Colluli: Positively Unique

Mining advantages of the shallowest evaporite deposit
July 2015

Paul Donaldson  Managing Director and CEO

Helping grow a better future
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 in this presentation is accurate at the time of release, and that it accurately reflects the Company’s intentions. All statements in this presentation, other than statements of historical facts, that address future production, project development, reserve or resource potential, exploration drilling, exploitation activities, corporate transactions and events or developments that the ‘Company expects to occur, are forward-looking statements. Although the Company believes the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements.

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

There can be no assurance that the development of the Colluli Project will proceed as planned. Accordingly, readers should not place undue reliance on forward looking information. Mineral Resources and Ore Reserves have been estimated using the Australian JORC (2012) Code (‘JORC 2012’). To the extent permitted by law, the Company accepts no responsibility or liability for any losses or damages of any kind arising out of the use of any information contained in this presentation. Recipients should make their own enquiries in relation to any investment decisions.

Material resource and financial assumptions made in this presentation are consistent with assumptions detailed in the Company’s ASX announcements dated 25 February 2015 and 4 March 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.
Shallow mineralisation gives Colluli advantages that cannot be replicated by other potash projects

With mineralisation commencing at just 16m below surface, Colluli is the shallowest known evaporite deposit in the world and is amenable to open cut mining.

This provides the following advantages that cannot be replicated by other potash projects:

- **Superior resource utilisation** – approximately 90% of Mineral Resource Estimate converted to Ore Reserve
- **Reduced capital intensity** – lowering overall development costs
- **Substantially reduced risk profile** – in the areas of both safety and operations
- **High degree of selectivity** – which allows separation of the different potassium salt types in the resource, minimising risk of chemistry variations during processing and ensuring a consistent product
- **Expandability** – absence of shaft or decline eliminates mining rate constraints and provides low marginal cost expansions with shorter lead times
- **Exploitation of upside** – non potassium salts (magnesium chloride, high purity rock salt) extracted in the mining operation as “waste” material can be marketed
Colluli – a class of its own

- Economically favourable prefeasibility study
- Large, long life, expandable resource
- Unrivalled proximity to coast
- Colluli resource yields high purity, premium SOP
- Commercially proven process
- Potassium salts are mined in solid form
- Lowest capital intensity and operating costs
- Unmatched potash diversification potential
- Excellent access to the key markets of the future
- Stable and maturing mining jurisdiction

**Positively Unique**
Commonly used potash and salt extraction methods

**Salt Lakes**

- **Only 3 economically attractive sources.**
- Economics driven by ambient conditions, land availability and proximity to coast

- Harvest salts generated by solar evaporation from seawater or salt lakes, then subsequently processed

**Open Cut**

- Most common mining method globally.
- Planned mine method for the Colluli resource

- Used for deposits with shallow mineralisation, by far the lowest cost, highest recovery, and safest mining method

**Underground**

- Most common method of Potash mining
- Depth 400m – 1200m

- Used for areas where mineral seam is too far underground for open cut mining – 400m – 1000m
- Most salt / potash mines use room and pillar for this reason

**Solution Mining**

- Readily soluble materials, Depth > 1200m

- Solution Mining (only option for >1200m), involves injecting heated solution into the resource, dissolving the valuable salts and pumping them to surface for subsequent processing

1. Colluli will be an open cut mine

---

[Image: Compass Minerals, Utah]

[Image: Solar Grande]

[Image: Room and Pillar UG mining]

[Image: Salar Grande Room and Pillar UG mining]
Potash/Salt Extraction Methods – depth matters

Colluli contains the shallowest potash mineralisation globally
- Mineralisation commences at just 16m depth
- Excellent geological continuity
- Amenable to open cut mining

Resource depth is a unique advantage
- Open cut mining gives the highest resource recovery and is a safer mining method than underground
- It is not an option in the other major potash mining regions
- Majority of potash mines are underground due to resource depth
  - Mine depth drives high development costs-shafts costs alone can cost $500k / metre²
- Solution mining currently focused on mineralisation at depths >1000m, where seismic issues are problematic

1. Saskatchewan Mining Association  2. Sirius Minerals Feasibility study
Open cut mining of salts – a proven mining method

Salt Mining, Western Australia
Open Pit Salt Mining, Salar Grande
Salt mining, near Murcia, Spain
Salt Lake Surface Mining, Turkey
Wirtgen Surface Miner Cutting Salt
Salt extraction using surface miners
3. Surface miners will mine overlying rocksalt and selectively remove potassium bearing salts. Surface miners primary crush the mined salts. Life of mine strip ratio low – approx. 2.19

4. Overburden and waste materials (clastics, rock salt, bischoffite) will be removed and stockpiled on site. Clean rock salt will be stockpiled separately in anticipation of future sales.

5. Mined ore transported to ROM pad adjacent to processing plant.
Recovery from open pit mines vastly superior

Underground Mining
Room and Pillar Mining

Room and pillar mining is the predominant method used for underground Potash mining
• A significant portion of the resource is sterilised for roof support
• Canadian potash mines recover between 35-45%, at depths of around 1000m, mines in the UK recover approx. 35% ²

Solution Mining Cavern Pattern

Solution Mining recoveries can be as low as 20% depending on resource depth, seam thickness and grade

1. Allana Resources, technical feasibility report – April 2015
2. Industrial Minerals and Rocks: Commodities Markets and Uses – pg 734
Alternate mine methods sterilise a substantial portion of the resource

- Room and pillar mining for potash sterilises approximately 50 to 65% of the resource\(^1\)
- Solution mine resource recovery from thin seam deposits as low as 20%

Solution mining a resource containing a range of salts also presents the complexities of:

- Preferentially soluble salt types
- Chemistry control
- Water availability
- Impact of geological discontinuities

Conversion of Mineral Resource to Ore Reserve estimates for selected potash (MOP and SOP) projects \(^{2,3}\)

<table>
<thead>
<tr>
<th>Project</th>
<th>Conversion Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colluli</td>
<td>88%</td>
</tr>
<tr>
<td>IC Ochoa</td>
<td>52%</td>
</tr>
<tr>
<td>Sirius Minerals</td>
<td>30%</td>
</tr>
<tr>
<td>Allana</td>
<td>22%</td>
</tr>
</tbody>
</table>

1. Underground mining methods and applications, company reports
2. Danakali Mineral Reserve, Allana Potash, IC Ochoa, Sirius Minerals
3. IC Ochoa mine life run over 50 years
Colluli has the lowest capital intensity of advanced SOP projects

- Reduced solar pond size relative to brine and solution mining due to extraction of salts in solid form
- Reduced processing plant crushing infrastructure due to crushing capability of surface miners
- No requirement for capital/energy intensive high temperature crystallisers due to favourable combination of salts for high potassium yield conversion to SOP

**Project Capital Comparisons**

<table>
<thead>
<tr>
<th>Project</th>
<th>Capital (US$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colluli Phase I</td>
<td>442</td>
</tr>
<tr>
<td>Colluli Phase II</td>
<td>282 (additional 425ktpa SOP)</td>
</tr>
<tr>
<td>Yara (Ethiopia)</td>
<td>847</td>
</tr>
<tr>
<td>IC Ochoa</td>
<td>1088</td>
</tr>
<tr>
<td>Potash Ridge (Blawn Mountain)</td>
<td>1175</td>
</tr>
<tr>
<td>EPM (Servier Lake)</td>
<td>940</td>
</tr>
</tbody>
</table>

Capital intensity of advanced SOP projects

US$ per tonne²
Reduced safety and operational risk profile

Open Cut mines safer working conditions and better safety record than underground mining
  - Injury rate as low as 1/5th

Open cut mines avoid major issues with subsidence and mine collapse
  - Potential subsidence issues with solution mining, particularly significant if sedimentary layers are removed through dissolution
  - Deep underground potash mines prone to water ingress resulting in costly underground brine pumping required to remove salted water and increasing resource risk exposure
  - Open cut mine pits easily protected with dewatering

Injury Rates – Open cut and UG mining (United States)

Source: NY Daily news, US Mining Health and Safety Administration
Surface mining offers productivity and operating benefits

Productivity of Surface mining significantly higher

Average production per employee hr (short ton)\(^1\)

- **Underground**: 2
- **Surface**: 6

\(3 \times \) more productive

<table>
<thead>
<tr>
<th></th>
<th>Open Cut</th>
<th>Underground</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Mines</td>
<td>98%</td>
<td>2%</td>
</tr>
<tr>
<td>Safety</td>
<td>Significantly safer working environment</td>
<td>Stringent safety requirements, require expensive, specialised equipment</td>
</tr>
<tr>
<td>Productivity</td>
<td>Larger machines operate with high capacity</td>
<td>Restricted by narrow working spaces greater transport time spent from mine entry to working face</td>
</tr>
<tr>
<td>Energy intensity</td>
<td>5-10kwh/t raw material – mostly diesel fuel, increasing use of electricity</td>
<td>20-50kwh/t raw material higher energy requirement (most electricity) for drilling, blasting, loading, primary crushing, material transportation to the surface, ventilation, dewatering and pumping operations</td>
</tr>
<tr>
<td>Mining Cost</td>
<td>Highly efficient, low cost</td>
<td>&gt;3-4 times surface mine cost (^2)</td>
</tr>
<tr>
<td>Labour costs</td>
<td>Open cut mining skills more readily available</td>
<td>5 times higher, due to specialist skills required (^3)</td>
</tr>
<tr>
<td>Equipment costs</td>
<td>Competitive market for equipment, keeps prices down</td>
<td>Higher specialised equipment with limited alternate applications</td>
</tr>
</tbody>
</table>

Selectivity of the potassium salts is key for the Danakil

Surface mining enables salts to be selectively extracted, allowing consistent grade and stable processing operations

- Controlled extraction and stockpiling of different salts
- Higher overall resource recovery
- Improved grade control
- Ability to navigate thin or discontinuous mining seams with ease
- Optimal extraction method for the multi salt composition of the Danakil resource

Ore selectivity ensures processing operations are not disrupted by chemical and solubility variations

- Measureable, predictable grade
- Ability to separate magnesium and chloride bearing salts avoids the brine chemistry complexities of solution mining

Open Cut mining method of Colluli resource

Selectivity challenge in Solution Mining operation

1) Yara Ethiopia – Danakil depression
Selectivity and salt composition of Colluli enables unrivalled long term potash product diversity

Open Cut mining method of Colluli resource

Potassium magnesium sulphate (SOP-M) from kainite

Potassium sulphate (SOP) from kainite, sylvinitite and carnallite

Potassium chloride from sylvinitite and carnallite
Low cost expandability

Open cut mining offers ease of growth using the principles of modularity

- Marginal mine development capital post module I
- Clear economies of scale – 13% reduction in operating costs with introduction of Colluli second module

The open cut mining method enables lower capital intensity growth modules

- Underground mining expansion increments dictated by need to optimise around hoist shaft capacity
- Shafts (particular at 1000m+ ), which are generally the system constraint, are costly and time intensive to develop and throughput value of expansion tonnes needs support high development costs

1. Sirius Minerals - Mine shaft cost - $500k/m - $750m for 1500m
Operational and risk reduction benefits of surface mining are clear

<table>
<thead>
<tr>
<th>Mine Method&lt;sup&gt;1&lt;/sup&gt;</th>
<th>Open cut</th>
<th>Underground Mining</th>
<th>Solution Mining</th>
<th>Brine Lakes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational Considerations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expandability</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selectivity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production cycle time</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specialised skills</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Risks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safety Risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weather impact on output</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsistence risks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 – Depends on the form and depth of salts in the resource
Potential monetisation of extracted waste salts

Other salts stockpiled during mining process can be monetised, with very low marginal cost

Potential Markets for Various Resource Mineralisation

<table>
<thead>
<tr>
<th>Mineral Present at Colluli</th>
<th>Colluli Resource</th>
<th>Global Market Context</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>rock salt (NaCl)</td>
<td>+ 650Mt</td>
<td>300Mtpa global salt market</td>
<td>chemical manufacturing, road deicing, food processing, livestock</td>
</tr>
<tr>
<td>halite (NaCl)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bischofite (MgCl₂)</td>
<td>+200Mt</td>
<td>6 – 7Mtpa global market</td>
<td>construction, agriculture, oil extraction, medical and chemical industries</td>
</tr>
<tr>
<td>anhydrite</td>
<td>Avg 4% (~40Mt)</td>
<td>187Mtpa Gypsum market</td>
<td>construction and chemical industries</td>
</tr>
<tr>
<td>kieserite (MgSO₄)</td>
<td>40Mt</td>
<td>Established fertiliser segment</td>
<td>magnesium sulphate fertiliser</td>
</tr>
</tbody>
</table>

Note: additional mineralisation not yet included in project valuation

Current Market Prices
US$/ metric tonne

rocksalt
bischofite
anhydrite
kieserite

Source: Tradekey
The ultimate production capacity of Colluli extends well beyond module I and II

Colluli Ore Reserve estimate dwarfs many planned and current large scale operations

<table>
<thead>
<tr>
<th>Company</th>
<th>Project</th>
<th>Design Capacity (Mtpa)</th>
<th>Mine Life (yrs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC Potash</td>
<td>Ochoa</td>
<td>0.75</td>
<td>50</td>
</tr>
<tr>
<td>Potash Ridge</td>
<td>Blawn Mountain</td>
<td>0.65</td>
<td>40</td>
</tr>
<tr>
<td>Allana</td>
<td>Danakhil Project</td>
<td>1.00</td>
<td>20</td>
</tr>
<tr>
<td>Highfield</td>
<td>Muga</td>
<td>1.12</td>
<td>24</td>
</tr>
<tr>
<td>Potash Corp</td>
<td>New Brunswick</td>
<td>0.80</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td>Cory</td>
<td>1.50</td>
<td>125</td>
</tr>
<tr>
<td></td>
<td>Allan</td>
<td>1.40</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Rocanville</td>
<td>2.80</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Lanigan</td>
<td>3.40</td>
<td>85</td>
</tr>
<tr>
<td>Danakali</td>
<td>Colluli</td>
<td>0.850</td>
<td>243</td>
</tr>
</tbody>
</table>

1. Company websites, Potash Corp annual report
2. MOP = Muriate of Potash, otherwise known as potassium chloride
3. SOP = sulphate of potash, otherwise known as potassium sulphate
With mineralisation commencing at just 16m below surface, Colluli is the shallowest known evaporite deposit in the world and is amenable to open cut mining.

This provides the following advantages that cannot be replicated by other potash projects:

- **Superior resource utilisation** – approximately 90% of Mineral Resource Estimate converted to Ore Reserve
- **Reduced capital intensity** – lowering overall development costs and reducing risk profile of capital spend
- **Substantially reduced risk profile** – in the areas of both safety and operational performance
- **High degree of selectivity** – which allows separation of the different potassium salt types in the resource, minimising risk of chemistry variations during processing and ensuring a consistent product
- **Expandability** – absence of shaft or decline eliminates mining rate constraints and provides low marginal cost expansions with shorter lead times
- **Exploitation of upside** – non potassium salts (magnesium chloride, high purity rock salt) extracted in the mining operation as waste material can be marketed
Thank you

Colluli: Positively Unique