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Colluli – A unique and unrivalled potash opportunity

MENA MINING CONFERENCE – OCTOBER 2015

ASX:DNK

Helping grow a better future

Corporate snapshot



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Financial information

Share price (1-Oct-15) A\$0.330

Number of shares¹ 174.2m

Market capitalisation A\$57.5m

Cash (16-Sep-15) A\$6.2m

Debt (16-Sep-15) Nil

Enterprise Value A\$51.3m

Source: IRESS, company filings

Note:

¹ Excludes 15.8m unlisted options on issue (exercise prices A\$0.28 – 1.95; expiry Nov 2015 – May 2018)

Top shareholders

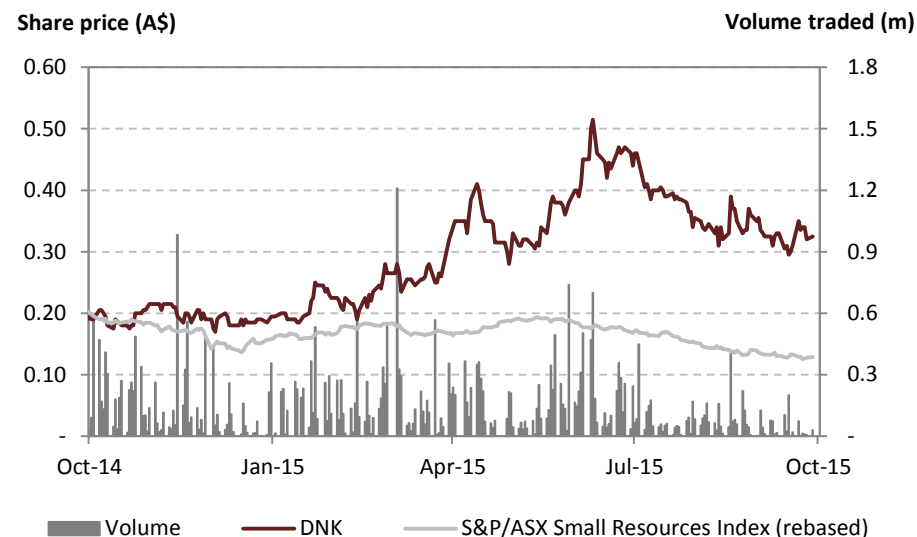
Well Efficient (*Hong Kong private investor*) 12%

Sprott Asset Management 7%

Kam Lung Investment Dev. (*private investor*) 5%

Danakali Board and management 11%

Top 20 shareholders 63%





- Danakali Limited (ASX:DNK) is working in partnership with the Eritrean National Mining Company (ENAMCO) to develop the Colluli Potash Project
- Colluli is a **stand-out potash resource** globally and is **positively unique**
 - Large, long life, **expandable resource**
 - **Strategic project location** with proximity to key emerging markets and proximity to coast
 - **World's shallowest evaporite deposit** gives Colluli unique cost, operational and growth advantages
 - Positive prefeasibility economics with **predicted bottom quartile cost curve position**
 - Colluli resource hosts a range of salts suitable for **product diversification**

DANAKALI IS AN EMERGING AGRICHEMICAL COMPANY
DEVELOPING A WORLD-CLASS POTASH PROJECT

What is potash?



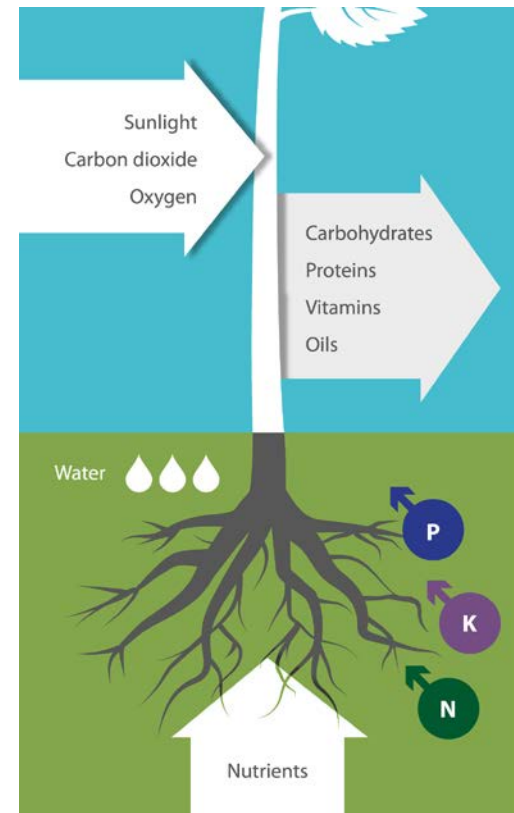
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POTASH PROVIDES POTASSIUM - AN ESSENTIAL CROP NUTRIENT AND CRUCIAL TO MEET THE FOOD NEEDS OF THE FUTURE

Potash overview

- Potash is a generic term used to describe a variety of **potassium bearing minerals and manufactured chemicals used primarily as fertiliser**
 - Potash is **essential to the world's food supply**
 - **Non substitutable**
- Potash types are differentiated by chemistry
 - Different crop applications
 - Different prices
 - Production and global resources vary substantially between potash types

Plant growth process using potash





GLOBAL POTASH MARKET IS DRIVEN BY POPULATION GROWTH AND A DECLINE IN ARABLE LAND

- Strong demand growth for potash is driven by three macro themes:
 - Growing population
 - Reduction in arable land
 - Changing dietary preferences
- Population growth in developing countries is the expected key driver for potash demand
 - 98% of population growth will be driven by less developed regions
 - 62% of the population increase and a large portion of potash demand from Africa alone
- Sulphate of potash is one of the best performing commodities since the peaks in 2011

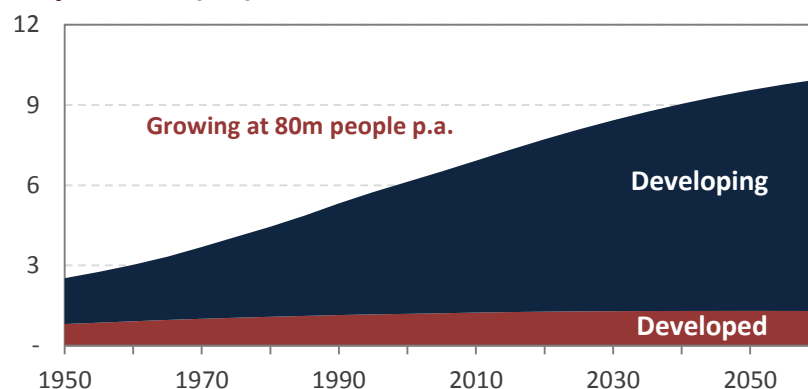


Source: United Nations, FAO, Parthenon Analysis, EPM Mining

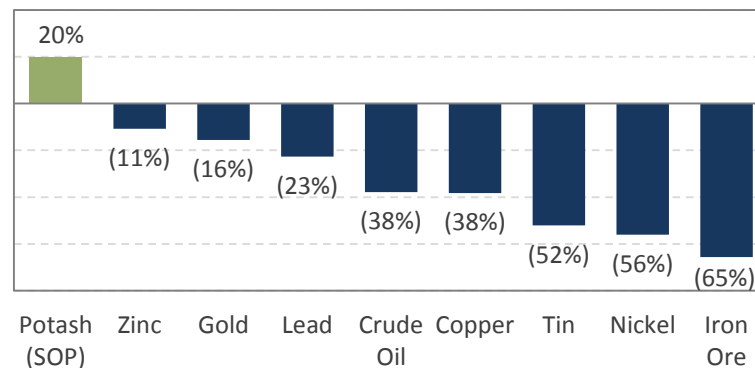
Note:

1 US\$ commodity price performance from May 2011

Population (bn)



Commodity price changes over last 4 years (%)¹



Sulphate of potash (SOP) is the premium potash product



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DEVELOPERS THAT PRODUCE SOP WILL REALISE HIGHER PRICES AND **MAXIMISE RETURNS FOR INVESTORS**

Major potassium products

~80% of potash supply

Muriate of potash (MOP)

- Improves yield for wide range of crops
- Most concentrated form of granular potassium
- Demand is elastic
- Market is well supplied by global potash majors
- Generally higher development costs

~10% of potash supply

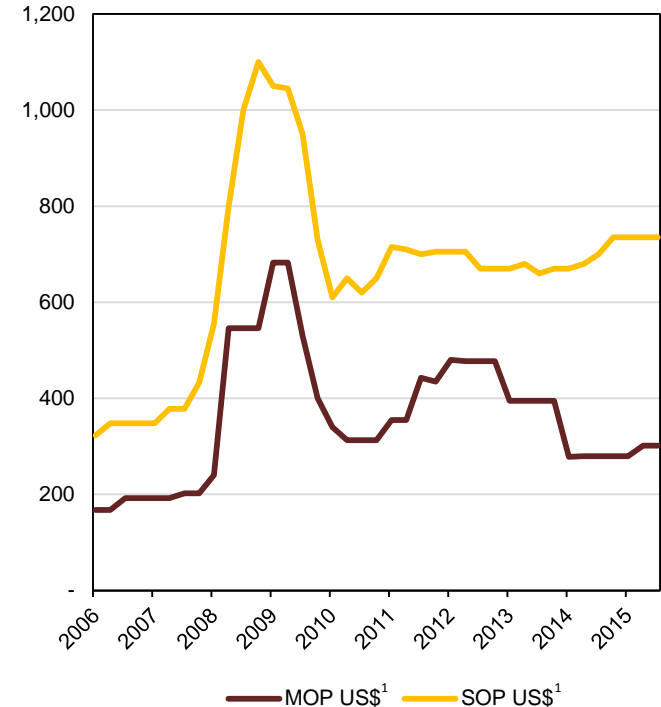
Sulphate of potash (SOP)

- Improves yield of **high value crops**
- **Suitable for chloride intolerant crops**
- Demand is **inelastic**
- Global **supply shortage of primary resources**
- Sulphur is a **key nutrient**
- **Fewer natural sources**
- **Lower costs**



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SOP prices have traded at a sustained premium



Source: Compass Minerals 2015 quarterly report, Greenmarkets

Note:

¹ Based on FOB Vancouver prices

An emerging potash province of global significance



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COLLULI IS A PREMIER POTASH DEPOSIT LOCATED IN THE **WORLD CLASS DANAKIL BASIN**

- World class SOP project in the Danakil Basin
 - Strategic location **close to key growth markets**
 - Surrounded by global potash majors (ICL, Yara)
- At 75km from the Red Sea Coast, and 180km from the Port of Massawa, Colluli is the closest SOP project to a coastline globally and in close proximity to established shipping infrastructure

Project location



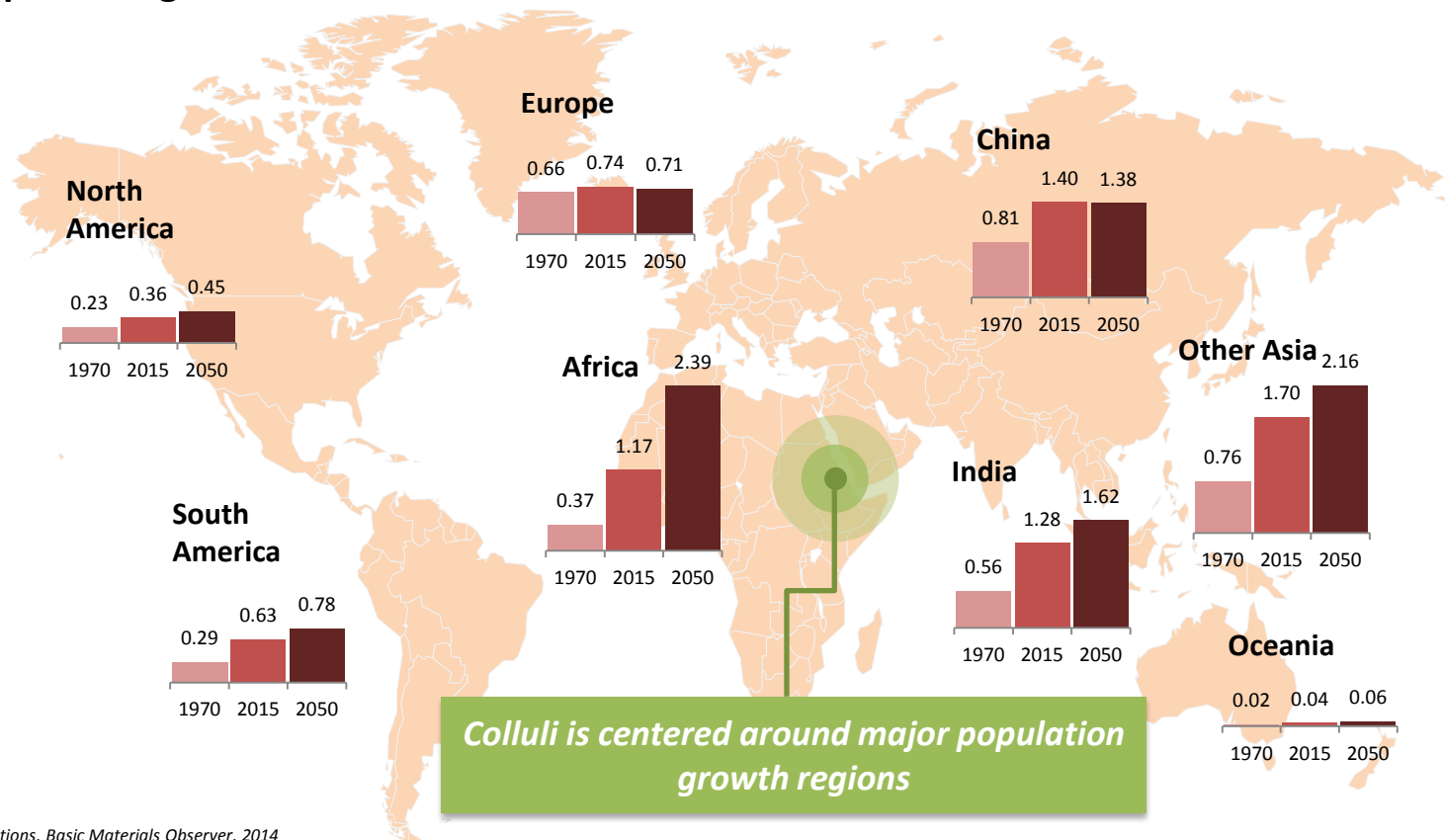
Colluli is at the epicentre of global population growth



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COLLULI IS LOCATED AT THE EPICENTRE OF BOOMING POPULATION GROWTH IN AFRICA AND ASIA

Global population growth
Billions



Source: United Nations, Basic Materials Observer, 2014

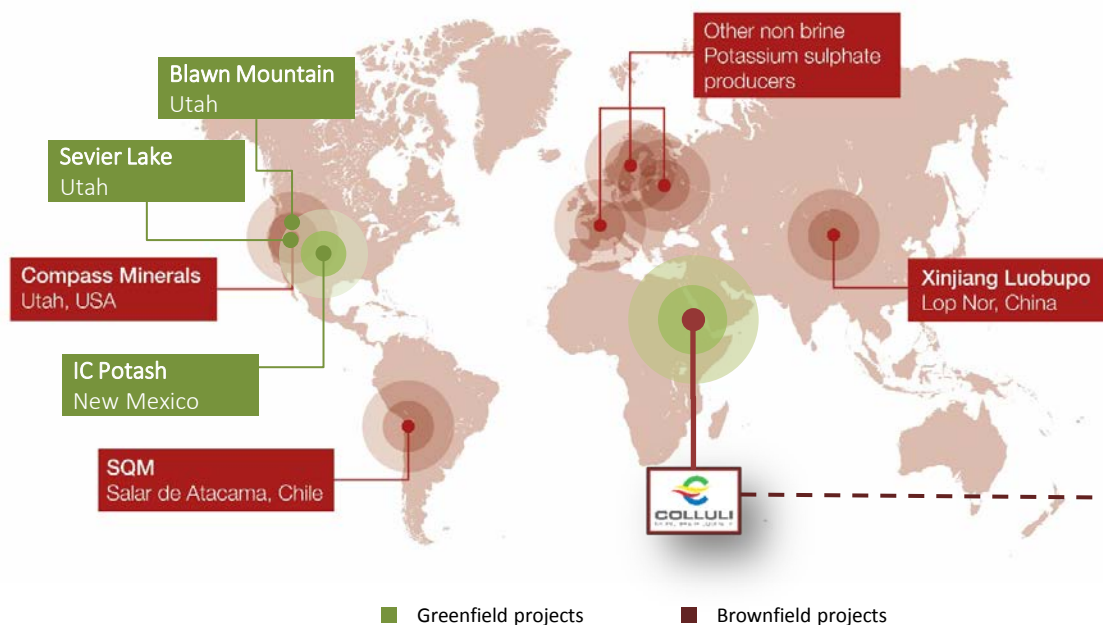
Constrained supply of premium SOP developments



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DANAKALI'S PROJECT HAS A HIGHLY STRATEGIC LOCATION IN A MARKET WITH LIMITED SUPPLY GROWTH OPTIONS

Limited low cost SOP resources globally



Greenfield operations

Project	Capex (US\$m)	Reserves (Mt)	Capital intensity (US\$/t)
Ochoa New Mexico IC Potash	1,018	182	1,714
Sevier Lake Utah, USA Crystal Peak Minerals	378	na ¹	1,260
Blawn Mountain Utah, USA Potash Ridge	1,100	426	1,429
Colluli Eritrea Danakali (50%)	442	1,107	1,087

Source: Company announcements (IC Ochoa N43-101 DFS; EPM Sevier Lake, PFS; Potash Ridge PFS; Danakali PFS)

Note:

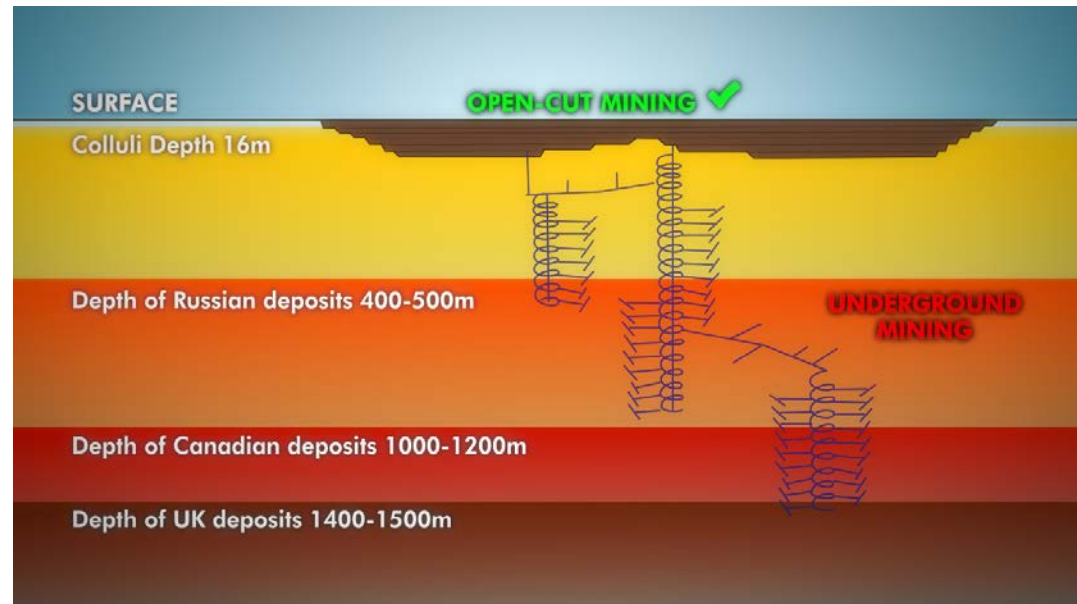
1 Mineral Reserves for EPM Sevier Lake to be established following pilot-testing from Feasibility Study. Project includes a Measured and Indicated Resource of 31.5Mt



COLLULI IS THE WORLD'S SHALLOWEST POTASH PROJECT RESULTING IN **LOWER DEVELOPMENT AND OPERATING COSTS**

- Mineralisation commences at just **16m below surface**
- Shallow mineralisation provides Colluli with **several unique advantages**
 - **Reduced capital intensity**
 - Superior resource utilisation
 - Substantially **reduced risk profile**
 - High degree of selectivity of different potassium salt types
 - **Significant expandability** with lower marginal capex per tonne
 - Upside from non potassium salt products can be readily commercialised

Colluli shallow open pit design



Benefits of the modular development approach



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MODULAR DEVELOPMENT WILL MINIMISE UPFRONT CAPEX AND OPTIMISE SHAREHOLDER RETURNS

	<i>Module 1</i>	<i>Module 2</i>	
Total capex (100% basis)	US\$442m	US\$282m	-36%
Incremental production	+425ktpa	+425ktpa	
Timing	2018	2020+	
Post tax IRR	22.3%	25.9%	+16%
Danakali NPV (50% basis)	US\$206m	US\$397m	+93%
Mine gate cash costs	US\$162/t	US\$141/t	-13%

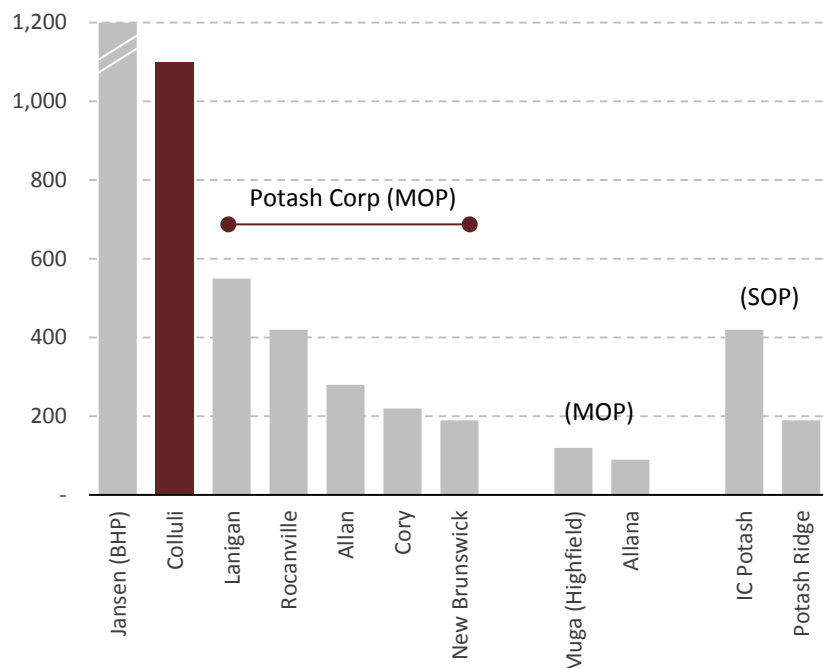
- **Increasingly NPV accretive** modular development
- Potential to **fund subsequent Modules** using organic cash flows and project finance
- **Superior returns to be unlocked** with staged development
- Reduction in upfront capex **de-risks funding**



COMPARABLE SCALE TO THE WORLD'S LARGEST DEPOSITS AND BOTTOM QUARTILE CASH COSTS TO DRIVE PROFITABILITY

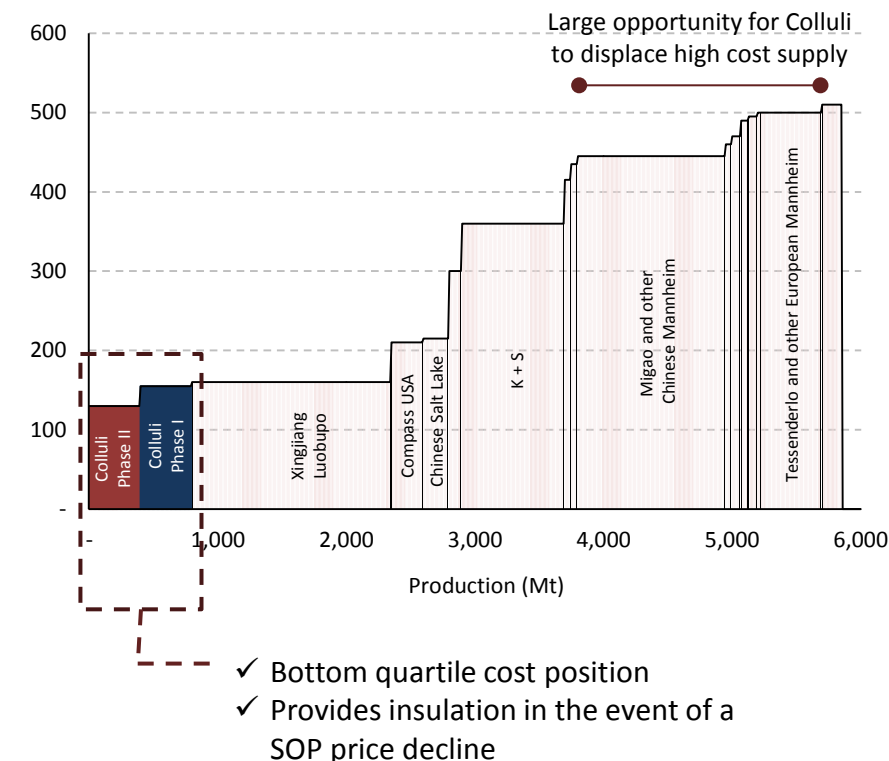
Scale of Colluli is truly world class

Potash reserves for selected projects (Mt)



Bottom quartile cost position protects margins

Ex-works cash costs for SOP production (US\$/t)



Source: Company websites, Potash Corp annual report, CRU Research, EPM Mining presentation 2014, Integer Research

Large resource underpins substantial future growth

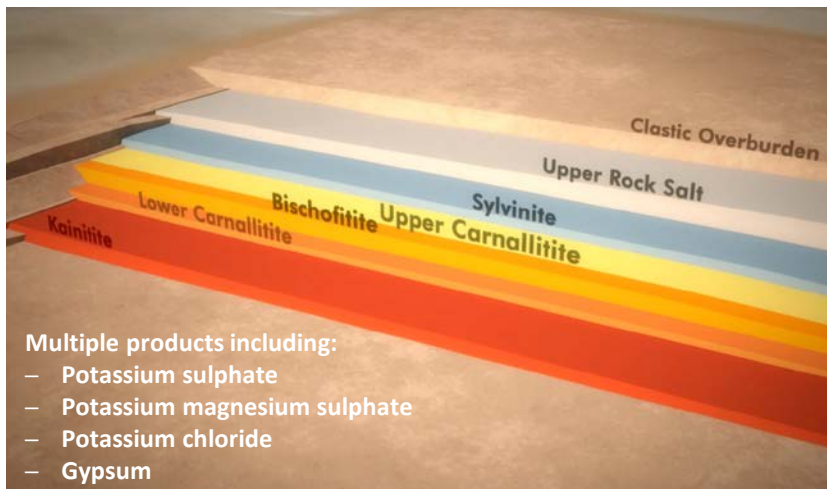


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SCALE OF THE COLLULI POTASH PROJECT MEANS IT IS EXPECTED TO GROW FOR DECADES TO COME

- The **vast scale of Colluli allows a staged approach** to monetising the extent of the resource
 - This allows the Colluli JV to balance market penetration, funding requirements and shareholder returns
- The **initial production will focus on high margin, high quality sulphate of potash (SOP)** production
 - **Mine and infrastructure will be leveraged to develop further processing facilities** and exploit more of the Colluli resource with the introduction of magnesium sulphate, gypsum and magnesium chloride
- Scale of the resource underpins **decades of production from the modular development**

Colluli resource hosts multiple products



Diversified and expanded processing plan



ERITREA IS ONE OF THE FASTEST GROWING GLOBAL ECONOMIES AND IS SUPPORTIVE OF MINING INVESTMENT

Overview of Eritrea

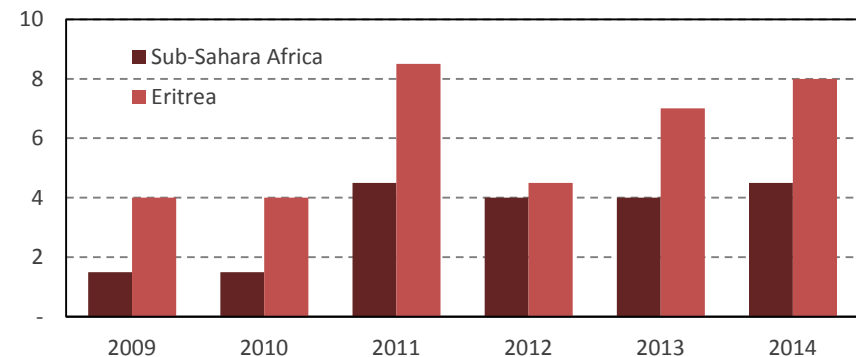
- Eritrea was ranked 11th fastest growing economy globally in 2014, at 8% p.a.
- Growth driven by strong mineral exports, agricultural output and infrastructure development
- Stable government with 24 years of independence

Location of Eritrea and the Colluli project



Gross domestic product growth

Year on year change (%)



Supportive mining laws in Eritrea

- A stable tax regime
- Accelerated depreciation – straight line over 4 years
- Generous reinvestment deduction (5% gross income)
- 10 year carrying forward of losses
- 0.5% import duty on mining inputs
- Simple “one stop” licensing system

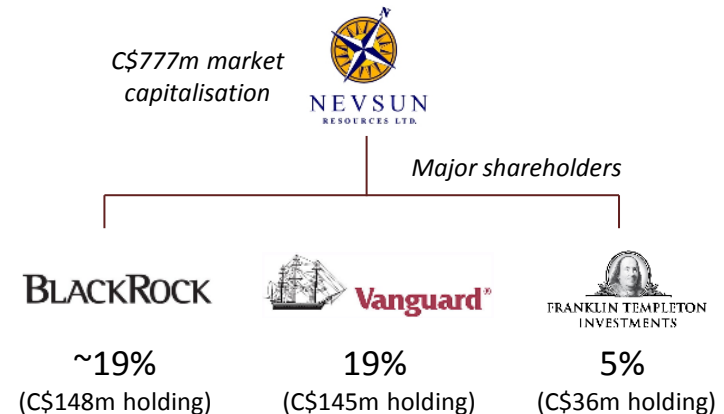
BISHA JV AND GLOBALLY RECOGNISED NEVSUN INVESTORS SHOW **ERITREA IS A STURDY EMERGING MARKET INVESTMENT**

Proven investment jurisdiction

- Nevsun Resources (TSX: NVS) is a major Eritrean-focused mining company
 - JV constructed and now operates the Bisha copper mine
 - **Successful modular JV development** with ENAMCO paves the way for the Colluli JV
 - Significant shareholders in Nevsun are **globally recognised investors** who are **comfortable with Eritrean investment**
- **Relationship with ENAMCO will generate significant benefits to the Colluli project**
 - Relationship with ENAMCO remains strong
 - ENAMCO tie-up assists with establishment of positive local relationships
 - Danakali currently have 3 of 5 Joint Venture board seats

Source: Nevsun Resources August 2015 corporate presentation, Bloomberg, company websites

Significant Eritrean institutional investors



Major Eritrean mining developments





COLLULI JV HAS RAPIDLY PROGRESSED ITS DEFINITIVE FEASIBILITY STUDY AND IS **ADVANCING TOWARDS CONSTRUCTION**

- Delivery of the Definitive Feasibility Study remains the key immediate focus (*expected 4Q 2015*)
- Upon completion of the Definitive Feasibility Study, focus will then move to financing and detailed engineering work streams (*expected early 2016*)

	2014			2015				2016				2017			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Metallurgical testwork	Complete	Complete	Complete												
Preliminary feasibility study	Complete	Complete	Complete	Complete											
Finalise resource	Complete	Complete	Complete	Complete	Complete										
Optimisation and pilot tests			Complete	Complete	Complete										
Definitive feasibility study				Complete	Complete	Complete	Upcoming								
Social Environmental Impact Assessment	Complete	Complete	Complete	Complete	Complete	Complete	Upcoming								
Mining License Application								Upcoming	Upcoming	Upcoming					
Funding									Upcoming	Upcoming	Upcoming	Upcoming			
Detailed Engineering									Upcoming	Upcoming	Upcoming				
Phase I Construction												Upcoming	Upcoming	Upcoming	Upcoming

Complete

Upcoming



STRONG OPERATIONAL AND LEADERSHIP TEAM ASSEMBLED WITH A TRACK RECORD OF SUCCESS



Seamus Cornelius
Non-Executive Chairman
Corporate law and negotiations

- 21+ years experience in legal and commercial negotiations
- Current Chairman of Buxton Resources, Duketon Mining & Montezuma Mining



Liam Cornelius
Non-Executive Director
Geology and exploration

- Founding Director providing guidance on project generation, fund raising and strategic direction
- 20 years experience in commodity exploration within Australia, Asia and Africa



Paul Donaldson
CEO and MD
Mining senior management

- Extensive experience in large scale open cut mine management, supply chain logistics, mineral processing, business improvement and marketing
- Formally held a series of senior management positions with BHP Billiton



John Fitzgerald
Non-Executive Director
Corporate Finance and banking

- Managing Director of Optimum Capital, specialising in corporate debt and advice in the mining sector
- Chairman of Atherton Resources (previously Mungana Goldmines) and Director of Northern Star Resources



Tony Kiernan
Non-Executive Director
Commercial law and mining

- 25+ years experience in the commercial law, corporate advisory and government relations within the mining industry
- Chairman of BC Iron, Venturex Resources and Chalice Gold Mines with previous operations in Eritrea



James Durrant
Colluli Study Manger
Engineering and operations

- Extensive experience in project management, organisational design and operational management of large scale open cut mines
- Previously held a series of operational roles with BHP Billiton



- Danakali is the **premier pre-production potash opportunity** on the ASX
- Globally, Colluli is a **stand-out potash resource given large size and strategic location**
- Colluli will produce **premium potash products**, maximising returns for investors
- **Modular development will minimise upfront capex** and optimise shareholder returns
- Colluli will generate **significant cash flows** once operational
- **Predicted bottom quartile cost curve position** means Colluli will generate sustainable industry-leading returns in any commodity market cycle
- The Danakil region has unrivalled potential to produce **a diversity of fertiliser products** and provide **valuable strategic options across multiple product markets**
- Colluli is **located at the epicentre of booming population growth** in Africa and Asia, while also lying close to traditional Middle Eastern and European markets

**DANAKALI IS AN EMERGING AGRICHEMICAL COMPANY
DEVELOPING A WORLD-CLASS POTASH PROJECT**

Thank You



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Forward Looking Statements and Disclaimer



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The information in this presentation is published to inform you about Danakali Limited (the “Company” or “DNK”) and its activities. DNK has endeavoured to ensure that the information in this presentation 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. Mineral Resources and Ore Reserves have been estimated using the Australian JORC (2012) Code (‘JORC 2012’). 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.

Material resource 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 and 19 May 2015, 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.

Competent persons statement



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Resource Statement

Colluli has a JORC 2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K2O. The resource contains 303Mt @ 10.98% K2O of Measured Resources, 951Mt @ 10.89% K2O of Indicated Resources and 35Mt @ 10.28% K2O of Inferred Resources. The information in this report relating to the Colluli Mineral Resource was compiled by Mr. John Tyrell, under the supervision of Mr. Stephen Halabura M. Sc. P. Geo. Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and as a geologist with over 25 years experience in the potash mining industry. Mr. Tyrell is a member of the Australian Institute of Mining and Metallurgy and a full time employee of AMC. Mr. Tyrell has more than 25 years experience in the field of Mineral Resource estimation. Mr. Halabura is a member of the Association of Professional Engineers and Geoscientists of Saskatchewan, a Recognised Professional Organisation (RPO) under the JORC Code and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr. Tyrell & Mr. Halabura consent to the inclusion of information relating to the Resource Statement in the form and context in which it appears.

Reserve Statement

The JORC 2012 compliant Ore Reserve estimate for Colluli is 1,107Mt @ 10% K2O comprising 287Mt Proved and 820Mt Probable Ore Reserve. Mark Chesher is the Competent Person for the 2015 Colluli Ore Reserve estimate, and supervised preparation of the Ore Reserve estimate with assistance from specialists in each area of the study. Mr. Chesher is a Fellow of the Australasian Institute of Mining and Metallurgy, a Chartered Professional, and is a full-time employee of AMC Consultants Pty Ltd. He has sufficient open pit mining activity experience relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the JORC Code 2012. Mr Chesher consents to the inclusion of information relating to the Ore Reserve in the form and context in which it appears. In undertaking the assignments referred to in this report, AMC Consultants Pty Ltd acted as an independent party, has no interest in the outcome of the Colluli Project and has no business relationship with Danakali Ltd other than undertaking those individual technical consulting assignments as engaged, and being paid according to standard per diem rates with reimbursement for out-of-pocket expenses. Therefore, AMC Consultants Pty Ltd and the Competent Person believe that there is no conflict of interest in undertaking the assignments which are the subject of this statement.