



COLLULI DFS RESULTS PRESENTATION

Danakali Limited (**Danakali, ASX:DNK**) is pleased to provide the attached presentation that provides a summary of the recently released Colluli DFS results. Paul Donaldson, Danakali Managing Director, is presenting at Mines and Money London today.

For further information, please contact:

Paul Donaldson
Managing Director
Danakali Limited
+61 8 6315 1444

Warrick Hazeldine / Andrew Rowell
Cannings Purple
+61 417 944 616 / +61 400 466 226

About Danakali

Danakali is an ASX listed company and 50% owner of the Colluli Potash Project (Colluli) in Eritrea, East Africa. The company is currently developing Colluli in partnership with the Eritrean National Mining Corporation (ENAMCO).

The project is located in the Danakil Depression region of Eritrea, and is ~75km from the Red Sea coast, making it one of the most accessible potash deposits globally. Mineralisation within the Colluli resource commences at just 16m, making it the world's shallowest potash deposit. The resource is amenable to open pit mining, which allows higher overall resource recovery to be achieved, is generally safer than underground mining and is highly advantageous for modular growth.

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

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

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



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Colluli: A unique and unrivalled potash opportunity

Mines and Money London – 2015

ASX: DNK



- Globally, Colluli is a **stand-out potash resource given large size and strategic location**
- 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
- **Colluli demonstrates the lowest capital intensity** of all advanced SOP projects
- **Predicted bottom quartile cost curve position** means Colluli will generate sustainable industry-leading returns throughout the commodity cycle
- **Modular development approach** balances fundability, risk and economic return
- The Danakil region has unrivalled potential to produce **a diversity of fertiliser products** and provide **valuable strategic options across multiple product markets**
- Initial development focus is on producing premium potash products, **maximising shareholder returns**
- Danakali is the **premier pre-production potash opportunity**

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

Corporate snapshot



DANAKALI

Financial information

Share price (30-Nov-15)	A\$0.30
Number of shares ¹	175.8m
Market capitalisation	A\$52.7m
Cash (30-Sep-15)	A\$5.1m
Debt (30-Sep-15)	Nil
Enterprise Value	A\$47.6m

Source: IRESS, company filings

Note:

¹ Excludes 16.35m unlisted options on issue (exercise prices A\$0.28 – 0.949; expiry Jan 2016 – May 2018)

Colluli Mining Share Company

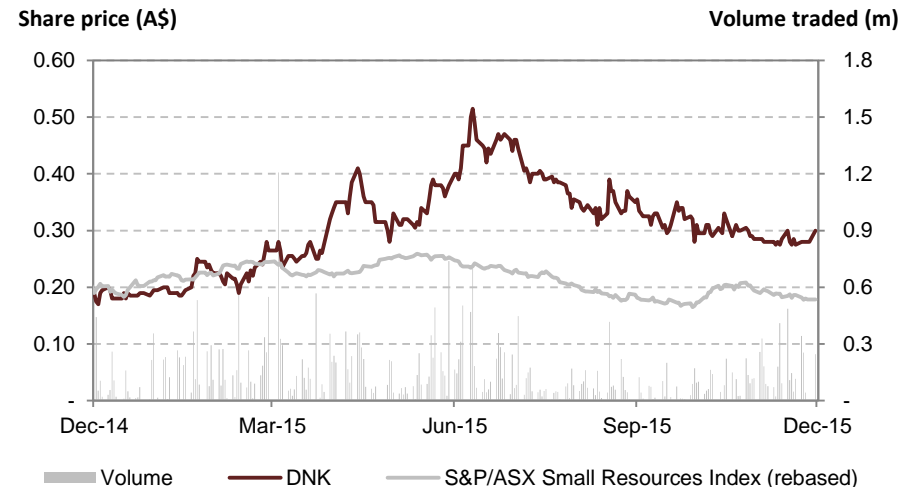
- Danakali's major asset is its 50% shareholding in the Colluli JV



Top shareholders

Well Efficient <i>Hong Kong private investor with experience in Eritrea and relationship with ENAMCO</i>	12%
Sprott Inc. <i>Leading North American-based investment firm with strong record in early stage resource companies</i>	7%
Kam Lung Investment Dev. <i>Chinese strategic investor that is assisting with off-take partners</i>	5%
Danakali Board and management	11%

Top 20 shareholders 63%

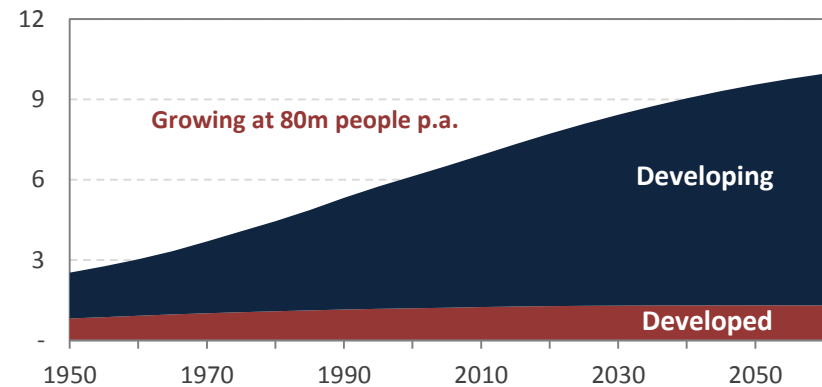




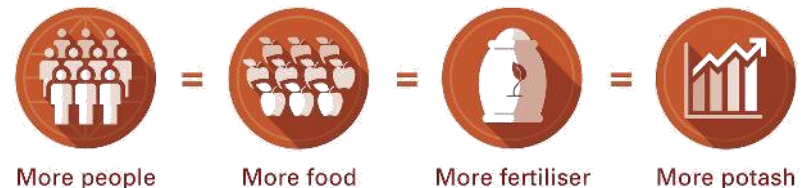
GLOBAL POTASH MARKET IS DRIVEN BY **POPULATION GROWTH** AND A **DECLINE IN ARABLE LAND**

- Potash: potassium bearing minerals and manufactured chemicals used primarily as fertiliser
 - Essential to the world's food supply with no known substitute
- Global population growth and reduction in arable land driving demand for higher yielding crops
 - 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**
 - Developing country population growth will be a key driver of future potash demand

Population (bn)



Source: United Nations, FAO



SOP is the premium potash product



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

Muriate of potash (“MOP”)

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

~85% of potash supply

Sulphate of potash (“SOP”)

- Improves yield of **high value crops**
- **Suitable for chloride intolerant crops**
- Demand is **inelastic** (not as easy to substitute, premium product leads to sticky demand)
- Global **supply shortage of primary resources**
- Sulphur is a **key nutrient**
- **Fewer natural sources**
- **Higher margin**

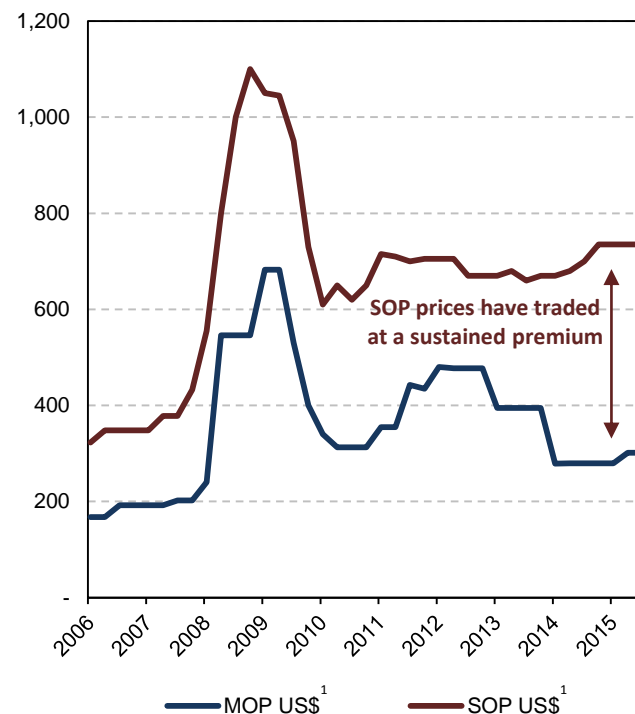


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~10% of potash supply

Major potassium products

Historic MOP and SOP prices (US\$/t)



Source: Compass Minerals 2015 quarterly report, Greenmarkets

Note:

¹ Based on FOB Vancouver prices

World class Colluli potash project

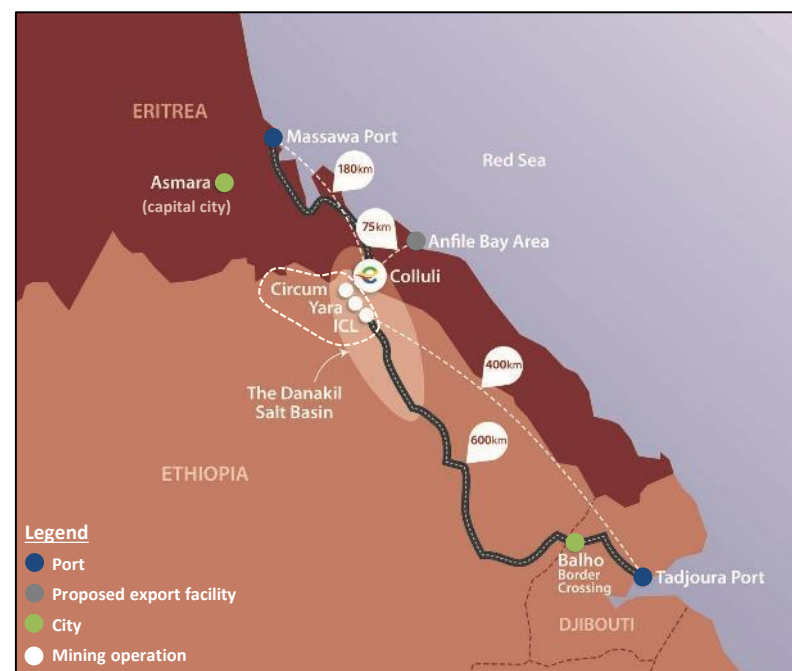


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COLLULI IS A PREMIER POTASH DEPOSIT LOCATED IN THE WORLD CLASS DANAKIL BASIN

- World class SOP project in the Danakil Basin, Eritrea
 - Strategic location **close to key growth markets**
 - Close to global potash majors (ICL, Yara)
- Eritrea is a **maturing mining jurisdiction** which is building a track record of success and a pipeline of mining developments
- The Danakil Basin is an emerging potash province and **one of the largest unexploited potash basins globally**
- Colluli has **advantages over other projects in the Danakil Basin** due to lying on the Eritrean side of the Danakil basin
 - Area represents **shallowest evaporite in Danakil Basin** (Colluli also ranks among the shallowest potash deposits in the world)
 - **Colluli is close to the coast**, located approximately 180km from the Massawa port and 75km from the Anfile Bay Area (potential export facility in the future)
 - The projects on the Ethiopian side of the Danakil Basin are required to transport their product through Djibouti to the Tadjoura Port, **some 400km away** (600km by road)

Project location



- *Colluli product to be shipped from Massawa port*
- *Anfile Bay to support water treatment and delivery for Colluli, may act as a port for shipment of Colluli products in future*



DFS RESULTS DEMONSTRATE STRONG ECONOMICS THROUGH LOW CAPEX, HIGH MARGINS AND LONG LIFE

- DFS confirms **low capex, high margin, long life** project
- Project post tax **NPV of US\$860m** and **IRR of 29%**
- Capital **payback period of 3.5 years** for Phase I
- Colluli is in the **bottom quartile of the mine gate cost curve**
- 1.1Bt ore reserve, with **potential for 200+ year mine life**
- **Preliminary funding discussions underway** with off-takers, strategic partners and financiers
- **Mining license application process** to be initiated in **Q1 2016**
- **Commissioning targeted for Q4 2018**

Key outcomes

Metric	Unit	DFS outcomes	
		Phase I	Phase I and II ¹
Annualised SOP production	kt	425	850
Strip ratio	waste:ore	1.91	1.93
Phase I development capital ²	US\$m	298	
Incremental Phase II development capital ²	US\$m		175
Average forecast SOP price (FOB Massawa) ^{3,4}	US\$/t SOP	572	572
Average mine gate cash costs ³	US\$/t SOP	168	141
Average total cash costs ^{3,5}	US\$/t SOP	255	227
Undiscounted after tax cash flows ⁶	US\$m	4,539	9,637
Annual average free cash flows ^{3,4}	US\$m	81	166
Post tax NPV (10% real) ⁷	US\$m	439	860
Post tax IRR ⁷	%	25.4	29.0
Payback period ⁷	Years	3.50	

Notes:

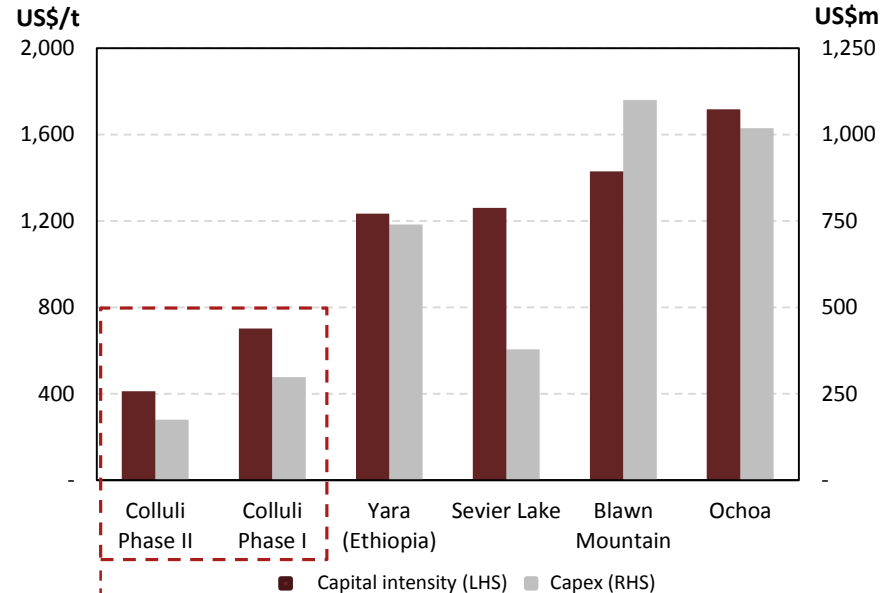
- ¹ Additional 425ktpa Phase II production commencing in year 6
- ² Including contingency, excluding working capital
- ³ Average for first 60 years of production
- ⁴ Composite price for Standard and Granular SOP
- ⁵ Includes mine gate costs, product logistics and royalties
- ⁶ Over first 60 years of production
- ⁷ 100% Project level basis (DNK holds a 50% interest)



DFS DEMONSTRATES INDUSTRY LEADING CAPITAL INTENSITY AND **LOW OVERALL DEVELOPMENT CAPITAL RELATIVE TO PEERS**

- DFS demonstrates that Colluli will have a **market leading capital intensity of US\$702/t SOP** for Phase I
 - The 425ktpa **Phase II expansion will have materially lower capital intensity of US\$412/t SOP**
 - Average capital intensity over Phase I and Phase II is US\$557/t SOP
- The attractiveness of Colluli is further enhanced by the **low overall development capital costs of Colluli Phase I and Phase II relative to peers**

Capital intensity of advanced SOP projects



Industry leading capital intensity and low development costs significantly increase the project's fundability

Outstanding scale and low operating costs

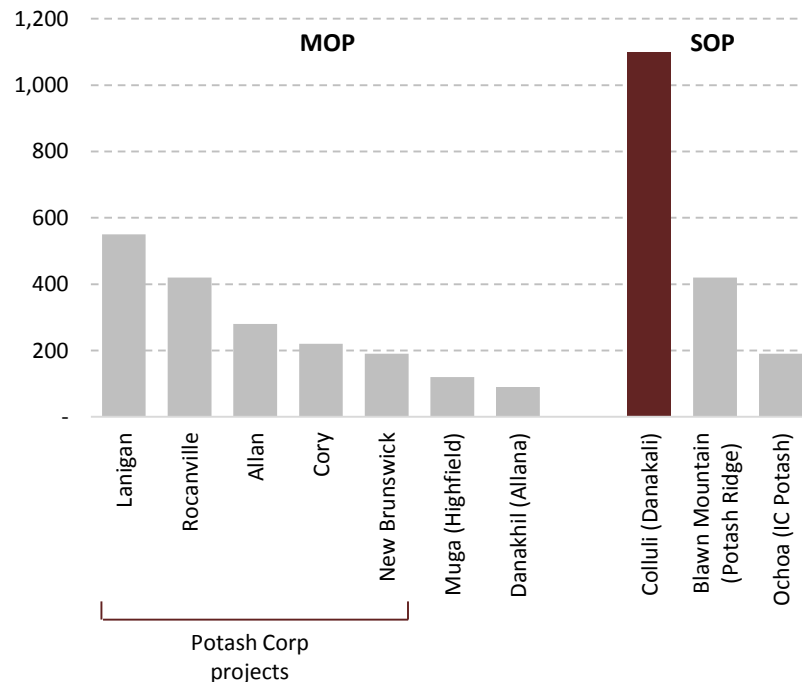


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COMPARABLE SCALE TO THE WORLD'S LARGEST DEPOSITS AND BOTTOM QUARTILE CASH COSTS TO DRIVE PROFITABILITY

Scale of Colluli is truly world class

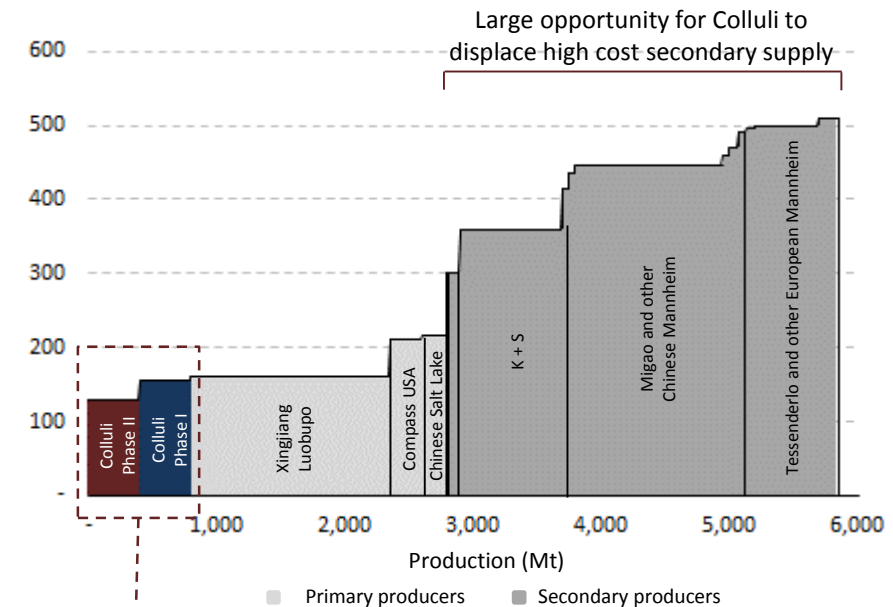
Potash reserves for selected projects (Mt)



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

Bottom quartile cost position protects margins

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



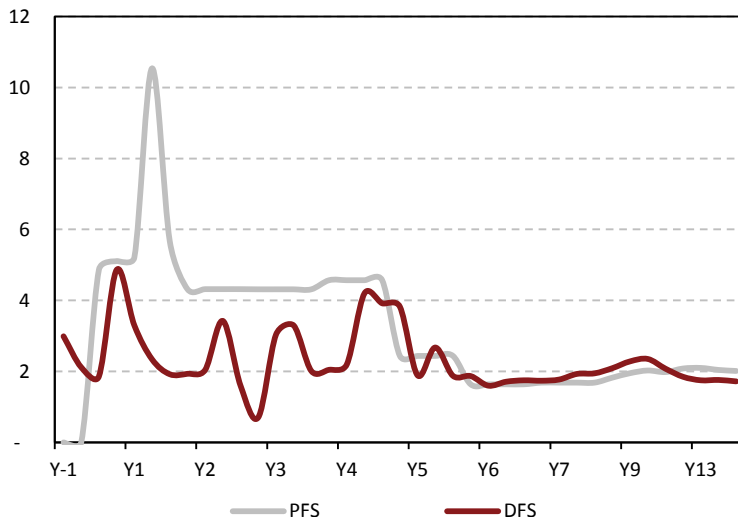
- ✓ Bottom quartile cost position
- ✓ Provides insulation in the event of a SOP price decline



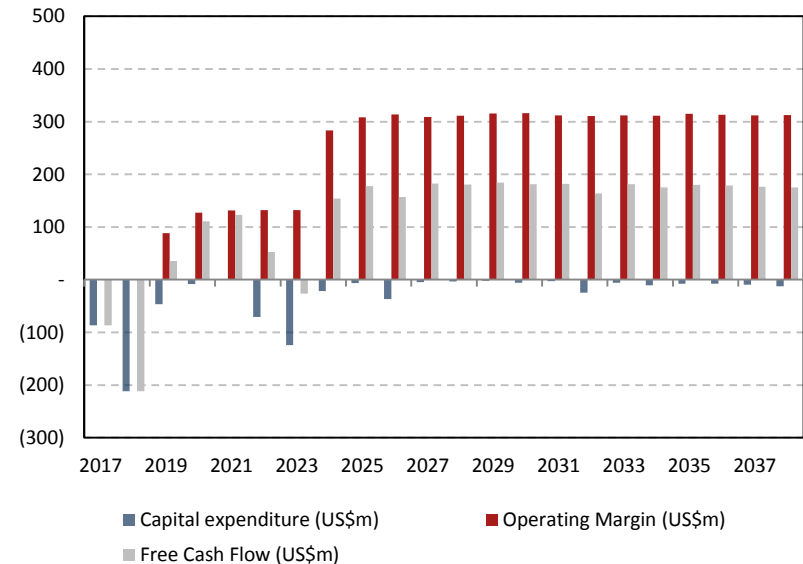
THE COLLULI MINE DEVELOPMENT SCHEDULE HAS BEEN OPTIMISED TO MINIMISE BOTH OPEX AND CAPEX

- Development of Colluli has been optimised to achieve a **more consistent strip ratio**
- Strip ratio changes have **lowered both pre-production capital costs and operating costs** in the earlier years of production
 - The DFS has reduced mining operation costs by 22% over the first 4 years of operation
- The enhanced mining schedule also provides **earlier access to higher quality ore**

Colluli strip ratio in first 15 years of production (x)



First 20 years of Colluli cash flows (US\$m, 100% basis)

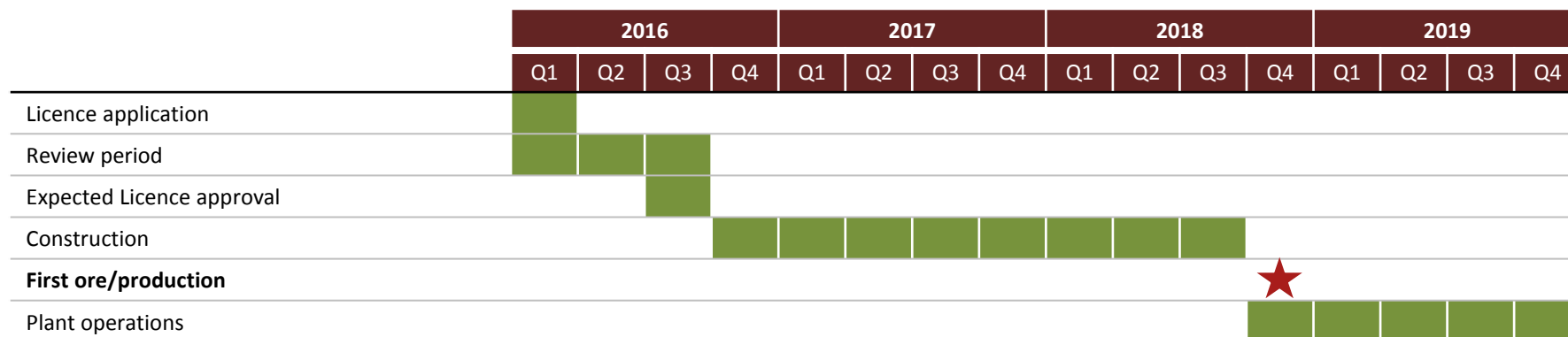




MINE CONSTRUCTION IS SCHEDULED TO COMMENCE IN 2017 WITH **FIRST POTASH PRODUCTION IN 2018**

- Current priority is lodging the mining licence application which has been approved by both the CMSC and Danakali boards
- Danakali is **holding ongoing discussions with potential off-takers and strategic partners** to help fund the Phase I development capital requirement
- **Commercial negotiations will commence** with respect to the construction and development of Colluli in the near term

Colluli development timeline



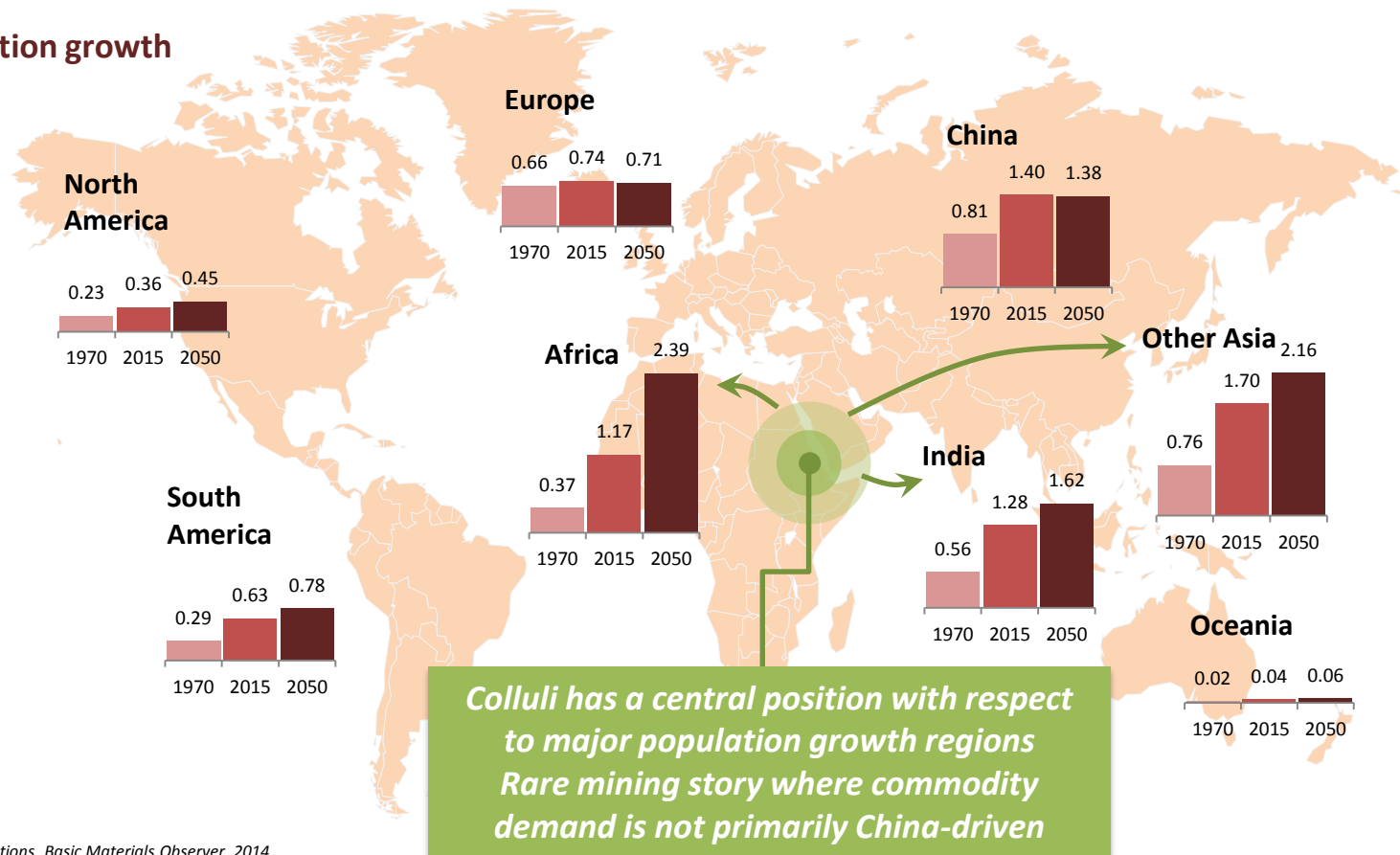
Colluli is at the epicentre of global population growth



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

Global population growth (billions)

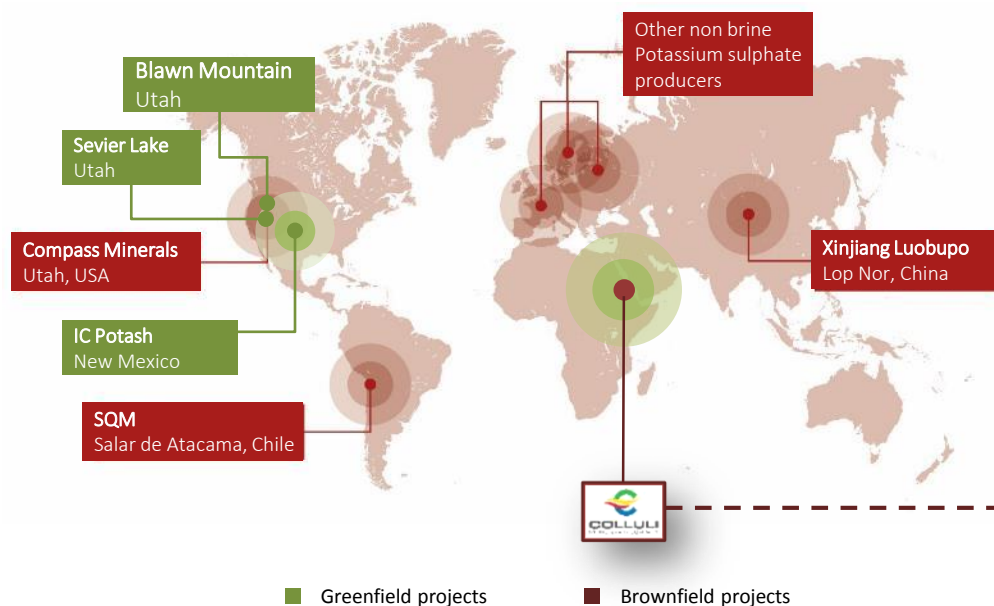


Source: United Nations, Basic Materials Observer, 2014



HIGHLY STRATEGIC LOCATION AND DOMINANT PROJECT METRICS IN A MARKET WITH LIMITED SUPPLY GROWTH OPTIONS

Limited low cost SOP resources globally



Greenfield developments

Project	Capex (US\$m)	Reserves (Mt)	Mine Capital intensity (US\$/t)	gate cash costs (US\$/t) ²	Distance to port (km)
Ochoa <i>New Mexico</i> IC Potash	1,018	182	1,714	195	970
Sevier Lake <i>Utah, USA</i> Crystal Peak Minerals	378	na ¹	1,260	181	900
Blawn Mountain <i>Utah, USA</i> Potash Ridge	1,100	426	1,429	173	1,100
Colluli (Phase I) <i>Eritrea</i> Danakali (50%)	298	1,113	702	168	230

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

Note:

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

2 Excludes royalties and logistics costs



SUBSTANTIAL UPSIDE EXISTS FOR COLLULI IN TERMS OF BOTH FURTHER REVENUE STREAMS AND CAPITAL SAVINGS

Further revenue streams beyond the DFS

- ✓ Further revenues may arise due through the **exploitation of other contained products within the Colluli resource** that have not been included in the DFS
 - These include high purity rock salt, kieserite (magnesium sulphate), gypsum (calcium sulphate) and magnesium chloride
- ✓ The **300Mt+ high purity rock salt resource is currently included in the DFS as overburden which is extracted** at a rate in excess of 1.8Mtpa

Capital savings beyond the DFS

- ✓ **A potentially very large sub-surface aquifer has been identified at Colluli** based on the chemistry, temperatures and flow rates of water identified in the fault system
- ✓ Further definition of this **aquifer may eliminate the need for the installation of any water delivery systems** from the coast to the Colluli mine-site
 - This definition work has been deferred to post the completion of the DFS



ERITREA IS ONE OF THE WORLD'S FASTEST GROWING GLOBAL ECONOMIES **AND IS SUPPORTIVE OF MINING INVESTMENT**

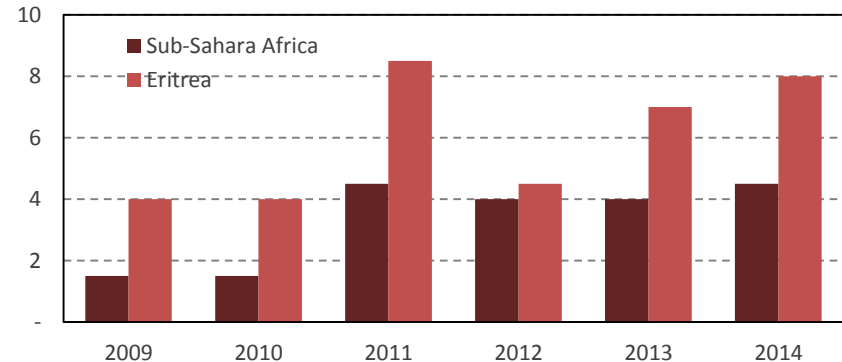
- Eritrea was ranked 11th fastest growing economy globally in 2014, at 8% p.a.
- Growth driven by strong mineral exports, agricultural output and infrastructure development
- Stable government with 24 years of independence

Location of Eritrea and the Colluli project



Gross domestic product growth

Year on year change (%)



Supportive laws for mining investment in Eritrea

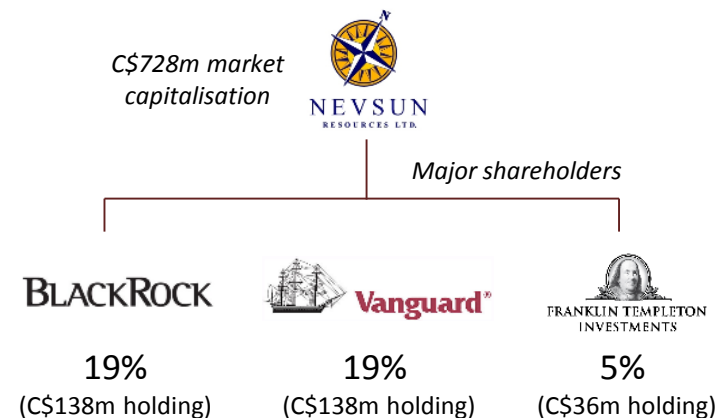
- A stable tax regime, with corporate tax rate of 38%
- Accelerated depreciation – straight line over 4 years
- Generous reinvestment deduction (5% gross income)
- 10 year carrying forward of losses
- 0.5% import duty on mining inputs
- Simple “one stop” licensing system





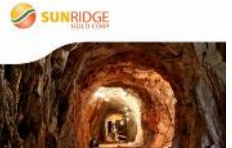
THERE EXIST MULTIPLE HIGH PROFILE EXAMPLES OF **MINING INVESTMENT IN ERITREA**

- Nevsun Resources (TSX: NSU) 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 have demonstrated **comfort with investment in Eritrea**
- **Recent purchase of 60% of Asmara** (copper, zinc, gold) by Chinese investor for C\$85m
- **Danakali's strong relationship with ENAMCO will generate significant benefits for the Colluli project**
 - ENAMCO tie-up assists with establishment of positive local relationships
 - Danakali have 3 of 5 CMSC Board seats

Significant Eritrean institutional investors



Major Eritrean mining developments

Bisha	Zara	Asmara
Undergoing third expansion	Commissioned and producing	60% recently acquired by a Chinese investor
		

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

The premier pre-production SOP opportunity



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DANAKALI IS ONE OF THE FEW SOP OPPORTUNITIES WITH AN ADVANCED PROJECT, PREMIUM ASSET AND MODEST CAPEX

- Over the last 12 months, Danakali has accelerated the development of Colluli faster than its peers
 - Successfully delivered the DFS in November 2015 within 9 months of releasing the PFS

Asset	Company	Market cap (A\$m)	Cash (A\$m) ¹	Capex (\$)	Defined resource	Economic reserves	Completed PFS	Completed DFS	Premium product suite
Colluli (Phase I)	Danakali (ASX)	49	5	US\$298m	✓ (1,289Mt)	✓	✓	✓	✓
Ochoa	IC Potash (TSX)	11	3	US\$1,018m	✓ (1,302Mt)	✓	✓	✓	
Sevier Lake (brine)	Crystal Peak Minerals (TSX-V)	29	8	US\$378m	✓ (34Mt)		✓	✓	
Blawn Mountain	Potash Ridge (TSX)	4	1	C\$1,124m	✓ (872Mt)	✓	✓		
Lake Disappointment (brine)	Reward Minerals (ASX)	78	7	A\$320m	✓ (564Mt)				

Source: IRESS, Bloomberg, Company filings

Note:

¹ Cash as at 30-Sep-15



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



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



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



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



Chris Els
CFO

Corporate Finance

- 20+ years experience as a finance executive in Australia, South Africa and Brazil
- Previously CFO of Mirabela Nickel and Norilsk Nickel
- Experience spans mining, manufacturing, agribusiness and business services industries

Forward Looking Statements and Disclaimer



DANAKALI

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. Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. To the extent permitted by law, the Company accepts no responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in this presentation. Recipients should make their own enquiries in relation to any investment decisions.

Mineral Resource, Ore Reserve and financial assumptions made in this presentation are consistent with assumptions detailed in the Company’s ASX announcements dated 25 February 2015, 4 March 2015, 23 September 2015 and 30 November 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

The 2015 Colluli Potash Mineral Resource is reported according to the JORC Code and estimated at 1,289Mt @11% K₂O Equiv. The Mineral Resource is classed as 303Mt @ 11% K₂O Equiv Measured, 951Mt @ 11% K₂O Equiv Indicated and 35Mt @ 10% K₂O Equiv Inferred. The Competent Person for this estimate is Mr. Stephen Halabura, M. Sc., P. Geo., Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and a geologist with over 25 years' experience in the potash mining industry. 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 JORC Code.

The 2015 Colluli Rock Salt Mineral Resource is reported according to the JORC Code and estimated at 347Mt @96.9% NaCl. The Mineral Resource is classed as 28Mt @ 97.2% NaCl Measured, 180Mt @ 96.6% NaCl Indicated and 139Mt @ 97.2% NaCl Inferred. The Competent Person for this estimate is Mr. John Tyrrell, a geologist with more than 25 years' experience in the field of Mineral Resource estimation. Mr Tyrrell is a member of the AusIMM, is a full time employee of AMC Consultants Pty Ltd 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 JORC Code.

Mr. Tyrrell & Mr. Halabura consent to the inclusion of information relating to the Mineral Resource Statements in the form and context in which they appear.

Ore Reserve Statement

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

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