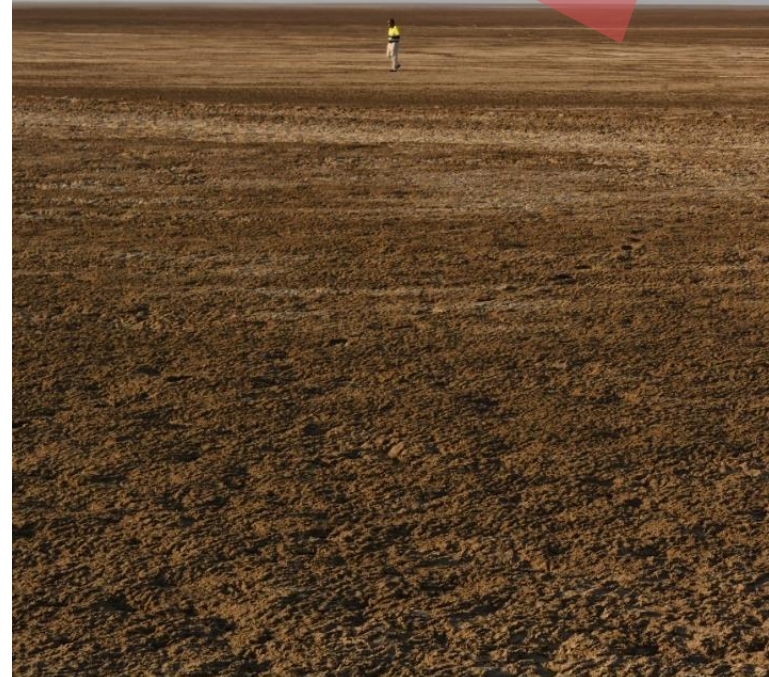
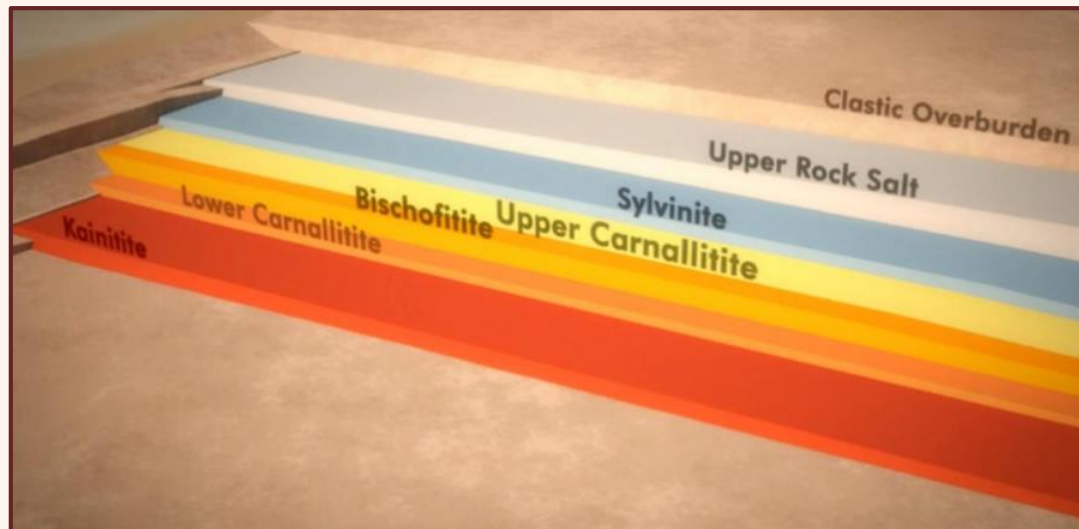


# Mineralisation commences at just 16m

- Shallowest known evaporite deposit
- Open-cut mining allows modular approach
- Favourable combination of potassium salts for low energy SOP production
- Limited environmental footprint
- Opportunities for expansion

## Stratification of the Colluli Resource<sup>1</sup>

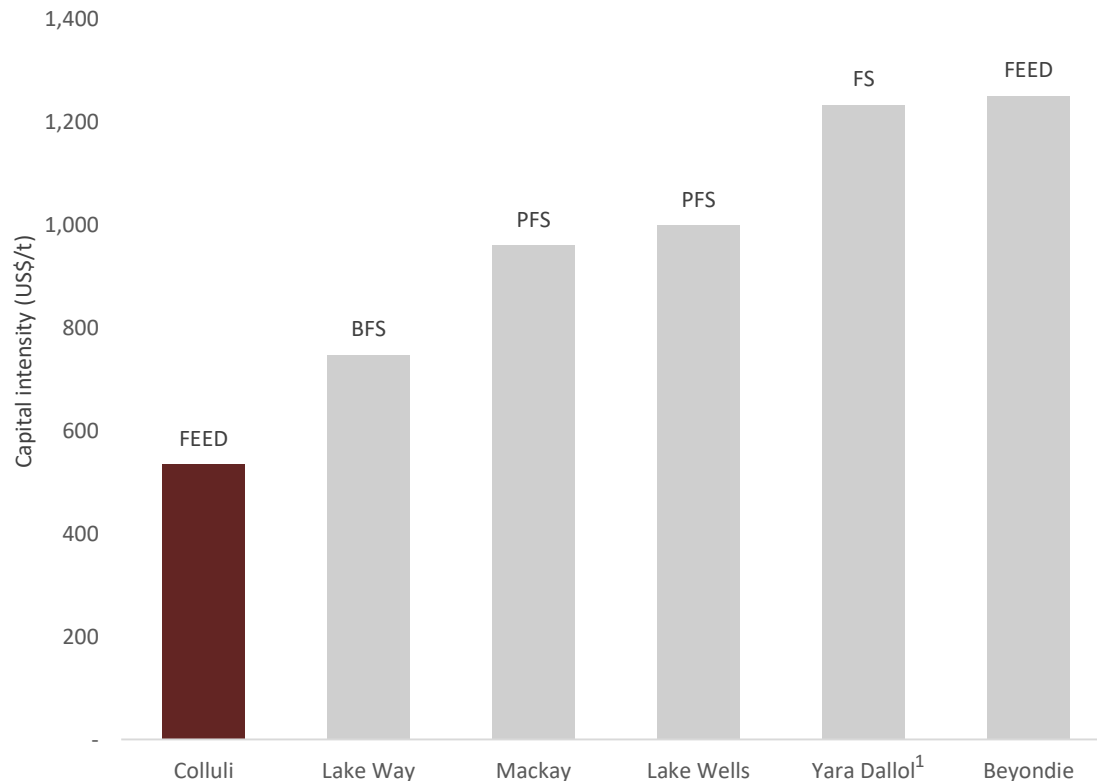
- Clear distinction of salt layers; with
- homogenous, predictable grade; allows
- selective extraction; and
- reliable production rates



# Lowest capital intensity and highest returns

Industry leading capital intensity and forecast first quartile operating costs...

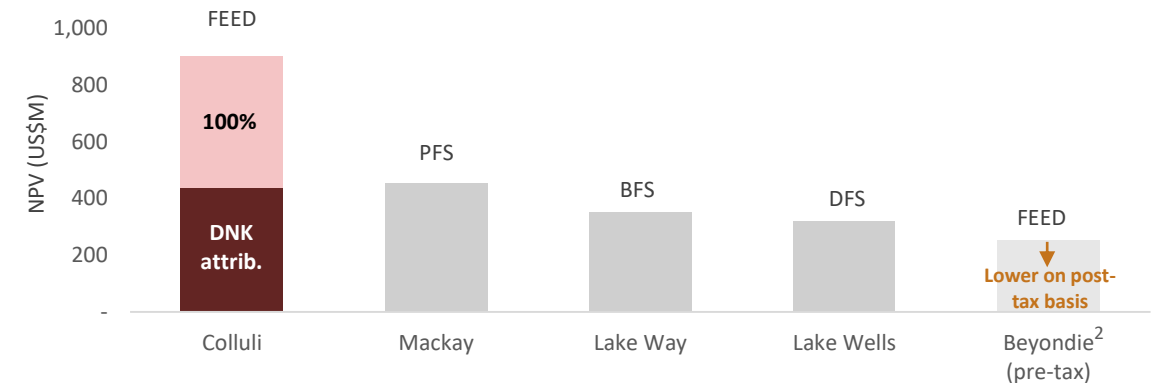
## Capital intensity



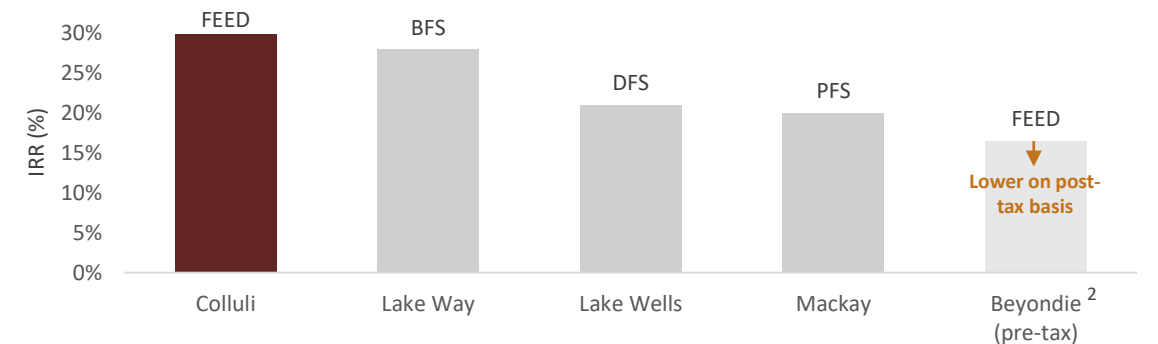
...leads to outstanding returns on absolute and relative basis at FEED accuracy level

## Project NPV

(post-tax, Colluli NPV<sub>10%,Real</sub>, Mackay NPV<sub>8%,Real</sub>, others NPV<sub>8%,Nominal</sub>)



## Project IRR (post-tax)



# Danakali investment summary

- ✓ Colluli will be a **low cost, high margin producer of SOP**
- ✓ **Project execution is de-risked**
  - Board and Executive team with extensive project execution experience
- ✓ **Colluli cash flows are de-risked**
  - Binding 10 year offtake agreement
- ✓ **Colluli funding is de-risked**
  - \$US250m; US\$200m of senior debt and US\$50m of strategic equity
- ✓ **Free cash flow of US\$85M p.a. to Danakali at full production**
  - Danakali NPV<sub>10, Real</sub> of US\$439m at an IRR of 31.3%<sup>1</sup>
- ✓ **SOP is the premium, high margin potash product**
  - Used to increase yields for high value food crops, including fruit, vegetables, coffee, tea and nuts
- ✓ Development underway with **production and revenue to occur in 2022**

# Thank you



**DANAKALI**

create. nurture. grow.



**COLLULI**  
MINING SHARE COMPANY



# Appendix

Environmental, social & governance

Eritrea overview

Positive developments in Eritrea

Danakali's experience working in Eritrea

Population growth drives the requirement for SOP

SOP global application rates

SOP supply dynamics

SOP pricing dynamics

US\$200M senior debt facility

Colluli mine plan

Simple, energy efficient, commercial processing

Solid salts provide cost and time savings

Capital and operating expenditure

Competent Persons Statements



# Environmental, Social & Governance

**The Company's policies and proposed strategies and processes ensure adherence to best in class environmental, social and governance standards in line with the Company's values**



## Performance

### Economic contribution in Eritrea

- ✓ Internal CMSC spend of >US\$4M
- ✓ External CMSC spend of >US\$21M

### Economic support

- ✓ Local procurement
- ✓ Encourage capacity building of local enterprises through targeted training and development



## Planet

### Water, waste, energy management

- ✓ Community recycling plan
- ✓ Project self reliant for water and self-sufficient in energy generation

### Biodiversity

- ✓ Eritrean Ministry of Land, Water and Environment approval of Social & Environmental Management Plans, including wildlife and vegetation



## Integrity

### Committed to human rights

- ✓ Human Resources Management Plan and human rights policy
- ✓ Planning impact assessment

### Stakeholder engagement

- ✓ Considered interaction with stakeholders and extensive community feedback
- ✓ 0 reports of corruption since commencement of activities



## People

### Safety of workers and communities

- ✓ OH&S and emergency response procedures in place
- ✓ 0 injuries reported in 2018-19

### Training, education, employment

- ✓ Creation of 650 direct and up to 10,000 indirect jobs<sup>1</sup>
- ✓ Community investment and development initiatives, with a focus on diversity

Danakali's policies seek to comply with the internationally recognised frameworks including the: **National Eritrean Standards, Equator Principles and the International Finance Corporation's** Performance Standards and the **World Bank Group's** Environment, Health & Safety Guidelines.

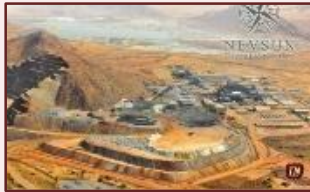


1. Estimate of 10,000 indirect jobs is from UNDP report, *Analysis of the potential contributions of Colluli to sustainable development goals in Eritrea*, January 2019 – Danakali and its Board take no responsibility for the content of the report, nor does the Company or its Board endorse or warrant the accuracy of any content of the report

# Eritrea overview

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

- Stable government and rapidly improving geopolitical dynamics
  - Recent rapprochement with Horn of Africa neighbours
- One of the fastest growing economies globally<sup>1</sup>
  - Driven by mining, agriculture and infrastructure
- Supportive laws for mining investment
  - Accelerated depreciation (straight line, 4 years)
  - 10-year carrying forward of losses
- High profile investment in Nevsun<sup>2</sup> and Danakali
  - JPMorgan, Capital Group, Fidelity, BlackRock, Vanguard and M&G

## Major mining projects in Eritrea<sup>2</sup>

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

# Positive 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



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

**28 December 2018**

Zijin acquisition of Nevsun<sup>4</sup>



*Ethiopian PM Abiy with President Afwerki*

**11 October 2019**

Ethiopian Prime Minister wins Nobel Peace Prize, hails Eritrean President as 'comrade in peace'

**30 January 2019**

UNDP report on Colluli released<sup>8</sup>

**14 November 2018**

UN lifts sanctions against Eritrea



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

**9 July 2018**

Joint declaration of peace & friendship between Eritrea & Ethiopia signed<sup>1</sup>



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

**8 February 2019**

EU announced investment into Eritrean roads<sup>7</sup>



*Ethiopian Prime Minister Abiy with Italy's President Sergio Mattarella<sup>10</sup>*

# Danakali's experience working in Eritrea

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

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

## The Danakali experience in Eritrea

Safe and friendly

Development focused

Stable government

Strong focus on health & education

No evidence of corruption

Gender equality

## Broker coverage reiterates Danakali's experience

*During our site visit, the government and ministry officials that we met with were supportive of both the project's development, and the quality of the social and environmental work completed*

**Numis: World class potash resource at bottom of cost curve, Jul-18**

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

**Bell Potter: World class SOP development project, Aug-17**

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

**Baillieu Holst: Postcard from Eritrea, Jul-16**

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

**Hartleys: Site visit to Eritrea confirms world class SOP project, Nov-16**

# Population growth drives the requirement for SOP

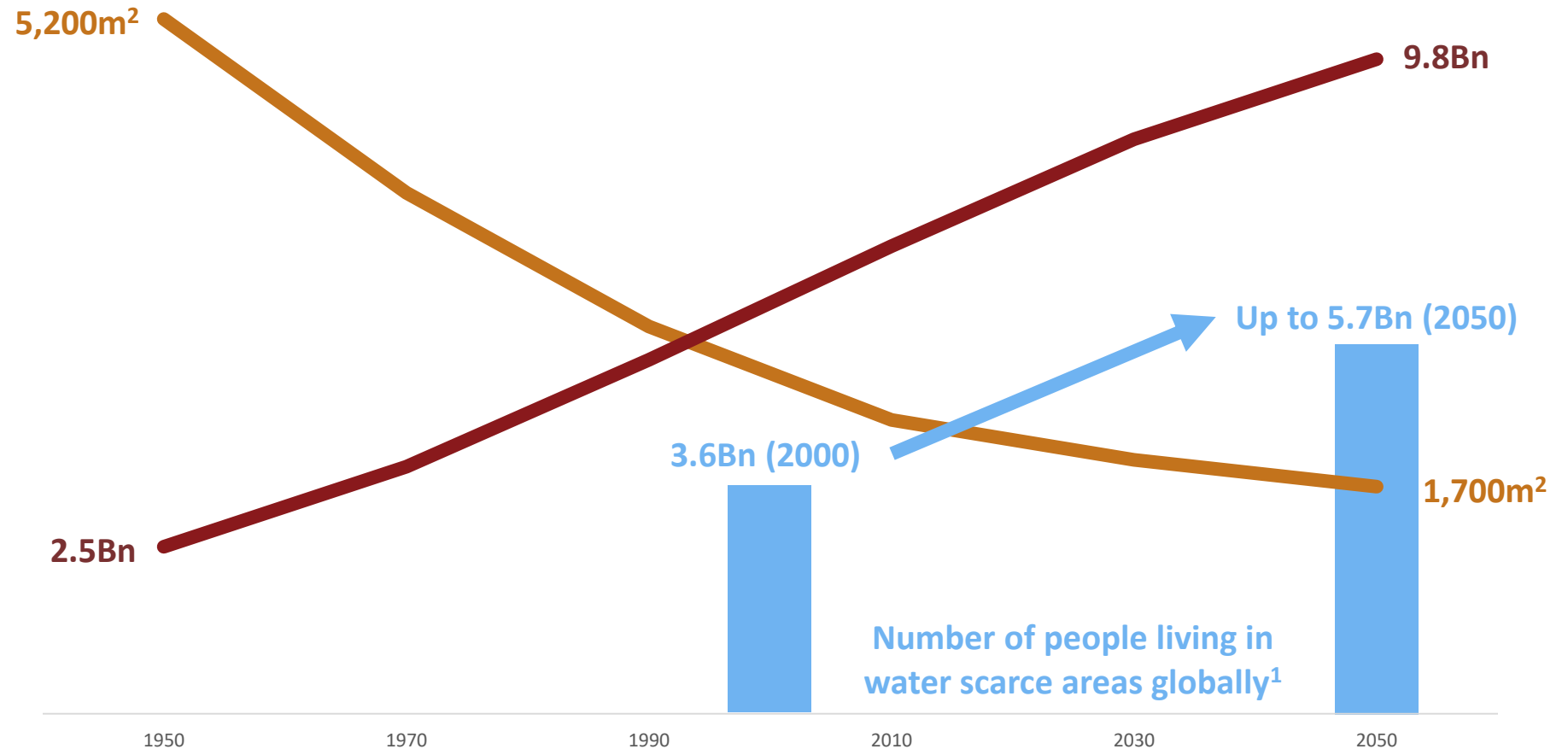
SOP increases yields in high value crops and is integral to navigating the global food security challenge

## 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

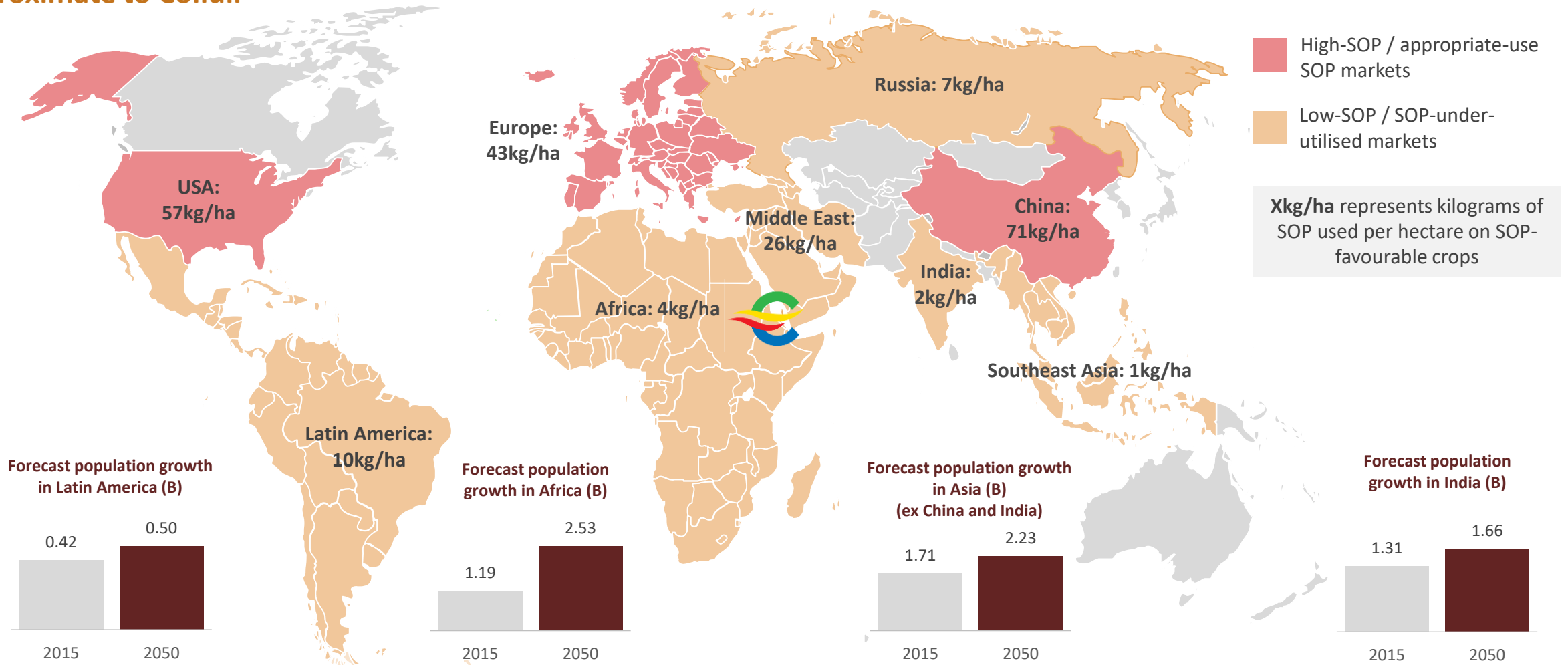
Arable land per person (m<sup>2</sup>)

Population (Bn)



# 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**



# SOP supply dynamics

## Primary production

Colluli is the only known greenfield or producing SOP project with solid salt open-cut potential

- 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 outside of China

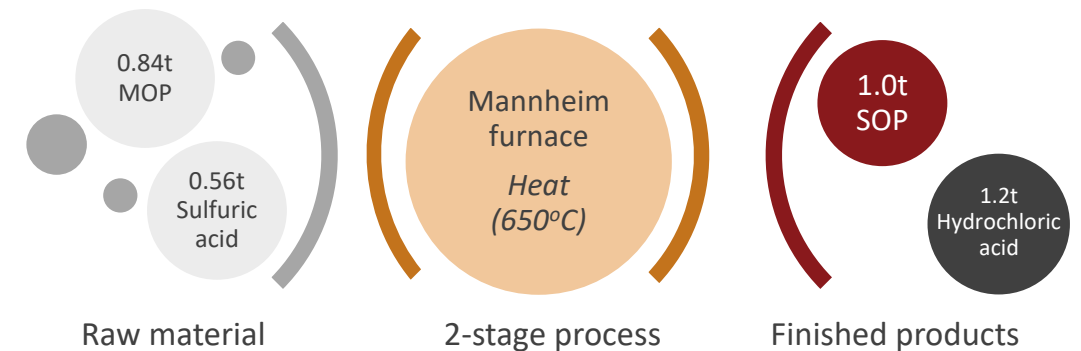
## SOLID SALTS NEAR SURFACE – OPEN-CUT (COLLULI)



## The Mannheim Process (secondary production)

Colluli is well positioned to displace high-cost Mannheim production

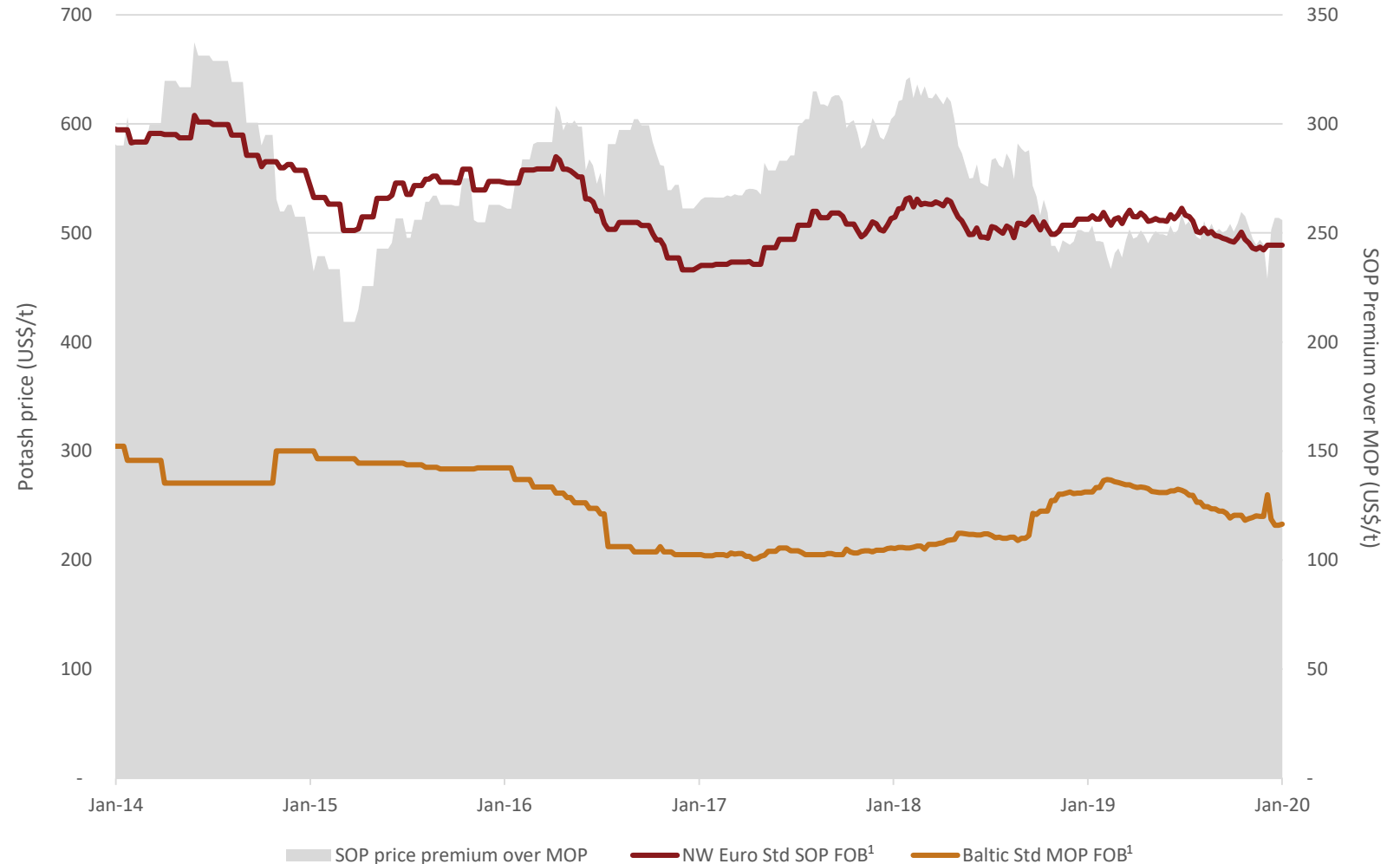
- Accounts for >50% of global production
- High production costs due to costly inputs, energy requirements and acid disposal
- MOP required as an input – MOP price plus conversion costs provides attractive price floor for SOP
- Major Mannheim supply from Europe and China
  - Egypt, India and Southeast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



# SOP pricing dynamics

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

- SOP price provides attractive margins for low cost primary producers
- SOP price premium to MOP has consistently remained 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



# US\$200M senior debt facility

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

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

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

*“The finalisation of debt funding for Colluli brings it one step closer to making a significantly positive impact on the Eritrean economy and its people. Colluli has the potential to significantly boost the Eritrean economy while providing benefits to Eritreans through improved agricultural productivity, training and employment”*

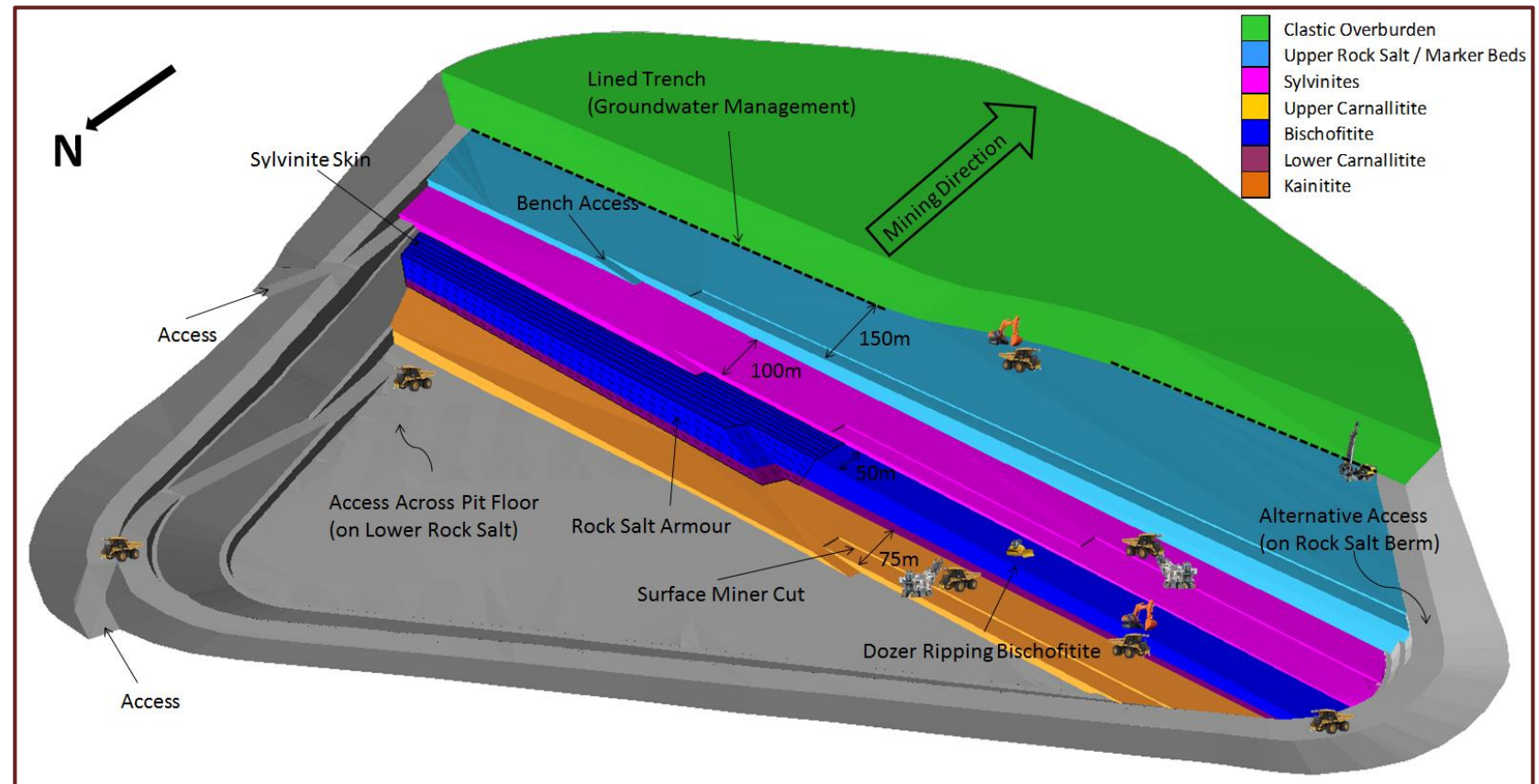
**Berhane Habtemariam, ENAMCO General Manager and Eritrean Minister of Finance**

# Colluli mine plan

**Colluli's favourable resource characteristics allow simple, low cost, open-cut mining<sup>1</sup>**

- Proven and safer than underground mining
- Superior resource to reserve conversion (>85%)
- Low risk and complexity
- Potassium salts extracted in solid form
- Potential monetisation of other salts extracted as waste
- Expansion potential
- Low incremental growth capital

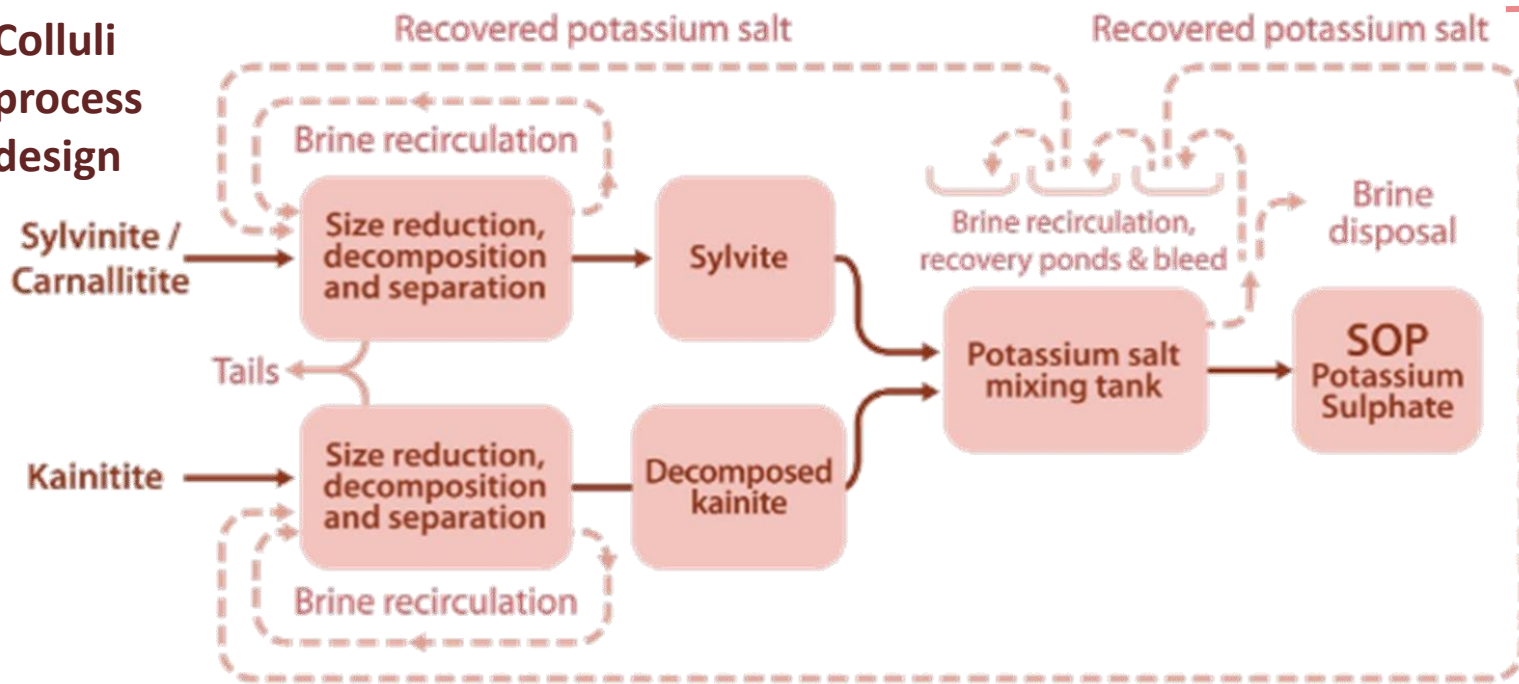
**Colluli mine plan**



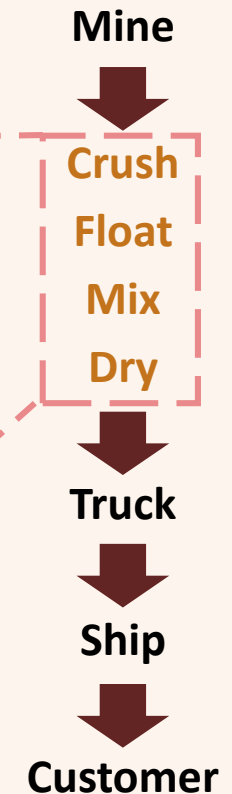
# Simple, energy efficient, commercial processing

- Combination of sylvite and kainite is ideal for ambient temperature, high yield conversion to SOP<sup>1</sup>
- No thermal decomposition required, resulting in low energy requirements and reduced costs
- Commercially proven processing with 85% recoveries
- No pre-evaporation ponds necessary, reducing capex requirements and time to revenue

## Colluli process design



## Simple progression from mining to customer



# Solid salts provide cost and time savings

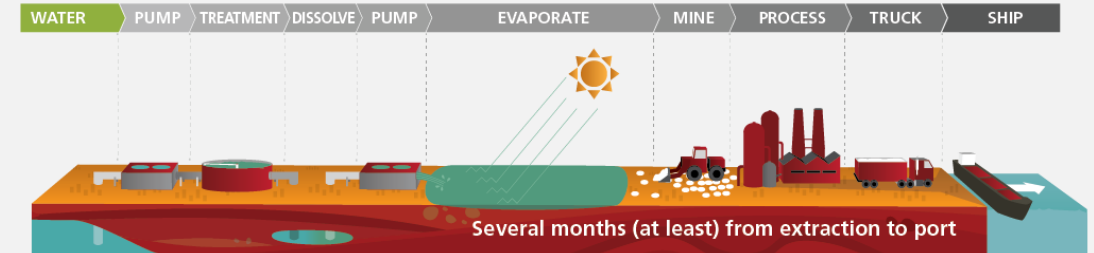
Colluli has the unique ability to process solid salts, leading to shortest extraction to port timeframe of any SOP greenfield development project

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



## SOLID SALTS AT DEPTH – SOLUTION

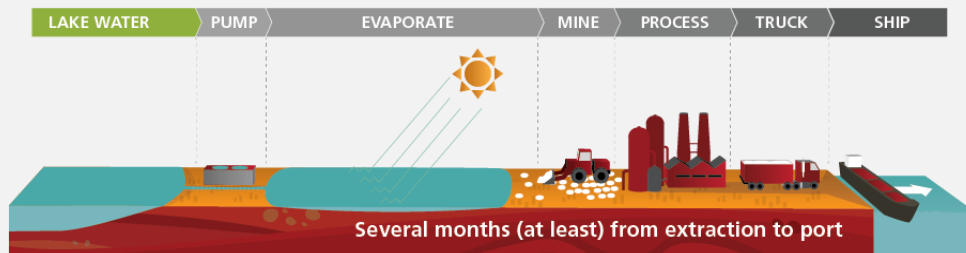
At least several months from extraction to port



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

## LAKE WATER BRINE

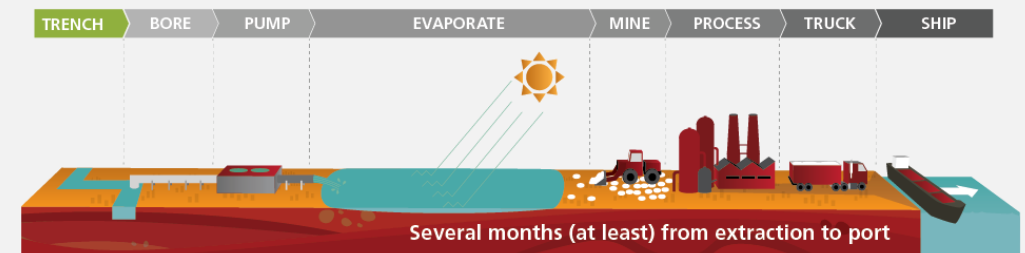
At least several months from extraction to port



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

## PLAYA BRINE

At least several months from extraction to port



Relevant development peers: Sevier Playa (Crystal Peak Minerals)

# Capital and operating expenditure

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

### FEED development and working capital estimates<sup>1,2</sup>

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

### FEED operating cost estimates<sup>4</sup>

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

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

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

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

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

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

# 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 by 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<sup>+</sup>, Na<sup>+</sup>, 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.

# 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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