Colluli Potash Project
Focus, progress and unrivalled potential

Annual General Meeting
19th May 2017

Paul Donaldson, Managing Director
Forward looking statements and disclaimer

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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 and 1 February 2017 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.
“Danakali, which is developing a project in Eritrea, has perhaps made the most progress of all greenfield SOP projects over the last 12 months.”

- CRU Consulting, October 2016, Potash Update
Highlights
2016 – Fully permitted and advancing to construction

COLLULI IS FULLY PERMITTED AND IS THE MOST FUNDABLE AND ADVANCED STAGE SOP PROJECT IN THE WORLD

Colluli Project Advancement

• SEIA approved
• Mining Agreement Signed
• Mining Licenses awarded
• Front end engineering design initiated
• Power generation bids received
• Expressions of interest complete for contract mining
• AMC appointed to optimise pit designs and support award of mining contract
• Front end engineering optimisation complete with over 10% increase in product output
• Cost reduction opportunities identified and advancing
• Revised equipment lists completed and procurement strategy well advanced
• Project construction manager appointed

CMSC Chairman, Seamus Cornelius and Minister of Energy and Mines, Sebhat Ephrem sign the Colluli Mining Share Company Mining Agreement

1. ASX Announcement. 6th December 2016
2. ASX Announcement, 1st February 2017
3. ASX Announcement, 9th January 2017
4. ASX Announcement. 3rd April 2017
5. ASX Announcement, 5th April 2017
6. ASX Announcement, 4th May 2017
7. ASX Announcement. 3rd May 2017
8. ASX Announcement, 1st May 2017
Highlights
2016 – Product placement discussions well underway

DANAKALI CONTINUES TO MAKE POSITIVE PROGRESS ON OFFTAKE PLACEMENT

Product and Offtake Advancement

- DFS pilot test results indicate that Colluli will produce premium grade SOP\(^1,2\)
- Danakali continues to make good progress on offtake and is advancing discussions with a range of prominent offtake parties in Asia, Europe and the Middle East
- Head of Marketing appointed
- Colluli SOP product specifications completed and released\(^3\)
- Colluli SOPM production specifications completed and released\(^4\)
- Industry interest in securing SOP from Colluli remains high, with aggregate offtake volumes requested by parties exceeding the company’s stage one production forecast
- The company is in the process of transition MOUs to Heads of Agreement and remains on track for completion in Q2

1 ASX Announcement, 14th April 2015
2 ASX Announcement, 29th April 2015
3 ASX Announcement, 3rd November 2015
4 ASX Announcement, 22nd February 2016
Highlights
2016 – Project finance process progressing

COLLULI CONTINUES TO MAKE SOLID PROGRESS TOWARDS CONSTRUCTION

Corporate

• Site visits hosted; Baillieu Holst, Somers and Partners, Hannam and Partners, Hartleys, Engineering and power generation companies, Eritrean Minister of Energy and Mines, Environmental Impact Review Committee and Paydirt Media

• Ex Canpotex Chairman, Robert Connochie appointed to the board

• A$12.2m raised throughout 2016 to advance the Colluli project

• Increased institutional investor support

• Endeavour Financial appointed as financial advisor

• Export credit agencies from multiple jurisdictions and commercial lenders due diligence processes underway

• Hannam and Partners appointed as equity advisor

1 ASX Announcement, 6th February 2017
2 ASX Announcement, 21 March 2016
3 ASX Announcement, 12th August 2016
Highlights
2016 - Key board and management appointments

Mr. Robert Connochie: Appointed to the board as Non-executive Director
Mr. Connochie has previously held positions as Chairman of Canpotex (a world leading potash exporter for over 40 years) and Chairman of Behre Dolbear Capital, Inc. Other notable former positions include Chairman and CEO of Potash Company of America, Director, Athabasca Potash, CEO Asia Pacific Potash, Chairman of Phosphate and Potash Institute, Director of the Fertiliser Institute, and Director of the Saskatchewan Potash Producers Association.

Mr. Danny Goeman: Appointed as Head of Marketing
Mr. Goeman is a highly experience executive with over 20 years of Marketing and Sales experience including Industry analysis, Price negotiation, market segmentation and product placement across multiple commodities and geographies (Australia, Asia, Europe).

Mr. Antony Harrington: Appointed as Construction Project Manager
Mr. Harrington has over 35 years experience in the mining industry delivering EPC, lump sum and EPCM projects in the capacity of both client representative and service provider over a diverse range of commodities, across multiple jurisdictions including East Africa, West Africa, Southern Africa, China, Continental Europe, UK and Australia.
## Corporate Snapshot

### Financial information
(As of 30th April 2017)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>Share price</td>
<td>A$0.655</td>
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<tr>
<td>Number of shares</td>
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<tr>
<td>Market capitalisation</td>
<td>A$148m</td>
</tr>
<tr>
<td>Cash (30-Apr-17)</td>
<td>A$8.6m</td>
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<tr>
<td>Debt (30-Apr-17)</td>
<td>Nil</td>
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### Top Shareholders

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<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well Efficient, Hong Kong private investor</td>
<td>13.4%</td>
</tr>
<tr>
<td>JP Morgan Asset Management (UK)</td>
<td>9.4%</td>
</tr>
<tr>
<td>Danakali Board members</td>
<td>12.0%</td>
</tr>
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### 12 Month Share price performance

<table>
<thead>
<tr>
<th>Share Price ($A)</th>
<th>Volume Traded (m)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Share Price</th>
<th>Volume Traded</th>
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<tbody>
<tr>
<td>0.9</td>
<td>1.8</td>
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<tr>
<td>0.8</td>
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<td>0.3</td>
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<td>0.2</td>
<td>0.4</td>
</tr>
<tr>
<td>0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>

### Highly Experienced Board

<table>
<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman</td>
<td>Seamus Cornelius</td>
<td>Experienced mining executive and corporate lawyer with over 20 years experience in the resources sector. Chairman of Duketon Mining, Montezuma Mining, and Buxton Resources</td>
</tr>
<tr>
<td>Managing Director</td>
<td>Paul Donaldson</td>
<td>Mining executive with over 25 years in mining, manufacturing and marketing, large scale mining operational management and project management experience.</td>
</tr>
<tr>
<td>Non-Executive Director</td>
<td>Robert Connachie</td>
<td>A mining specialist with over 40 years of industry experience including senior executive and director positions for a number of private and public companies and industry associations. Particular experience in the potash industry, and has managed both development and operating companies. Has advised on valuations, transactions, both project and corporate financing and marketing strategies. Currently a Non-Executive Director of Behre Dolbear, Australia and Behre Dolbear, International.</td>
</tr>
<tr>
<td>Non-Executive Director</td>
<td>John Fitzgerald</td>
<td>Experienced mining executive specialising in corporate debt and advice in the mining sector. Chairman of Dakota Resources and Director of Northern Star Resources</td>
</tr>
<tr>
<td>Non-Executive Director</td>
<td>Zhang Jing</td>
<td>More than 15 years of international trading and business development experience and project management roles in public listed companies in China</td>
</tr>
<tr>
<td>Non-Executive Director</td>
<td>Liam Cornelius</td>
<td>Founding Director with over 20 years experience in commodity exploration within Australia, Asia and Africa</td>
</tr>
</tbody>
</table>

Source: IRESS
Colluli is a world class development and meets all the criteria of a Tier 1 project

- Large, long life, high quality resource close to coast and global markets
- One of the highest grade sulphate of potash resources in the world
- Shallowest known evaporite deposit globally
- Sulphatic salts extracted in solid form
- 60km from the coast and 200km from established shipping infrastructure
- 1.3 billion tonne potassium resource containing a 1.1 billion tonne reserve\(^1,2\)
- Estimated mine life in excess of 200 years based on DFS production rates\(^4\)

Sulphate of Potash (SOP) is a premium potash type

- Premium, chloride free potash type providing both potassium and sulphur\(^3\)
- Economically exploitable primary resources are geologically scarce
- Limited advanced stage primary projects in the development pipeline
- Supply gap has been bridged by high cost, manufactured secondary product which provides price support for primary producers\(^3\)

Positive DFS demonstrates outstanding economics

- Colluli demonstrates the most favourable economics relative to all advanced stage SOP projects globally\(^4\)
- Low development capital\(^4\)
- Industry leading capital intensity\(^4\)
- Bottom quartile operating costs\(^4\)
- Low incremental growth capital\(^4\)
Resource presents unrivalled growth and diversification potential

- Colluli resource has the capability of producing a diversified potash product suite including two premium, chloride free, multi-nutrient potash types (Sulphate of Potash and Sulphate of Potash Magnesia) as well as potassium chloride (MOP)
- Over 80 million tonnes of kieserite (magnesium sulphate) defined within the resource
- Over 300 million tonnes of high quality rock salt identified above the potassium salts
- Appreciable amounts of magnesium chloride and gypsum within the resource
- All salts (magnesium, calcium and sodium) above the potassium salts will be extracted as waste with the open cut mining method and represent future monetisation potential

Strategically located

- Colluli is located at the epicentre of booming population growth
- On the doorstep of both traditional and future SOP markets

Access to infrastructure

- Product will be containerised and trucked to the Port of Massawa
- Product laydown area has been allocated at the Port
- Container movements, fuel and water deliveries commonly occur along the coastal road proximate to Colluli

Strong local support

- Colluli will create over 300 jobs for Eritrean Nationals and the project has strong support from the local communities
- Partnership with ENAMCO is a project enabler

1. ASX Announcement, 15th August 2016
2. ASX Announcement, 23rd September 2015
SOP - Continued demand growth with increasing global population and changing dietary preferences

COLLULI IS STRATEGICALLY LOCATED RELATIVE TO TRADITIONAL AND FUTURE SOP MARKETS

- SOP ranks as the second largest potassium containing compound on a tonnage basis in the world\(^1\)
- Colluli is located at the epicentre of booming population growth and is proximate to current and future markets
- Africa, India and Central and South America will dominate future demand growth
- Significant demand upside as:
  - Diets in emerging economies shift to higher contributions from fruits and vegetables
  - India relaxes fertiliser subsidies
  - Increased focus on soil salinity management

| 2020 – 2050 forecast CAGR by region\(^1\) |
|-----------------|-----------------|-----------------|----------------|----------------|----------------|----------------|
| North America   | Europe and CIS  | Central and South America | China | Africa | India | RoW |
| 0.5%            | 0.8%            | 2.4%                  | 1.1% | 2.7%  | 1.8%  | 2.5% |

1 CRU, Danakali Research, Integer Research
Demand is outpacing low cost supply with few primary projects in the development pipeline

LACK OF NEW LOW COST SUPPLY HAS RESULTED IN A SOP PRICE PREMIUM OF OVER 130% OVER MOP

- Lack of new supply outside of China has resulted in a significant price premium increase of SOP over MOP
- Significant increase in premium since 2013
- Market currently values SOP at more than double the MOP price

1 Greenmarkets, CRU, Profercy
On top of robust market fundamentals three core issues represent highly favourable demand upside potential

CHLORIDE FREE FERTILISERS ARE BECOMING INCREASINGLY IMPORTANT

1. Salinisation is significantly reducing arable land
   • Over 2000 hectares of arable land is lost daily due to salt induced degradation

2. Increased focus on agricultural water efficiency
   • Global water resources under increasing pressure from rapidly growing demand and climate change

3. Changes in Indian fertiliser subsidy scheme
   • Disproportionate fertiliser subsidy system in India constrains SOP application rates to 3 – 5% of potential application rates

1 United Nations University
2 United Nations World Water Assessment Program
3 CRU
Salinisation – chloride free fertilisers are key to mitigating salt induced degradation

- 25% of the world’s irrigated land is affected by salinity\(^1\)
- 2000 hectares of farm soil lost daily to salt induced degradation\(^1\)
- Recommended action for dealing with salinity is to avoid fertilisers containing chloride - replace muriate of potash with sulphate of potash and use nitrogen, phosphorus and potassium (NPK) fertilisers which contain sulphate of potash\(^2\)

CHLORIDE FREE SOP IS BENEFICIAL WHEN DEALING WITH SALINITY

1. United Nations University
2. Australian department of agriculture and food

Source: Compass Minerals, Yara International
Focus on water efficiency and improved nutrient delivery

USE OF SOLUBLE SOP IN FERTIGATION IS BECOMING INCREASINGLY IMPORTANT\textsuperscript{1,2}

- Fertigation is the injection of fertilisers, soil amendments and other water-soluble products into an irrigation system
- Use of fertigation is gaining popularity due to efficiency in nutrient management, improved water efficiency and lower overall costs
- Soluble SOP and magnesium sulphate are commonly used fertigation ingredients

\textsuperscript{1} United Nations University
\textsuperscript{2} NSW Government, Industry and Investment Prime Facts
India has significant latent demand capacity

CHANGES TO INDIAN FERTILISER SUBSIDY SYSTEM WOULD BE TRANSFORMATIVE

- Chloride intolerant crop area in India is 91% of the chloride intolerant crop area of China - but SOP consumption is 2.5% of China$^1$
- Indian fertiliser subsidy scheme skews consumption to nitrogenous fertilisers and potassium is under utilised$^1$
- If SOP application rates matched USA rates, India consumption would increase by 1.4m tpa$^{1,2}$
- If application rates matched China rates, India consumption would increase by 2.5m tpa$^{1,2}$
Market Summary
SOP demand fundamentals robust with upside potential

• SOP has limited new development projects in pipeline
• SOP price premium over MOP has increased significantly¹
• Limited advanced stage SOP projects in the pipeline to fill the supply gap²
• With permitting in place Colluli is well positioned to fill the supply gap
• Upside potential exists in demand for SOP due to:
  • Latent demand capacity in India
  • Harmful effects of chloridic fertilisers on salinity
  • Increased use of fertigation to improve water efficiency

¹ Greenmarkets, CRU, Profercy
² CRU, Integer, Danakali research
COLLULI

A positively unique resource
Primary production of SOP occurs directly from the resource

- Currently all primary production of SOP occurs from potassium rich brines\(^1\)
  - The potassium salts that are contained within the brines are critical to the development capital and production costs
  - Brine grade is critical and determines the amount of evaporation required, development capital and the time to generate processing feed
  - There is a significant lag between capital investment and revenue generation due to evaporation requirements
  - Kainite combined with sylvite is the commonly used, commercially proven low cost, high yield path to SOP\(^2\)
  - Colluli is the ONLY resource in the world that delivers these salts in solid form – as opposed to precipitating from brines (Nature has done the work).
  - Brines with excessive sulphate to potassium ratios cannot produce sylvite and must be thermally decomposed – expensive and low yield

Secondary production utilises products from other processes as raw materials for subsequent conversion to new products\(^1,2\)

1. CRU
Colluli DFS demonstrates industry leading capital intensity

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

The Colluli resource is positively unique:

- Colluli has the **right combination of potassium salts** for low cost, high yield SOP production
- It is the **shallowest evaporite deposit in the world** – making it amenable to open cut mining
- Extraction of salts in solid form **negates the need for large evaporation ponds** – reducing capital intensity
- Mining and processing salts in solid form will result in **stable, consistent, and reliable production**

Source: DNK Company announcements, Company websites
Potassium salt combination and superior grade are key contributors to industry leading capital intensity.

NO REQUIREMENT FOR THE GENERATION OF HARVEST SALT RESULTING IN SIGNIFICANTLY SMALLER PONDS

Colluli Cost Structures are more favourable due to:

1. Significantly lower evaporation and processing water requirements
2. Higher potassium yield
3. Lower energy consumption
4. Stable and predictable process plant feed
5. Reliability of production
6. Simplicity
7. Superior Feed Grade

1. Salt Lake Potash (ASX:SO4) Announcement
One of the highest grade SOP deposits on the planet

- Colluli is a premium resource and one of the highest grade SOP deposits in the world

- Very high potassium content and very low waste to product (W:P) ratios

- A broad quality and salt composition range exists in potassium brines – brines are not the same

- Higher W:P ratio brines typically require higher evaporation rates, large capital intensive evaporation ponds and high volumes of waste salt management

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1. Colluli DFS mine plan - Colluli waste includes all overburden (clastics, rock salt) and salt extracted in processing operations.
2. BC Insight Fertiliser Magazine
3. Waste calculated from total dissolved solids (TDS) data on company websites (sum of all salts in brine less SOP product). Brine waste associated with trenching has been excluded from the calculation (favouring a lower waste to product ratio to the greenfield brine projects).

Potassium yields of 70% assumed for brines.
Superior grade and solid form salts means massively smaller pond size and evaporation rate requirements

EVAPORATION POND FOOTPRINT UP TO 160x SMALLER THAN BRINE OPERATIONS FOR EQUIVALENT PRODUCTION

Smaller ponds = lower costs

Colluli ponds are:

- **160x** smaller than potassium brines in Utah
- **32x** smaller than potassium brines in Australia
- **20x** smaller than potassium brines in Middle East
- **4x** smaller than solution mine

Notes:
1. Calculated by dividing published evaporation pond areas by annual production rate and multiplying by 425kt to achieve equivalent area
2. Sourced from Colluli DFS
3. Sourced from Bloomberg
4. Sourced from Sunrise engineering website
5. Sourced from handbook of lithium and natural calcium chloride
6. Sourced from Financial Times
7. Sourced from Arab Potash website
8. Sourced from Reward investor presentation 2012
9. Sourced from EPM Mining prefeasibility study
10. Sourced from Great Salt Lake Minerals website
Outstanding DFS economics

Colluli dominates other projects with respect to valuation outcomes

Key DFS results

<table>
<thead>
<tr>
<th>Metric</th>
<th>Phase I</th>
<th>Phase I and II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>425kt</td>
<td>850kt</td>
</tr>
<tr>
<td>Strip ratio</td>
<td>1.91</td>
<td>1.93</td>
</tr>
<tr>
<td>Post tax NPV (10% real)(^{CMSc})</td>
<td>US$439m</td>
<td>US$860m</td>
</tr>
<tr>
<td>Post tax IRR(^{CMSc})</td>
<td>25.4%</td>
<td>29.0%</td>
</tr>
<tr>
<td>Post tax NPV (10% real)(^{DNK})</td>
<td>US$206m</td>
<td>US$397m</td>
</tr>
<tr>
<td>Post tax IRR(^{DNK})</td>
<td>22.3%(^{1,2})</td>
<td>25.9%(^{1,2})</td>
</tr>
<tr>
<td>Capital</td>
<td>US$298m</td>
<td></td>
</tr>
<tr>
<td>Incremental Phase II capital</td>
<td></td>
<td>US$175m</td>
</tr>
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Post-tax IRR (%)

Modelled at US$572 per tonne SOP

<table>
<thead>
<tr>
<th>Project</th>
<th>Post-tax IRR (^{CMSc})</th>
<th>Post-tax IRR (^{DNK})</th>
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<tbody>
<tr>
<td>Colluli Phase I + II</td>
<td>25.4%</td>
<td>22.3%(^{1,2})</td>
</tr>
<tr>
<td>Colluli Phase I</td>
<td>29.0%</td>
<td>25.9%(^{1,2})</td>
</tr>
<tr>
<td>Blawn Mountain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sevier Lake</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ochoa</td>
<td></td>
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</tr>
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</table>

Modelled at US$649 per tonne SOP

Modelled at US$700 per tonne SOP

Annual production (ktpa)

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<th>Project</th>
<th>Annual production (ktpa)</th>
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<tr>
<td>Colluli Phase I + II</td>
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<tr>
<td>Ochoa</td>
<td>100</td>
</tr>
<tr>
<td>Blawn Mountain</td>
<td>500</td>
</tr>
<tr>
<td>Yara (Ethiopia)</td>
<td>400</td>
</tr>
<tr>
<td>Colluli Phase I</td>
<td>300</td>
</tr>
<tr>
<td>Sevier Lake</td>
<td>200</td>
</tr>
</tbody>
</table>

1 In accordance with CMSC Shareholders Agreement
2 Third party debt estimated at 60% of project funding

Source: DNK Company announcements, Company websites
Bottom quartile cost curve position ideally positions Colluli for growth

OVER 60% OF SOP DEMAND WILL COME FROM HIGH COST SECONDARY PRODUCTION BY 2020

SOP Production costs (FOB basis)

\[
\text{SOP Production costs (FOB basis)} \quad $\text{US per tonne}
\]

% SOP from secondary production

Increasing SOP supply from high cost, secondary production creates ongoing price support

1 CRU, Danakali Research, Integer Research
Front End Engineering Design (FEED) Optimisation Builds on Superior Economics

**SIGNIFICANT VALUE UPLIFT IDENTIFIED IN FEED PROCESS**

- Over 10% additional expected production capacity for both Module I and Module II liberated in optimisation phase

- Development capital reduction opportunities identified:
  - Potential elimination of offsite water delivery pipeline and coastal desalination plant
  - Significant reduction in processing plant footprint size
  - Reduced pit development costs

- Construction schedule optimisation underway

- FEED progressing to schedule with completion scheduled in Q3

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1 ASX Announcement, 3rd May 2017

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FEED optimisation has increased planned SOP output by over 10%
The advantages of the Colluli resource are clear

**COLLULI IS THE SHALLOWEST KNOWN EVAPORITE DEPOSIT WITH SIGNIFICANT ADVANTAGES OVER BRINE ALTERNATIVES**

- **Higher potassium yields**
- **Simplicity**
  - Brine chemistry management is complex
  - Colluli processing plant utilises simple, proven, mineral processing units
- **Lower energy input**
  - Colluli salts require no heating. In contrast, potassium brines can require heating to over \(50^\circ C\) for thermal decomposition\(^1,2\)
- **Consistent, predictable feed grade**
- **Production rates not weather dependent**
  - Production rates from brines directly proportional to weather conditions
- **Smaller footprint**
  - No pre-production ponds

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2. Reward Minerals Presentation, 2013
2016 Project Delivery and 2017 Key Milestones
DANAKALI HAS DEVELOPED A STRONG TRACK RECORD OF DELIVERY

- Scoping study complete ✓
- Positive Preliminary Feasibility study complete ✓
- Independent technical review of PFS complete ✓
- PFS Optimisation work complete ✓
- Pilot plant tests complete ✓
- Product samples generated and distributed ✓
- Social and Environmental Impact Assessment complete ✓
- Positive Definitive Feasibility Study Complete ✓
- Head of Marketing Appointed ✓
- Product MOU’s signed ✓
- Debt Advisor Appointed ✓
- Equity Advisor Appointed ✓
- Mining Agreement signed ✓
- Mining Licenses Awarded ✓
- Front end engineering optimisation completed ✓
- Project construction manager appointed ✓
2017 Plan well progressed

- Finalise the Mining Agreement and Mining License: Complete
- Complete front end engineering and optimisation: Optimisation Complete
- Commence geotechnical work at recovery pond site: Complete
- Continue building organisational capability: Project Manager appointed
- Finalise equipment lists and develop procurement plans and vendor packages: Underway
- Tender key contracts – mining and power generation: Underway
- Finalise detailed construction schedule: Underway
- Assign consultant to manage EPC bidding requirements: Underway
- Commence organisational readiness planning: Pending
- Convert product MOUs to Heads of Agreements by Q2: Well advanced
- Finalise project funding and commence construction: Funding discussions progressing
Eritrea – safe, stable and progressive

DANAKALI HAS BEEN OPERATING IN ERITREA SINCE 2009 AND HAS FOUND IT TO BE SAFE, STABLE AND DEVELOPMENT FOCUSED

Positive Eritrean outlook

- Fraser Institute Mining survey ranked **Eritrea 6 of 20 for African mining investment** ahead of jurisdictions such as South Africa, Zambia, Tanzania and Mozambique

- **Building a successful track record in successful mining operations** - two mines in production and third under construction

- **The Danakali experience in Eritrea:**
  - Safe and friendly
  - High degree of focus on health and education
  - Development focussed with an emphasis on the agricultural, industrial and mining sectors
  - Stable government
  - Building up a track record of success in a maturing mining industry
  - No evidence of corruption
  - Gender equality

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1. 2015 Fraser Institute Annual Survey of Mining Companies
Summary

- SOP is a high quality, chloride free potash with limited economically exploitable primary resources
- Colluli is the most attractive and advanced stage primary SOP production project in the world
- Colluli is the most fundable and scalable potash project with unrivalled resource, diversification and growth potential, and access to global markets
- The project is in close proximity to established infrastructure, and has standout economics relative to peers
- Contract tendering has commenced
- Mining Agreement has been signed and Mining Licenses Awarded
- Offtake MOUs are progressing to high level commercial terms under Heads of Agreements
- Key advisors appointed and funding activities progressing
Colluli
Positively Unique
Competent persons statement

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. Tyrell & 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.
Colluli - A World class SOP project with no peer

THE MOST ADVANCED SOP PROJECT IN THE WORLD WITH UNRIVALLED GROWTH AND DIVERSIFICATION POTENTIAL

<table>
<thead>
<tr>
<th>Fully permitted and construction ready</th>
<th>• Construction ready</th>
<th>• Mining Agreement signed</th>
<th>• Mining Licenses Awarded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding Economics</td>
<td>• Industry leading capital intensity</td>
<td>• Low incremental growth capital</td>
<td>• Bottom quartile cost curve position</td>
</tr>
<tr>
<td>Premium product with limited global production centres</td>
<td>• Chloride free</td>
<td>• Multi-nutrient</td>
<td>• Limited supply</td>
</tr>
<tr>
<td>Positively unique with unrivalled growth and diversification potential</td>
<td>• Salts in solid form – a key advantage over potassium brines and solution mines</td>
<td>• Unique capability to produce diverse range of potash types</td>
<td>• The right combination of potassium salts for low energy, high yield conversion to SOP</td>
</tr>
<tr>
<td>Commercially proven process</td>
<td>• Same production process as current low cost producers</td>
<td>• Process design tested and confirmed</td>
<td></td>
</tr>
<tr>
<td>Unrivalled access to coast and global markets</td>
<td>• Epicentre of booming population growth</td>
<td>• 200 km from export facility</td>
<td></td>
</tr>
<tr>
<td>Exceptional feed grade</td>
<td>• One of the highest grade SOP deposits in the world</td>
<td>• Significantly lower waste generation than potassium rich brines</td>
<td></td>
</tr>
</tbody>
</table>
Simple, energy efficient, commercially proven technology WITH THE BEST COMBINATION OF SALTS

PRODUCTION OF SOP FROM COLLULI SALTS OCCURS WITH SIMPLE PROCESSES INCLUDING FLOTATION, MIXING AND DRYING

Simple processing – Crush – Float – Mix – Dry - Truck

Colluli contains the right combination of potassium salts for ambient temperature conversion to SOP

- The combination of sylvite and kainite is ideal for ambient temperature, high yield conversion to SOP
- No thermal decomposition required
- Heated brines typically achieve potassium yield 10% to 15% lower than ambient conversion
Long-term economic, social and community dividends

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

Colluli will create over 300 permanent jobs for locals and Eritrean nationals by 2019, and over 450 by 2025
### Monetisation potential beyond SOP

#### Unrivalled multi agri-commodity potential

<table>
<thead>
<tr>
<th>MOP</th>
<th>SOP</th>
<th>SOP-M</th>
<th>Kieserite</th>
<th>Gypsum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improves yield for wide range of crops</td>
<td>Danakali’s key focus</td>
<td>Demonstrated production from Colluli</td>
<td>An effective source of both magnesium and sulphur (magnesium sulphate)</td>
<td>Source of calcium and sulphur</td>
</tr>
<tr>
<td>Most concentrated form of granular potassium</td>
<td>Improves yield of high value crops</td>
<td>Limited supply and carries a price premium</td>
<td>Suitable for all types of crops and use in any soil type</td>
<td>Improves acid soils and treats aluminium toxicity</td>
</tr>
<tr>
<td>Demand is elastic (easy to substitute)</td>
<td>Suitable for chloride intolerant crops</td>
<td>High grade, chloride free premium fertiliser</td>
<td>Identified in potassium salt seams</td>
<td>Improves soil structure and water infiltration</td>
</tr>
<tr>
<td>Market is well supplied by global potash majors</td>
<td>Demand is inelastic (not as easy to substitute, premium product leads to sticky demand)</td>
<td>Multi-nutrient fertiliser suitable for crops where three major nutrients are required</td>
<td>Volumes currently being evaluated</td>
<td>Reduces run off erosion</td>
</tr>
<tr>
<td>Generally higher development costs</td>
<td>Global supply shortage of primary resources</td>
<td>SOP-M production ability confirms Colluli’s multi agri-commodity business potential</td>
<td></td>
<td>Detected within the Colluli tenements</td>
</tr>
</tbody>
</table>

- **MOP**: ~85% of potash supply
- **SOP**: ~10% of potash supply
- **SOP-M**: ~3% of potash supply

**Major potassium products**

1. CRU
East African location is geographically favourable for current and future key markets

**BY 2050 25% OF THE WORLD'S POPULATION WILL BE AFRICAN**

<table>
<thead>
<tr>
<th>Year</th>
<th>Africa's Population</th>
<th>Accounts for</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>230 million</td>
<td>9%</td>
</tr>
<tr>
<td>2015</td>
<td>1.2 billion</td>
<td>16%</td>
</tr>
<tr>
<td>2050</td>
<td>2.4 billion</td>
<td>25%</td>
</tr>
<tr>
<td>2100</td>
<td>4.2 billion</td>
<td>39%</td>
</tr>
</tbody>
</table>

1 Unicef
THERE ARE MULTIPLE HIGH PROFILE EXAMPLE OF MINING INVESTMENT IN ERITREA

Eritrean mining background

- Nevsun Resources (TSX:NSU) is a major Eritrean-focused mining company
  - JV company formed with ENACMO and now operates Bisha copper mine
  - Successful modular JV development with ENAMCO paves the way for Colluli JV
  - Significant shareholders in Nevsun are globally recognised investors who have demonstrated comfort with investment in Eritrea
- Purchase of 60% of Asmara (copper, zinc, gold) by Chinese investor for C$85m
- Joint venture agreement and relationship with ENAMCO is a key enabler of project success

Major Eritrean mining developments

- **Bisha**
  - Completed third expansion

- **Zara**
  - Commissioned and producing

- **Asmara**
  - Currently commencing construction

Shareholders

Blackrock
Vanguard
Franklin Templeton

Supportive laws for mining investment

- 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

...and there have been no changes to mining legislation in Eritrea

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