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**ASX release**

**21 March 2015**

## **COMPANY UPDATE**

In line with the placement announced today, Danakali Limited (**Danakali, ASX:DNK**) is pleased to provide the attached company update. The company update details the recent operational progress made at Colluli and the project's clear absolute and relative attractiveness.

Danakali has a definitive plan to progress Colluli development, and lock in project funding and offtake.

For further information, please contact:

**For more information, please contact:**

Paul Donaldson  
Managing Director  
+61 8 6315 1444

**For media and broker enquiries:**

Warrick Hazeldine / Andrew Rowell  
Cannings Purple

### **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 c. 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. It also provides Danakali with the potential to become a multi agri-commodity company given the established capability of the resource to produce three potash types (SOP, SOP-M and MOP) and rock salt; and also the potential to be able to produce a host of other useful industrial-, agricultural- and building-related salts.

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.



DANAKALI

# **Colluli, positively unique**

**Shareholder update – March 2016**

**Danakali Limited, ASX: DNK**

# Danakali's investment case



- Globally, Colluli is a **stand-out potash resource** given **large size, scalability, strategic location and diversification potential**
- Colluli is **located at the epicentre of booming population growth** in Africa and Asia, while lying close to traditional Middle Eastern and European markets
- **Colluli DFS 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 optimises fundability, risk and economic return**; Colluli leads other prospective potash developments with respect to these three aspects
- 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**
- Funding discussions underway with off-takers, strategic partners and financiers

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

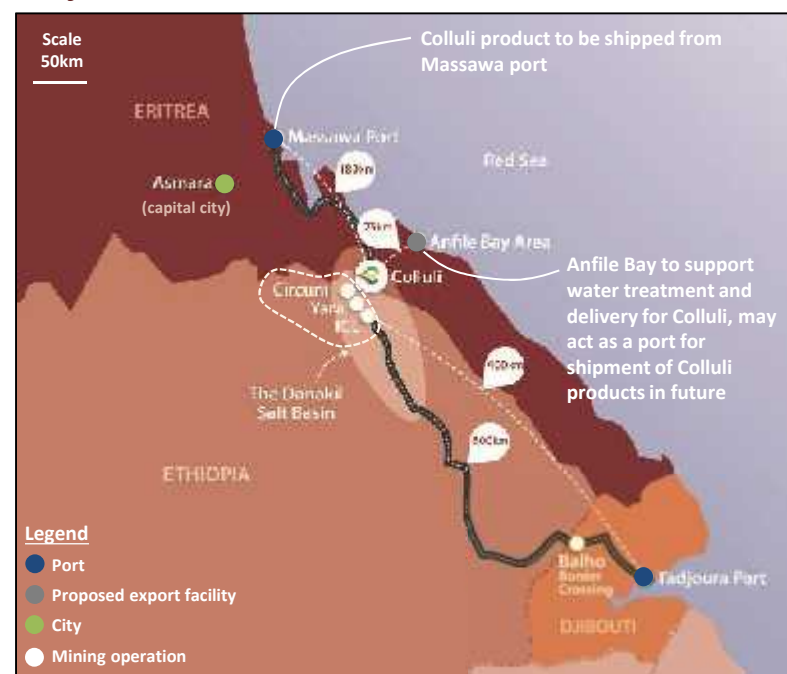
# Location of Colluli and overview



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

- World class sulphate of potash (SOP or potassium sulphate) project in the Danakil Basin, Eritrea
- The Danakil resource has the **unique capability of producing a diverse range of potash products** including SOP, potassium magnesium sulphate (SOP-M or sulphate of potash magnesia) and potassium chloride (MOP or muriate of potash)
- Colluli has **advantages over other projects in the Danakil Basin**
  - **Logistically superior** – only 75km from the Red Sea coast, 50km from coastal road and 180km from established export infrastructure
  - **Shallow mineralisation** – which results in massive resource to reserve conversion and potential monetisation of waste materials (rock salt, magnesium chloride)
  - **Mine method** – open cut mining is simple and proven, and results in low incremental growth capital

### Project location



# SOP is the premium potash product

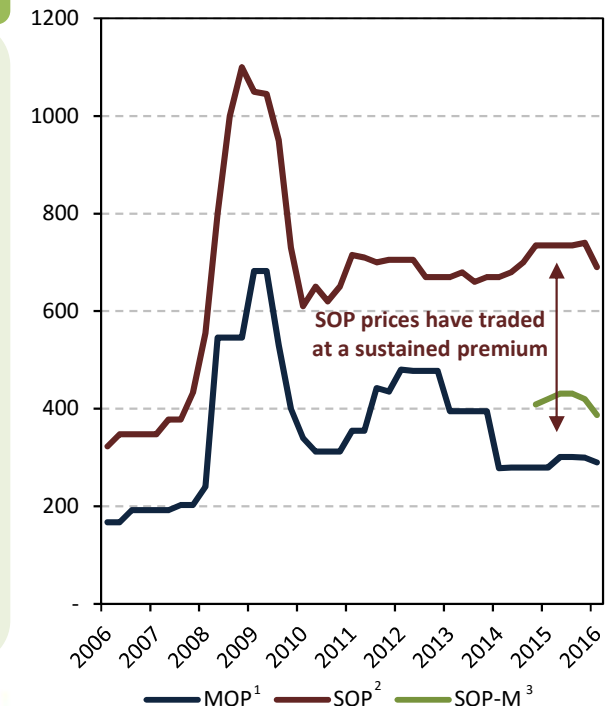


## DEVELOPERS THAT PRODUCE SOP AND SOP-M WILL REALISE HIGHER PRICES AND **MAXIMISE RETURNS FOR INVESTORS**

MOP	SOP	SOP-M
<ul style="list-style-type: none"> <li>Improves yield for wide range of crops</li> <li>Most concentrated form of granular potassium</li> <li>Demand is elastic (easy to substitute)</li> <li>Market is well supplied by global potash majors</li> <li>Generally higher development costs</li> </ul>	<ul style="list-style-type: none"> <li>Danakali's key focus</li> <li>Improves yield of <b>high value crops</b></li> <li><b>Suitable for chloride intolerant crops</b></li> <li>Demand is <b>inelastic</b> (not as easy to substitute, premium product leads to sticky demand)</li> <li>Global <b>supply shortage of primary resources</b></li> <li>Sulphur is a <b>key nutrient</b></li> <li><b>Fewer natural sources</b></li> <li><b>Higher margin</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Demonstrated production from Colluli</b></li> <li><b>Limited supply</b> and carries a <b>price premium</b></li> <li><b>High grade, chloride free premium fertiliser</b></li> <li><b>Multi-nutrient fertiliser</b> suitable for crops where three major nutrients are required</li> <li><b>SOP-M production ability confirms Colluli's multi agri-commodity business potential</b></li> </ul>
~85% of potash supply <sup>4</sup>	~10% of potash supply <sup>4</sup>	~3% of potash supply <sup>4</sup>

**Major potassium products**

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



Source: Compass Minerals 2015 quarterly report, Greenmarkets

1 Based on FOB Vancouver prices

2 Based on FOB Utah prices

3 Based on FOB Carlsbad prices

4 CRU

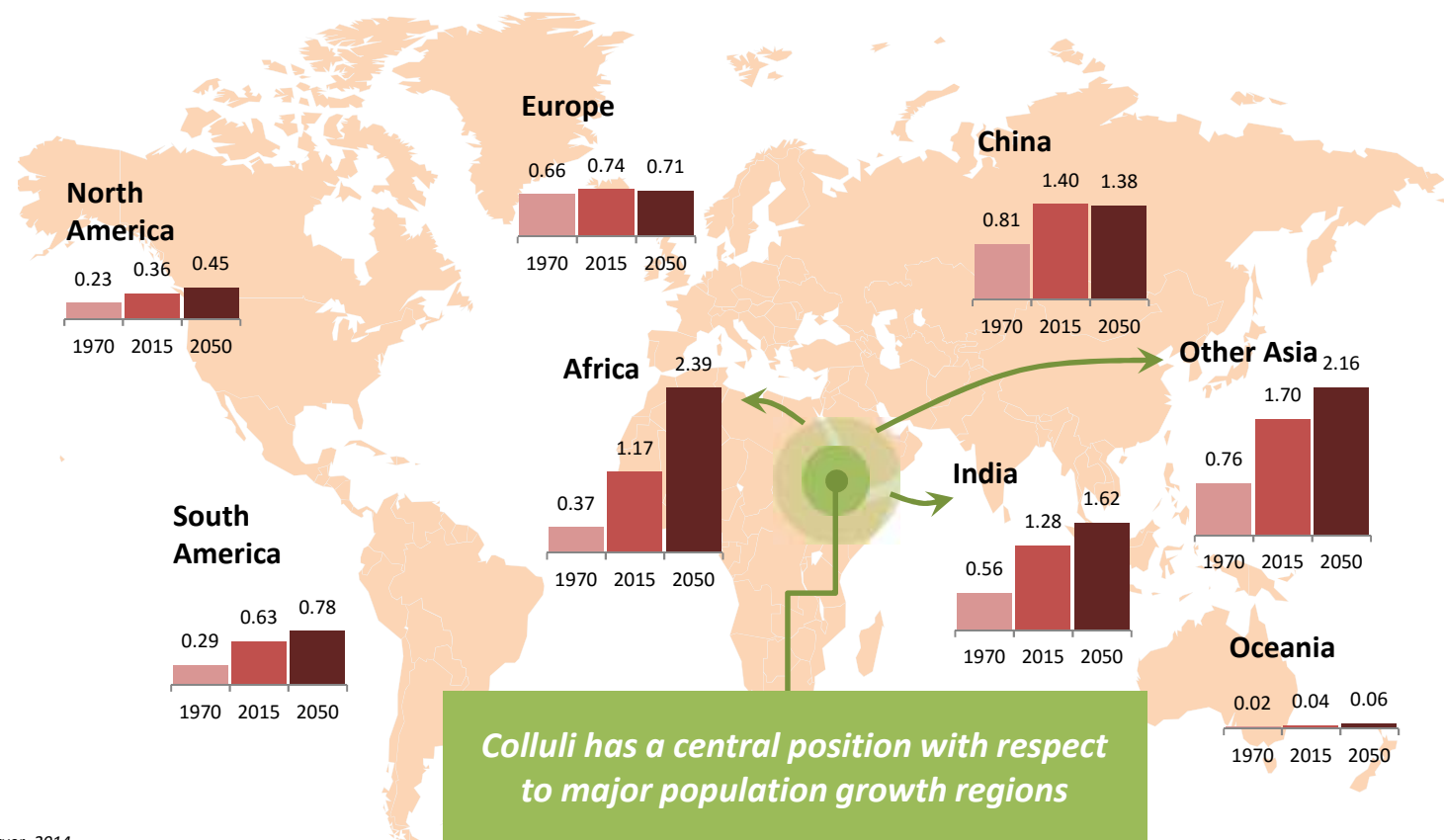
# Colluli is at the epicentre of global population growth



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

- Potash is a rare commodity story where **demand is not primarily China-driven**
- Colluli is **geographically superior** with regard to key growth markets and has **logistical superiority** in the Danakil basin

Historical and forecast global population growth (billions)



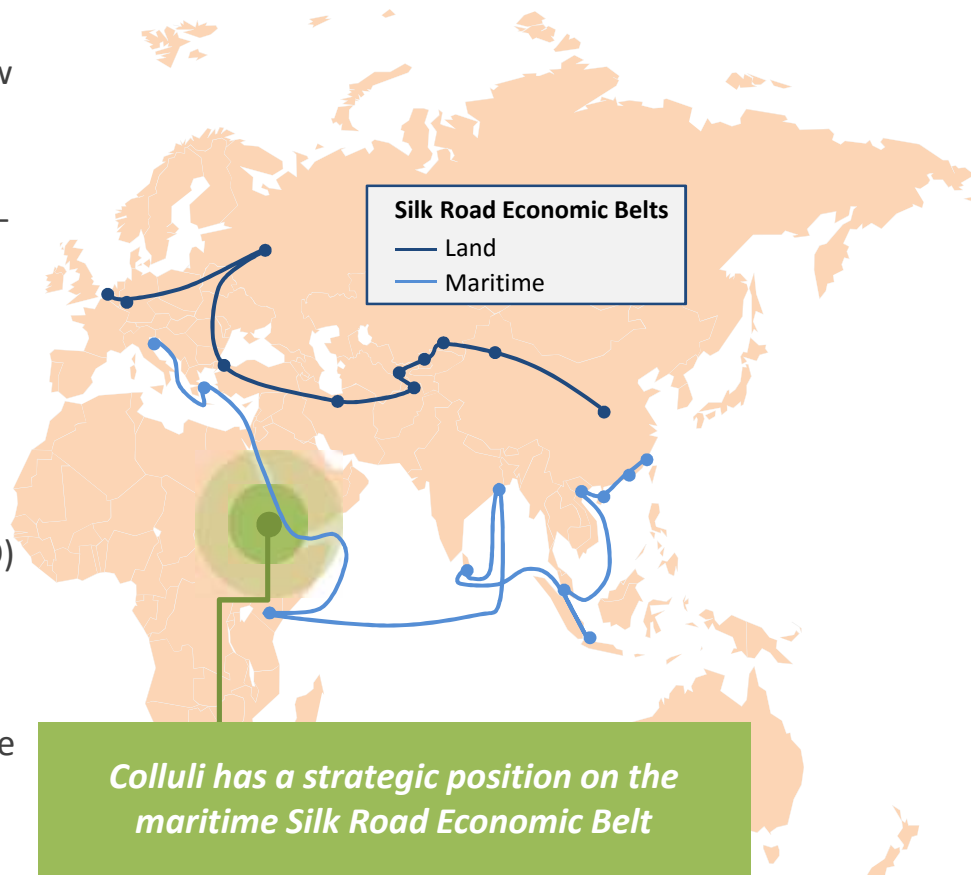
Source: United Nations, Basic Materials Observer, 2014

# Strategic position on the “New Silk Road”



## COLLULI IS IDEALLY SITUATED TO TAKE ADVANTAGE OF CHINA'S FOCUS ON EXPANDING TRADE INTO NEW MARKETS

- The “New Silk Road”, linking China and Africa, has been initiated by China in order to open new markets for its consumer goods and excess industrial capacity
  - The value of exports and total trade from sub-Saharan Africa **increased by nearly 1,000%** from 2003 to 2012<sup>1</sup>
  - Sub-Saharan Africa's share of China's imports also **increased from 3% to 11% in 2012**<sup>1</sup>
  - Chinese companies have been **actively acquiring projects in Eritrea and surrounds** including the Zara (now 60% owned by SFECO) and Asmara (now 60% owned by Sichuan Road & Bridge Mining Corp.) projects<sup>2</sup>
- India, 3 days shipping from Eritrea, could represent a significant SOP demand centre in the future



<sup>1</sup> IMF

<sup>2</sup> Company announcements

# Colluli DFS demonstrates attractive economics



## 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
- **Commissioning targeted for Q4 2018**
- Mining approvals process has commenced, with **formal submission of DFS documents** to Eritrean Ministry of Energy and Mines
- **Post DFS stakeholder engagements completed** in local communities

### Key DFS results

Metric	Unit	Colluli DFS outcomes	
		Phase I	Phase I and II <sup>1</sup>
Annualised SOP production	kt	425	850
Strip ratio	waste:ore	1.91	1.93
Phase I development capital <sup>2</sup>	US\$m	298	
Incremental Phase II development capital <sup>2</sup>	US\$m		175
Average forecast SOP price (FOB Massawa) <sup>3, 4</sup>	US\$/t SOP	572	572
Average mine gate cash costs <sup>3</sup>	US\$/t SOP	168	141
Average total cash costs <sup>3, 5</sup>	US\$/t SOP	255	227
Undiscounted after tax cash flows <sup>6</sup>	US\$m	4,539	9,637
Annual average free cash flows <sup>3, 4</sup>	US\$m	81	166
Payback period <sup>7</sup>	Years	3.5	
Post tax NPV (10% real) <sup>7</sup>	US\$m	439	860
Post tax IRR <sup>7</sup>	%	25.4	29.0
<b>Danakali's 50% share of project</b>			
Post tax NPV (10% real) <sup>7</sup>	US\$m	206	415
Post tax IRR <sup>7</sup>	%	25.2	29.3

<sup>1</sup> Additional 425ktpa Phase II production commencing in year 6

<sup>2</sup> Including contingency, excluding working capital

<sup>3</sup> Average for first 60 years of production

<sup>4</sup> Composite price for Standard and Granular SOP

<sup>5</sup> Includes mine gate costs, product logistics and royalties

<sup>6</sup> Over first 60 years of production

<sup>7</sup> 100% Project level basis (DNK holds a 50% interest)

# Superior SOP development project



## COLLULI IS A STAND OUT PROJECT RELATIVE TO SOP DEVELOPMENT PEERS

- **Stand out economics relative to peers** – despite relatively conservative pricing assumptions
- **Industry leading capital intensity and low development capital** – directly attributable to shallow mineralisation, favourable potassium salt suite and extraction of salts in solid form
- **Highly expandable with low incremental growth capital** – due to shallow mineralisation, open cut mining method and salts in solid form
- **Underpinned by world class ore reserve** – 1.1 billion tonnes and an expected mine life of over 200 years utilising the DFS production rates
- **Bottom quartile operating cost curve position** – provides industry leading returns throughout the commodity cycle
- **Unrivalled diversification potential** – highly favourable suite of potassium, magnesium, calcium and sodium salts
- **Strategic location** – additional advantages through access to key export markets and established infrastructure

### Key comparable global greenfield SOP developments <sup>1</sup>

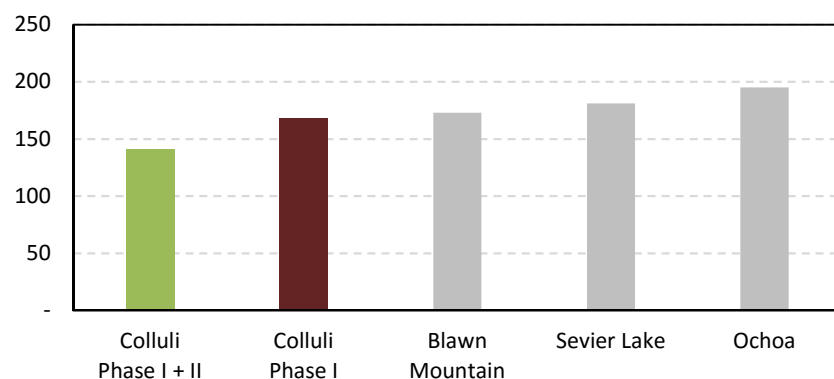
Project	Owner	Location	Stage
Colluli	Danakali (50%)	Eritrea	DFS complete
Ochoa	IC Potash	New Mexico, USA	DFS complete
Sevier Lake	Crystal Peak Minerals	Utah, USA	DFS underway
Blawn Mountain	Potash Ridge	Utah, USA	PFS complete

<sup>1</sup> Company Websites/Announcements

## STAND OUT PROJECT RELATIVE TO SOP DEVELOPMENT PEERS REGARDLESS OF CONSERVATIVE PRICING ASSUMPTIONS

- DNK have applied the **most conservative pricing assumptions relative to peers**
- Despite this, Colluli **dominates development peers with respect to key valuation outputs**
- Colluli also **leads peers with respect to operating expenses and capital intensity**

**Mine gate cash costs (US\$/t)<sup>2</sup>**



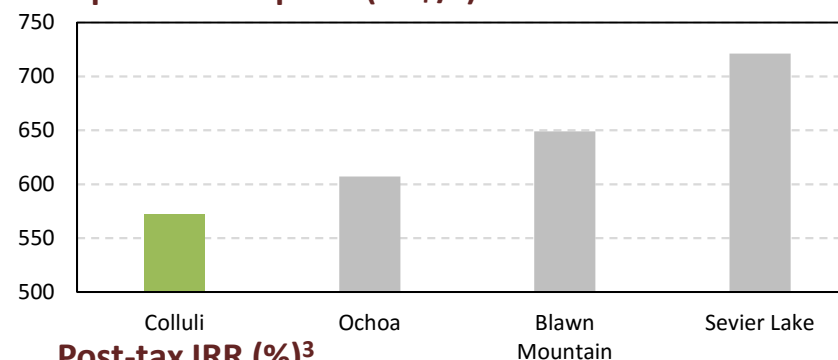
Source: Company announcements

<sup>1</sup> Long run SOP price assumptions used in feasibility studies; prices real or assumed to be real when not stated

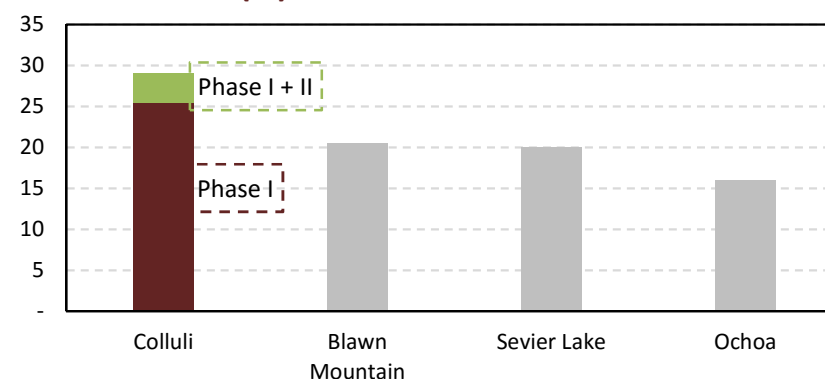
<sup>2</sup> Excludes royalties and logistics costs

<sup>3</sup> Company announcement

**SOP price assumption (US\$/t)<sup>1</sup>**



**Post-tax IRR (%)<sup>3</sup>**



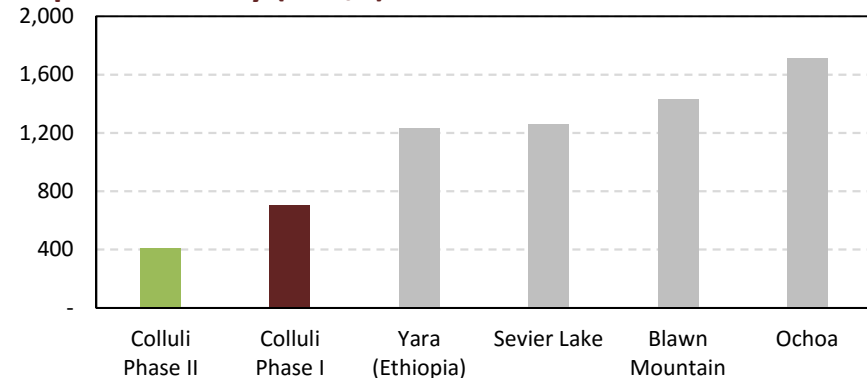
# Leading capital intensity and low capex



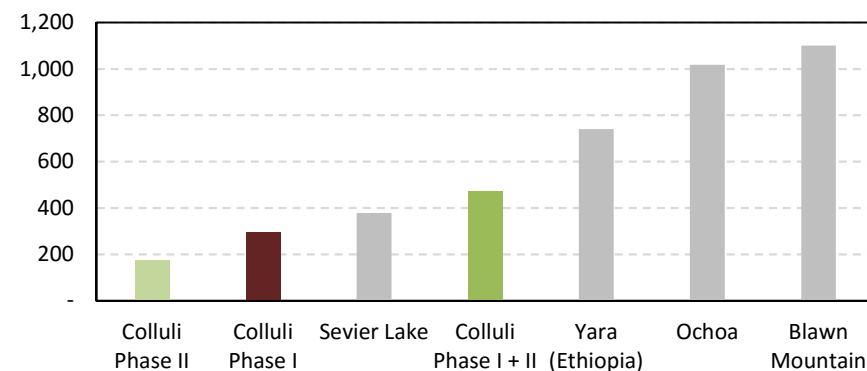
## INDUSTRY LEADING CAPITAL INTENSITY AND LOW DEVELOPMENT CAPITAL **RENDERS COLLULI HIGHLY FUNDABLE**

- Salts in solid form and ambient conditions reduce both capital and operating expenditure
  - Hard rock Colluli deposit, as opposed to brine, **reduces pond area size, minimising capex**
  - **Ambient conditions decrease evaporation time** and operating expenses
- Incremental growth capital very low in relative terms due to simple processing method, small ponds and no additional stripping

**Capital intensity (US\$/t)**



**Development capital (US\$m)**



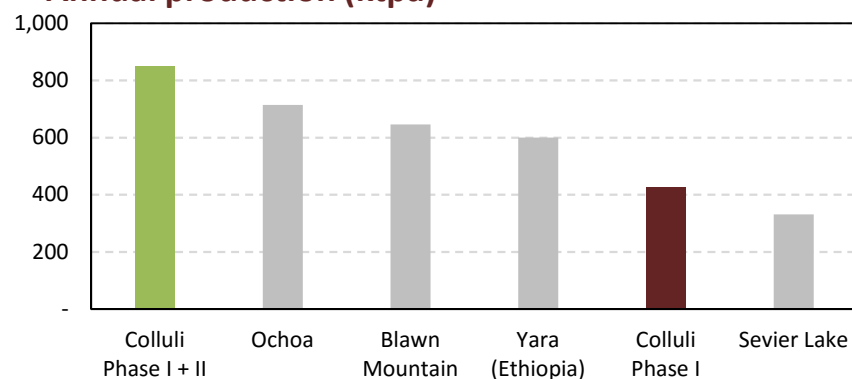
Source: Company announcements

# Superior relative valuation

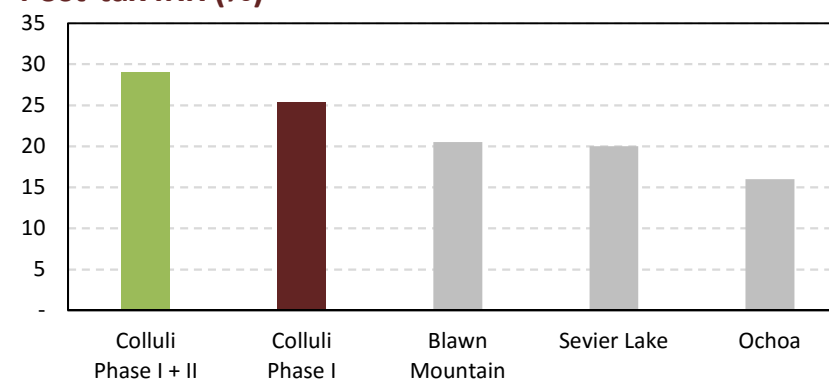


## COLLULI DOMINATES COMPARABLE PROJECTS WITH RESPECT TO VALUATION OUTCOMES

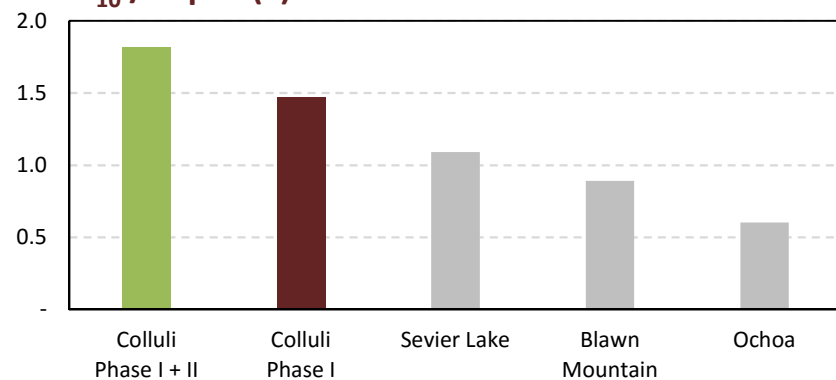
Annual production (ktpa)



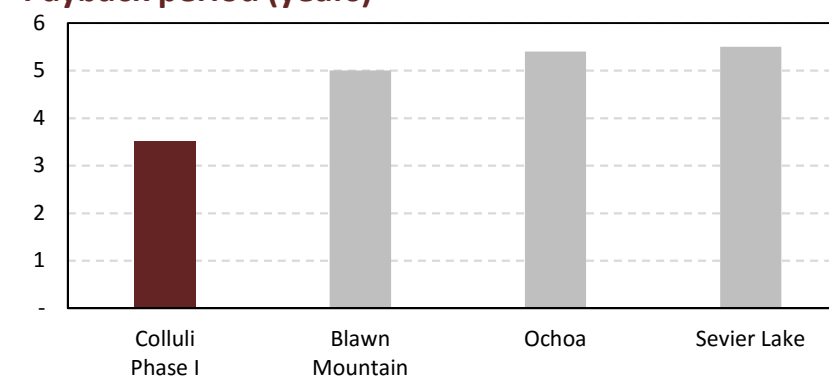
Post-tax IRR (%)



NPV<sub>10</sub> / capex (x)



Payback period (years)



Source: Company announcements

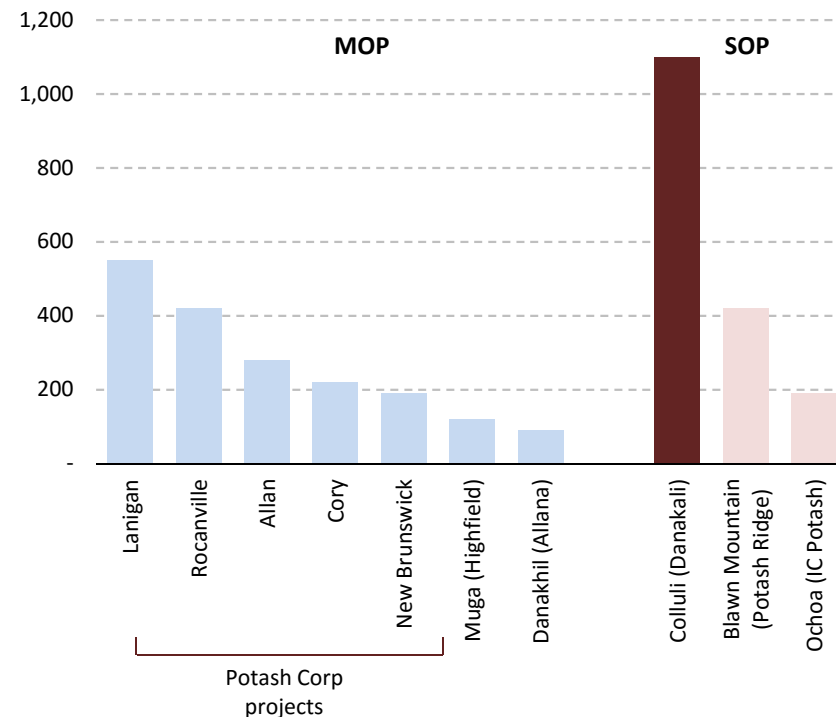
# Outstanding scale and low operating costs



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

### Scale of Colluli is truly world class

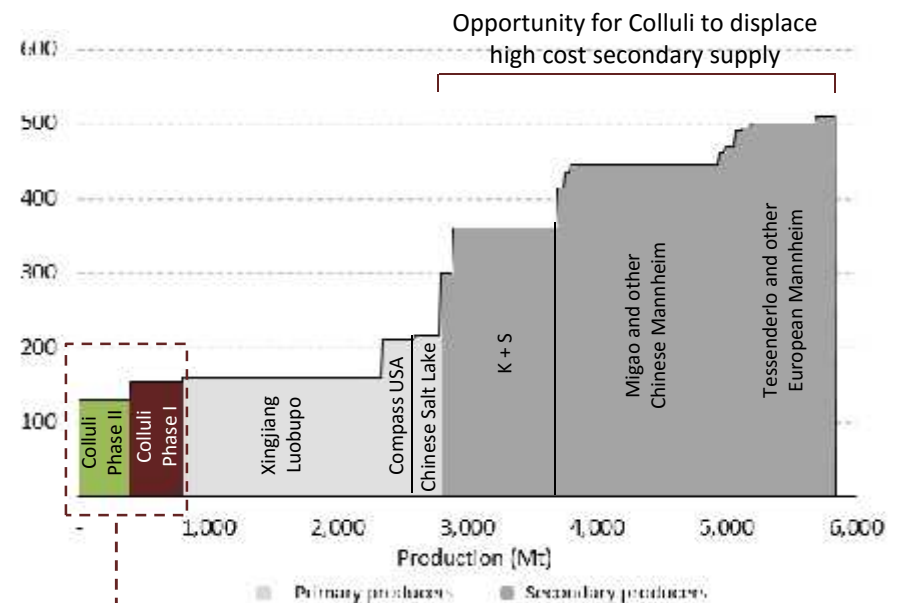
Potash reserves for selected projects (Mt)



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
- ✓ Anticipated rock salt production (which would otherwise be overburden) to further reduce cash costs

## ERITREA HAS EXPERIENCED STRONG RECENT GROWTH AND IS FOCUSED ON HEALTH, EDUCATION AND INFRASTRUCTURE

- **€200m in aid through 2016-2020** announced from European Development Fund
  - Objective of promoting activities for the direct benefit of the population with tangible results
  - Benefits to include creation of job opportunities and the improvement of living conditions in the country
- One of the fastest **growing economies globally**<sup>1,2</sup>
  - Growth driven by **strong mineral exports, agricultural output and infrastructure development**
- Eritrea was the **only sub-Saharan African country to meet its Millennium Development Goals by 2015**<sup>3</sup>
  - Decreased malaria infections by 85%
  - On track to reduce maternal mortality by 75%
  - Decreased HIV/AIDs prevalence by 49% to 0.8%
  - Improved access to potable water to 85%
  - Nearly doubled its adult literacy rates to 80%



<sup>1</sup> World Bank

<sup>2</sup> The Economist

<sup>3</sup> World Health Organisation

# Maturing mining jurisdiction



## ERITREA HAS A GROWING MINING INDUSTRY WITH A HISTORY OF INVESTMENT BY GLOBAL INVESTORS AND CORPORATES

- Over US\$600m invested in Eritrea mining industry to date<sup>1</sup>
- In addition to mining, over **250kt of table salt** is **currently produced in Eritrea** each year across two projects<sup>2</sup>
- Supportive laws for mining investment in Eritrea<sup>3</sup>
  - Accelerated depreciation (straight line, 4 years)
  - 10 year carrying forward of losses
  - Generous reinvestment deduction (5% gross income)
  - Stable corporate tax
- Increasing support base within Eritrea for the mining industry
- Danakali's JV partner, ENAMCO, retains a 40% interest in the other major Eritrean mining developments

<sup>1</sup> Company announcements

<sup>2</sup> United States Geological Survey 2013 Minerals Yearbook – Eritrea

<sup>3</sup> Eritrean Mining Proclamation

### Prominent international companies operating in Eritrea



SCANIA

OMNIA

BOART  
LONGYEAR

TOYOTA



### Major Eritrean mining developments <sup>1</sup>

#### Bisha

Au, Ag, Cu, Zn  
Nevsun 60% /  
ENAMCO 40%

Undergoing third  
expansion



#### Zara

Au  
SFECO 60% /  
ENAMCO 40%

Commissioned  
and producing



#### Asmara

Cu, Zn, Au  
Sichuan Road & Bridge  
Mining Corp. 60% /  
ENAMCO 40%

60% share recently  
purchased from Sunridge



## ENGAGEMENT WITH COMMUNITY AND KEY STAKEHOLDERS HAS GENERATED **STRONG SUPPORT FOR COLLULI DEVELOPMENT**

- Following completion of the DFS, stakeholder engagements were held with representatives from various local communities
  - Project received **overwhelmingly positive support** and project team developed a **greater understanding of communities' interests**
- The results of the engagements to be integrated with **social and environment impact assessments and management plans**
  - Conducted according to Equator Principles, a risk management framework used to **manage the environmental and social risk in projects**
- DFS documents have been submitted to the Eritrean Ministry of Energy and Mines



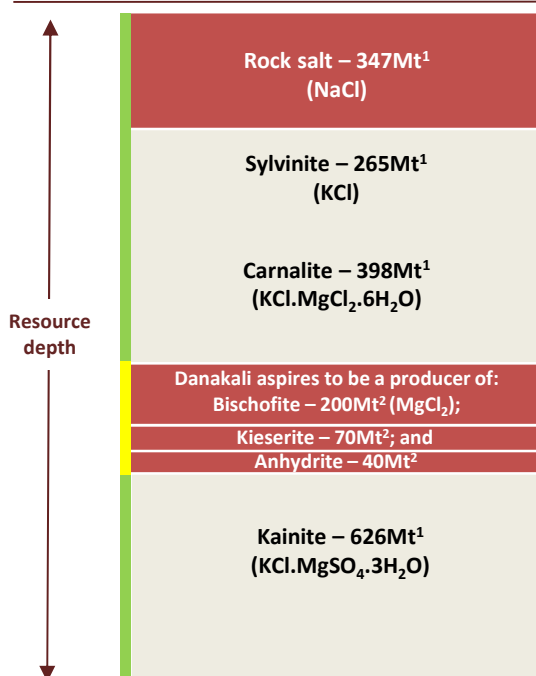
# Clear potential for product diversification



## DIVERSITY OF PROJECT GEOLOGY MEANS THERE IS THE POTENTIAL TO BECOME A MULTI AGRI-COMMODITY BUSINESS

- Colluli has clear modular growth potential, increasing production and introducing new products

### Various salts at Colluli



- JORC 2012 compliant defined resources
- Non-JORC exploration potential
- Additional salts (beyond what is assessed in the DFS)
- Core DFS salt resources

### Uses

- Chlor-alkali and soda ash production
- De-icing roads
- Food and food processing
- Sylvinite and carnalite are used as inputs for the production of MOP (as well as SOP)
- MOP is used as a fertiliser on chloride-loving and chloride-tolerant plants
- Chemicals and chemical industry
- Fertiliser and plaster
- Production of gypsum
- Production of SOP (with sylvinite and carnalite) – core DFS product
- SOP used as a fertiliser for chloride-intolerant plants
- Production of SOP-M, used on high value crops, demonstrated at Colluli

### Current global market size and producers



Source: Company disclosures

<sup>1</sup> Figures represent JORC 2012 compliant defined resources

<sup>2</sup> Danakali aspires to produce these salts but does not yet have reasonable grounds to believe this can be achieved

<sup>3</sup> Roskil

<sup>4</sup> CRU, Integer Research, Fertecon

<sup>5</sup> USGS Magnesium compounds

<sup>6</sup> K+S Presentation

<sup>7</sup> Global gypsum news

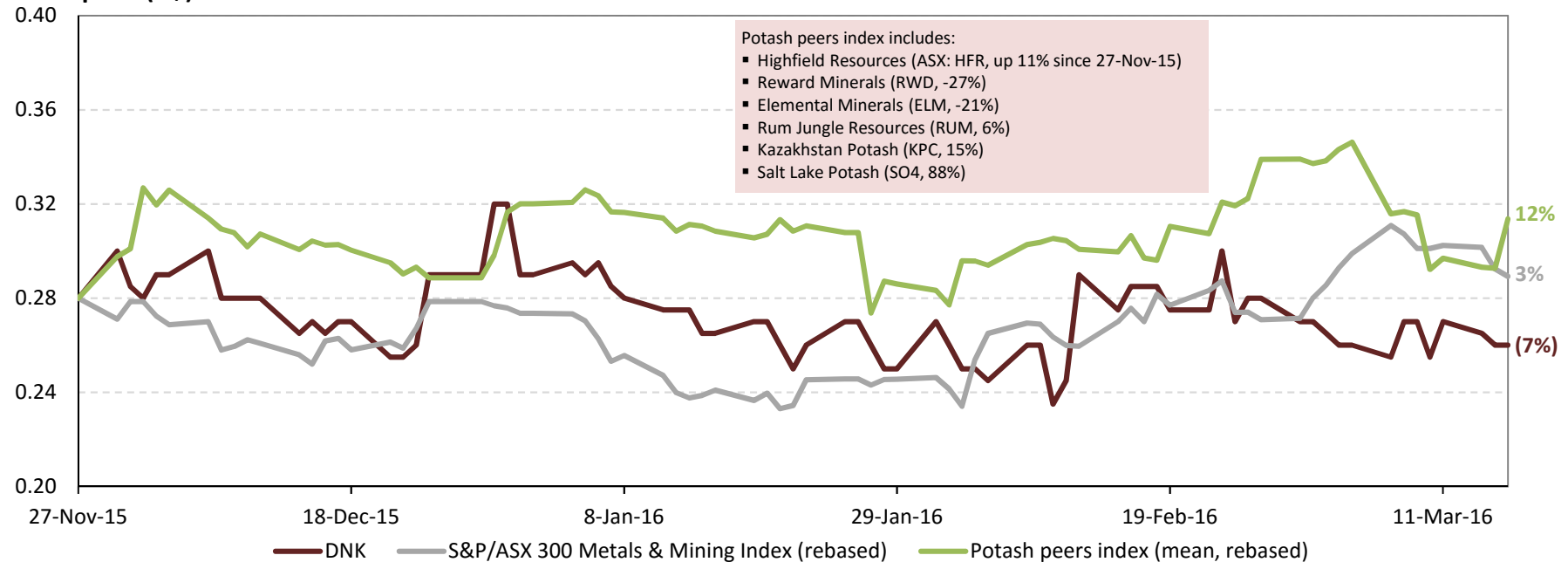
# Share price performance against peers and sector



## THE MARKET IS YET TO RESPOND TO THE POSITIVE DFS RELEASE, RE-RATING POTENTIAL REMAINS

- The Colluli DFS delivered **improvements to the expected capex, payback period, IRR and NPV**
  - Despite this, Danakali **share price has underperformed** ASX-listed peers and the wider ASX-listed metals & mining sector
- Danakali has **significant potential valuation catalysts in 2016**

Share price (A\$)



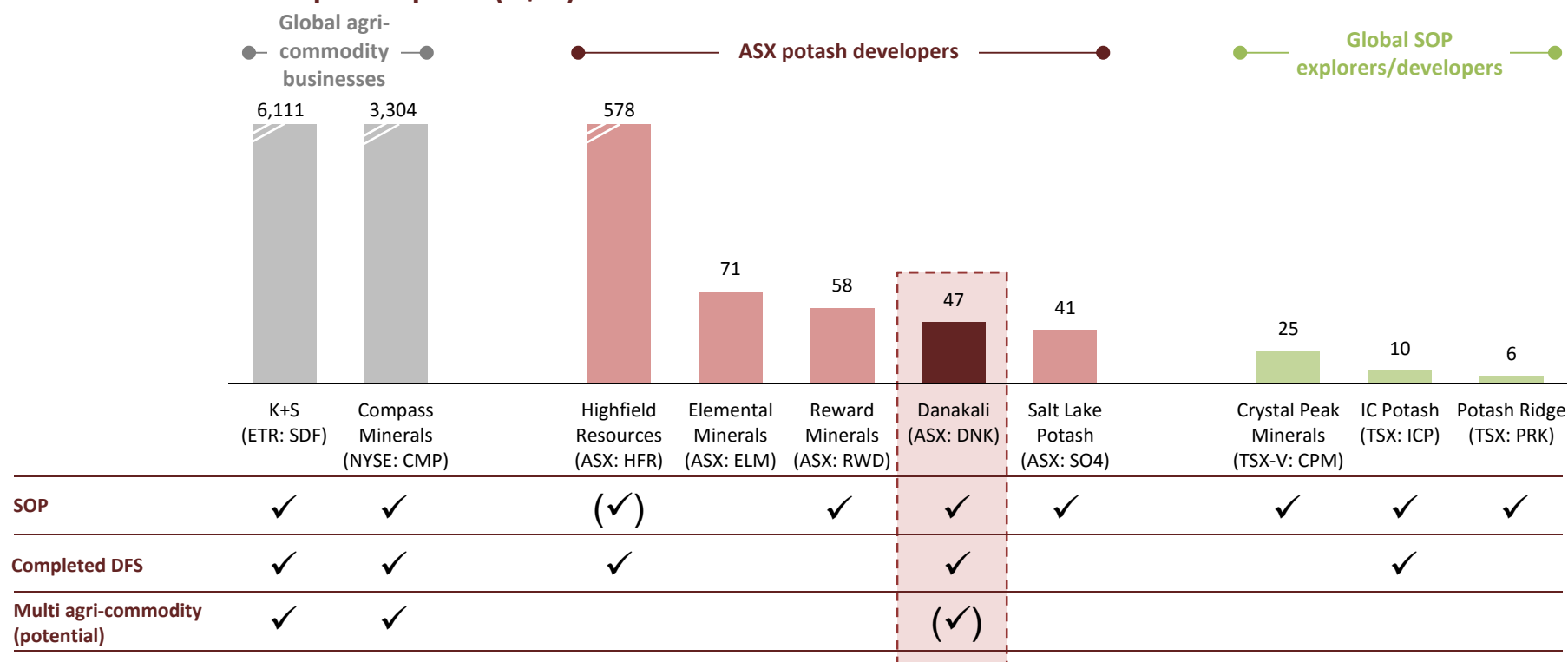
Source: IRESS

# Strong potential for re-rating



## MUTLI AGRI-COMMODITY POTENTIAL COULD PLACE DANAKALI IN THE LEAGUE OF LARGE GLOBAL PRODUCERS

Market value of listed potash peers (A\$m)<sup>1</sup>



← Strong potential for Danakali to re-rate

Source: Bloomberg, company disclosure

<sup>1</sup> Based on AUD:USD = 0.717 and CAD:USD = 0.729

# Project continues to advance towards construction



## DANAKALI HAS A DEFINITIVE PLAN TO PROGRESS COLLULI DEVELOPMENT, AND LOCK IN PROJECT FUNDING AND OFFTAKE

Area	Activity
<b>1. Colluli progression</b>	<ul style="list-style-type: none"><li>• Completion of Sustainability and Environmental Impact Studies</li><li>• Submission of the Sustainability documents to Eritrean Ministry of Energy and Mines and finalisation of mining license application</li><li>• Commencement of Front End Engineering and Design work</li><li>• Initiation of mine contract tendering processes</li><li>• Site evaluation test work to support engineering tendering</li></ul>
<b>2. Project funding</b>	<ul style="list-style-type: none"><li>• Undertake discussions and negotiations on project funding</li><li>• Develop sources and structure</li></ul>
<b>3. Marketing</b>	<ul style="list-style-type: none"><li>• Pursue offtake agreements</li><li>• Engage potential strategic partners</li></ul>

## Appendix A

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### Board and management

## 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 and Company Secretary**  
Corporate Finance

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

## Appendix B

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### Additional Colluli information

# Capex breakdown



## CAPITAL EXPENDITURE SPLIT ACROSS TWO PHASES, **REDUCING COMMERCIAL AND CONSTRUCTION RISK**

### Colluli capital expenditure (US\$m)<sup>1</sup>

Metric	Phase I	Phase II
Plant and ponds	79.2	75.9
Mine development	54.2	-
Earthworks	17.0	12.7
Water services	17.0	14.7
Site infrastructure and camp	21.6	7.2
Power	8.2	18.3
Product logistics	12.5	-
Owners costs	26.7	9.9
EPCM	24.4	16.2
Contingency	37.4	20.2
<b>Total development capital</b>	<b>298.2</b>	<b>175.1</b>

Source: Danakali DFS Announcement

# Colluli Reserves and Resources



## SUBSTANTIAL POTASH RESOURCES WITH VERY HIGH RESERVE CONVERSION AND FURTHER UPSIDE FROM ROCK SALT RESOURCE

### JORC 2012 Colluli SOP Ore Resource

Area	Rock Unit	Measured		Indicated		Inferred		Total	
		Mt	K <sub>2</sub> O Equiv %	Mt	K <sub>2</sub> O Equiv %	Mt	K <sub>2</sub> O Equiv %	Mt	K <sub>2</sub> O Equiv %
Area A	Silvinite	66	12	38	11	10	8	115	11
	Carnallite	55	7	190	9	6	16	251	9
	Kainite	86	12	199	11	1	10	285	11
Area B	Silvinite	24	15	12	13	5	12	150	13
	Carnallite	25	6	114	7	8	7	147	7
	Kainite	48	13	289	13	4	13	341	13
Area C	Silvinite	90	13	160	13	15	9	265	12
	Carnallite	80	7	303	8	15	11	398	8
	Kainite	133	12	488	12	5	11	626	12
Overall		303	11	951	11	35	10	1,289	11

### JORC 2012 Colluli SOP Ore Reserve

Occurrence <sup>1</sup>	Proven		Probable		Total			
	Mt	K <sub>2</sub> O Equiv %	Mt	K <sub>2</sub> O Equiv %	Mt	K <sub>2</sub> O Equiv %	K <sub>2</sub> SO <sub>4</sub> Equiv %	K <sub>2</sub> SO <sub>4</sub> Equiv Mt <sup>2</sup>
Silvinite	78	15	175	12	253	13		
Carnallite	79	7	284	8	363	8		
Kainite	129	12	368	11	497	11		
Total	286	11	827	10	1,113	10	19	216

<sup>1</sup> The Ore Reserve estimate contains dilatant material. Only sylvite, carnallite and kainite mineral species from Silvinite, Carnallite and Kainite rock types contribute to recovered product

<sup>2</sup> Equivalent K<sub>2</sub>SO<sub>4</sub> (SOP) calculated by multiplying % K<sub>2</sub>O by 1.85.

### JORC 2012 Colluli Rock Salt Mineral Resource

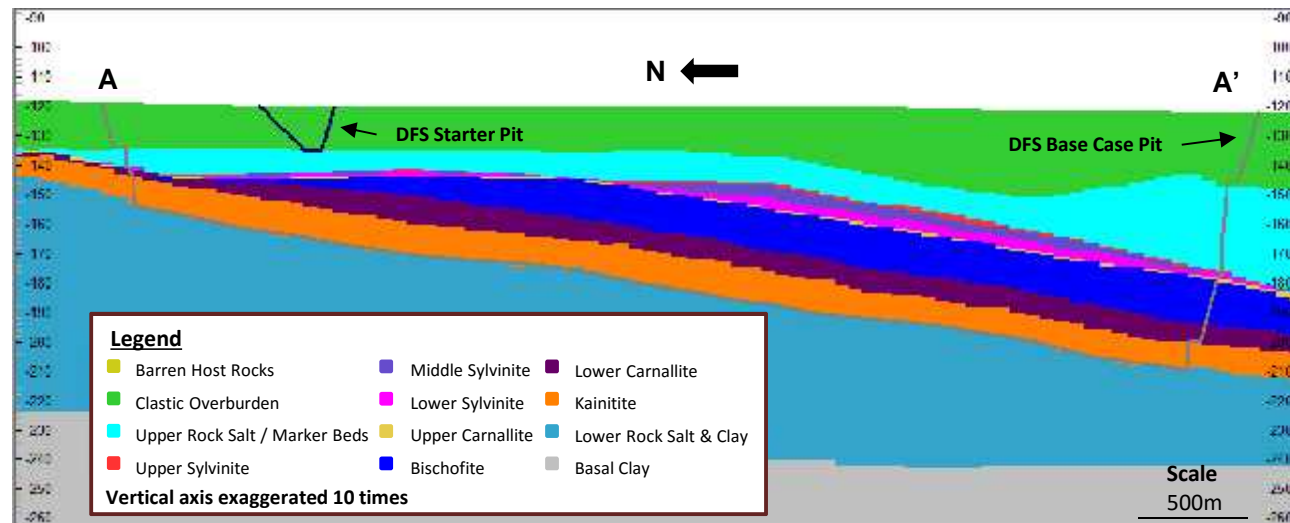
Classification	Mt	NaCl (%)	K (%)	Mg (%)	CaSO <sub>4</sub> (%)	Insolubles (%)
Measured	28	97.2	0.05	0.05	2.2	0.23
Indicated	180	96.6	0.07	0.06	2.3	0.24
Inferred	139	97.2	0.05	0.05	1.8	0.25
Total	347	96.9	0.06	0.05	2.1	0.24

# Colluli planned mine pit

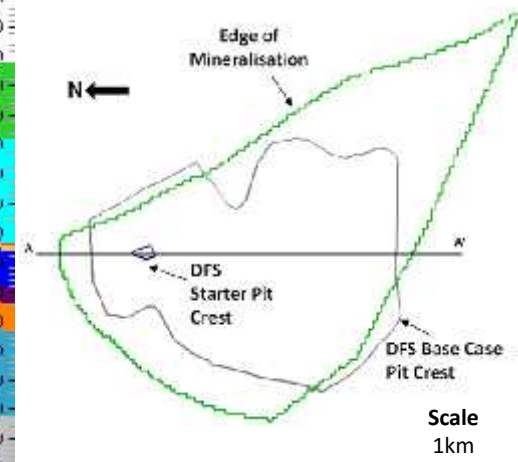


**LAYERED, SOLID SALT, OPEN PITTABLE RESOURCE MAKES FOR A STRAIGHTFORWARD MINING PROCESS**

Colluli mine cross section



Colluli mine from above



Source: Danakali

# Forward looking statements and disclaimer



The information in this presentation is published to inform you about Danakali Limited (the “Company” or “DNK”) and its activities. DNK has endeavoured to ensure that the information enclosed is accurate at the time of release, and that it accurately reflects the Company’s intentions. All statements in this presentation, other than statements of historical facts, that address future production, project development, reserve or resource potential, exploration drilling, exploitation activities, corporate transactions and events or developments that the Company expects to occur, are forward-looking statements. Although the Company believes the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements.

Factors that could cause actual results to differ materially from those in forward-looking statements include market prices of potash and, exploitation and exploration successes, capital and operating costs, changes in project parameters as plans continue to be evaluated, continued availability of capital and financing and general economic, market or business conditions, as well as those factors disclosed in the Company’s filed documents.

There can be no assurance that the development of the Colluli Project will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. 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 4 March 2015, 23 September 2015, 30 November 2015 and 29 January 2016 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



## Resource statement

The 2015 Colluli Potash Mineral Resource is reported according to the JORC Code and estimated at 1,289Mt @11% K<sub>2</sub>O Equiv. The Mineral Resource is classed as 303Mt @ 11% K<sub>2</sub>O Equiv Measured, 951Mt @ 11% K<sub>2</sub>O Equiv Indicated and 35Mt @ 10% K<sub>2</sub>O 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% K<sub>2</sub>O Equiv. The Ore Reserve is classed as 286Mt @ 11% K<sub>2</sub>O Equiv Proved and 827Mt @ 10% K<sub>2</sub>O 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.