The premier potash and multi-agri-commodity opportunity

Annual General Meeting
13th May 2016

Paul Donaldson, Managing Director
Forward looking statements and disclaimer

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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.

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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 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.
Corporate snapshot

Financial information

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share price (10-May-16)</td>
<td>A$0.315</td>
</tr>
<tr>
<td>Number of shares</td>
<td>199.0m</td>
</tr>
<tr>
<td>Market capitalisation</td>
<td>A$62.7m</td>
</tr>
<tr>
<td>Cash (31-Mar-16)</td>
<td>A$6.1m</td>
</tr>
<tr>
<td>Debt (31-Mar-16)</td>
<td>Nil</td>
</tr>
<tr>
<td>Enterprise value</td>
<td>A$56.6m</td>
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</tbody>
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Top shareholders

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Well Efficient, Hong Kong private investor</td>
<td>15.1%</td>
</tr>
<tr>
<td>Kam Lung Investment Dev., Chinese strategic investor</td>
<td>5.0%</td>
</tr>
<tr>
<td>Montezuma Mining Co., Mineral exploration and mining company</td>
<td>3.8%</td>
</tr>
<tr>
<td>Danakali Board and management</td>
<td>11.6%</td>
</tr>
</tbody>
</table>

Colluli Mining Share Company (“CMSC”)

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

Share price performance over last 12 months
Colluli is the world’s leading SOP project, resulting in a compelling investment case for Danakali

- SOP is a high quality, chloride free potash with limited economically exploitable primary resources
- Colluli is an advanced stage project and is the most fundable, scalable, long life, low operating cost SOP project
- Colluli has unrivalled access to global markets and is in close proximity to established infrastructure
- Colluli has standout economics relative to peers
Fertiliser demand growth will continue; people need to eat!

POTASSIUM IS AN ESSENTIAL, NON-SUBSTITUTABLE NUTRIENT, WHICH IS PROVIDED BY THE ADDITION OF POTASH FERTILISER

- SOP demand forecast to grow by at least 4% per annum
- Fertiliser demand growth underpinned by:
  - Growing population
  - Decreasing arable land
  - Changing dietary preferences
- A food production increase of 70% is required for an additional 2.3bn people by 2050

Source: CRU, IFA, FAO, Company Research

Source: FAO

Global SOP demand (Mtpa)

More people = More food = More fertiliser = More potash
The initial focus of Colluli is on high margin, high quality, chloride free SOP

ECONOMICALLY EXPLOITABLE RESOURCES FOR PRIMARY PRODUCTION OF SOP ARE GEOLOGICALLY SCARCE

- SOP is a premium, chloride free multi-nutrient potash type
- Used on high quality crops such as fruits, nuts and vegetables
- Only four projects in the world at DFS level (including Colluli)
- Colluli demonstrates the lowest development capital, bottom quartile operating costs, low incremental growth capital, unrivalled project upside and substantial mine life

Historic MOP and SOP prices (US$/t)

Source: Greenmarkets

1 MOP prices based on FOB Vancouver prices, SOP prices based on FOB Utah prices
SOP is the premium potash type

**SOP IS A PREMIUM AGRICULTURAL COMMODITY**

- **Chloride free potassium**
  - Potassium is an essential, consumed, non-substitutable macro-nutrient
  - SOP is critical for chloride intolerant crops such as fruits and vegetables
  - Multi-nutrient – also provides sulphur which is considered to be the fourth macro-nutrient

- **Limited supply**
  - Limited economically exploitable primary resources
  - Over 50% of world’s supply from high cost secondary production
  - Secondary production facilities need to contend with acid sourcing and disposal issues

- **High value crops**
  - Application of SOP most suited to high value crops such as fruits, vegetables and nuts
  - SOP suited to arid operating environments focussed on high water efficiency

- **Premium price**
  - Sustained price premium of over 50% relative to MOP\(^1\)
  - Secondary production provides high margins for primary producers

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Source: Greenmarkets

\(^1\) MOP prices based on FOB Vancouver prices, SOP prices based on FOB Utah prices
The right location – Eritrea is on the doorstep of key markets

Historical and forecast global population growth (billions)¹

<table>
<thead>
<tr>
<th>Region</th>
<th>1970</th>
<th>2015</th>
<th>2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>0.66</td>
<td>0.74</td>
<td>0.71</td>
</tr>
<tr>
<td>Africa</td>
<td>0.37</td>
<td>1.17</td>
<td>2.39</td>
</tr>
<tr>
<td>China</td>
<td>0.81</td>
<td>1.40</td>
<td>1.38</td>
</tr>
<tr>
<td>India</td>
<td>0.56</td>
<td>1.28</td>
<td>1.62</td>
</tr>
<tr>
<td>Other Asia</td>
<td>0.76</td>
<td>1.70</td>
<td>2.16</td>
</tr>
<tr>
<td>Oceania</td>
<td>0.02</td>
<td>0.04</td>
<td>0.06</td>
</tr>
</tbody>
</table>

95% of global population growth centred in Africa, India and other Asia¹

Colluli is located at the epicentre of booming population growth

¹ United Nations world population prospects, 2015

Potash demand is fundamentally a population growth story
The right project – Colluli has no peer

There is only one Colluli resource

- Shallow mineralisation allows open cut mining. If everyone could do it, they would
  - A proven, safer method than underground mining
  - Massive conversion of resource to reserve (over 85%)
  - Low incremental growth capital
  - Monetisation of other salts extracted as waste
  - Reduced risk and complexity – no aquifer freezing, no seismic issues, low geotechnical risk, no risk of loss of access to resource, no risk of catastrophic sinkholes associated with underground evaporite deposits
- Massive 1.1 billion tonne ore reserve
- The most favourable combination of potassium bearing salts suitable for production of SOP, SOP-M and MOP
- Unrivalled diversification potential – appreciable amounts of gypsum, kieserite rock salt and magnesium chloride
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)</td>
<td>US$439m</td>
<td>US$860m</td>
</tr>
<tr>
<td>Post tax IRR</td>
<td>25.4%</td>
<td>29.0%</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>
</tbody>
</table>

Post-tax IRR (%)

Annual production (ktpa)

NPV_{10} / capex (x)

Source: Company websites
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
DFS DEMONSTRATES THE COMMERCIALLY PROVEN PROCESSING METHOD YIELDS PREMIUM QUALITY SOP FROM COLLULI SALTS

Colluli has the right combination of salts for low cost production

<table>
<thead>
<tr>
<th>Operation</th>
<th>Process feed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compass Minerals¹</td>
<td>Kainite + KCl</td>
</tr>
<tr>
<td>SQM²</td>
<td>Kainite + KCl</td>
</tr>
<tr>
<td>Xingjiang Luobupo³</td>
<td>Kainite + KCl</td>
</tr>
<tr>
<td>Colluli</td>
<td>Kainite + KCl</td>
</tr>
</tbody>
</table>

Colluli process design

1  Gustavson Associates
2  Company website
3  DNK research
Colluli salts and process design yield the highest quality product

DEMONSTRATED CAPACITY TO PRODUCE PREMIUM QUALITY SOP

- Over 300kg of high grade SOP produced from Colluli salts in pilot tests, confirming Colluli SOP is at the top end of the quality spectrum
- Danakali has signed non-binding MOUs with 8 multinational parties throughout Northern Africa, Europe, Middle East and North America for the offtake of SOP from Colluli
- The combined offtake volumes in the MOUs exceed 800ktpa, which compares to Colluli’s design production capacity of 425ktpa (Phase I only)

SOP products (% K₂O vs. product)

Granular SOP from Colluli salts

Source: Company websites
Colluli will be in the bottom quartile of the SOP cash cost curve

Colluli is the only resource that has the right combination of potassium salts in the desirable physical form to achieve the most favourable operating and capital cost structure for SOP production.

- 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

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

Source: CRU, Integer, Company Research
Colluli is differentiated by its positively unique suite of potassium salts and depth of mineralisation

INDUSTRY LEADING CAPITAL INTENSITY FACILITATED BY HIGH GRADE EXTRACTION AND PROCESSING OF SALTS IN SOLID FORM

- **Grade is king** – superior grade of Colluli means lower capital expenditure and intensity
- Furthermore, Colluli is the only resource in the world that has the ideal composition of salts for SOP production that can be extracted in solid form
- This is directly related to the shallow mineralisation and open cut mining method
- Potassium salts mined from Colluli have a potassium concentration approximately **25x that of potassium rich brines**¹
- A potassium rich brine on a weight basis has similar potassium concentration to a banana²

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¹ Calculated from Colluli resource data and published brine compositions
² United States department of agriculture
³ Salt Lake Potash website
Smaller ponds = lower costs

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

Colluli’s ponds are:

• Up to 160x smaller than potassium brines in Utah (poor evaporation conditions)
• Up to 32x smaller than potassium brines in Australia (reasonable evaporation conditions)
• Up to 20x smaller than potassium brines in Chile and the Middle East (good evaporation conditions)
• Up to 4x smaller than solution mines

Pond size (km$^2$) for SOP projects – normalised for 425ktpa SOP production rate

Capital expenditure and intensity increase with pond size

1 Calculated by dividing published evaporation pond areas by annual production rate and multiplying by 425kt to achieve equivalent area
2 Colluli DFS
3 Bloomberg
4 Sunrise engineering website
5 Handbook of lithium and natural calcium chloride
6 Financial Times
7 Arab Potash website
8 Investor presentation 2012
9 EPM Mining prefeasibility study
10 Great Salt Lake Minerals website
Eritrea – a misunderstood jurisdiction

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

- 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

- Social and environmental impact assessments and management plans for Colluli have been completed consistent with the equator principles

- CMSC (ENAMCO and Danakali) are progressing a sustainable development framework that addresses the policy, management plans and compliance monitoring in key areas including:
  - Health and safety
  - Communities
  - Human rights
  - Anti-corruption
Overwhelming community support

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
We deliver!
Danakali had an excellent year in 2015

Danakali continues to build its strong track record of success

2015 key achievements

✔ Positive PFS delivered for the production of SOP using two-stage development approach
✔ SOP and SOP-M generated from Colluli potassium salts and process plant design
✔ Product specifications and Material Safety Data Sheets for SOP and SOP-M released
✔ Technical committee comprising world experts in potassium brine, flotation and solar pond design and operations completed process design review
✔ PFS process and infrastructure optimisation work completed
✔ JORC 2012 compliant high quality rock salt resource defined
✔ DFS for a low cost, world class, scalable project with industry leading capital intensity delivered
✔ All environmental baselines to support the social and environmental impact assessments completed and submitted
We will continue to deliver!

Danakali has made a strong start to 2016, continuing to progress the Colluli project

2016 key achievements

- Submission of completed DFS to the Ministry of Energy and Mines
- Over 500 stakeholders engaged to discuss DFS outcomes
- Social and Environmental Impact Assessment and Management Plans completed and submitted
- Mining license application submitted
- Non-binding MOUs signed with 8 multi-national firms for 800ktpa of SOP
Key milestones for 2016

Upcoming milestones

| 1. Marketing                                      | • Additional MOUs for SOP with select groups  
|                                                  | • Secure binding offtake agreements for SOP    
|                                                  | • Engage potential strategic partners          
|                                                  | • Evaluate market interest and potential for SOP-M |
| 2. Understand Colluli’s true multi agri-commodity potential | • Define kieserite (MgSO₄) resource            
|                                                  | • Evaluate gypsum grade and potential volume   
|                                                  | • Complete scoping study for production of sulphate of potash magnesia (SOP-M) 
|                                                  | • Complete assessment of production of multi-nutrient calcium fertilisers |
| 3. Secure Mining License                         | • Finalise mining license agreement with the Ministry of Energy and Mines |
| 4. Progress project funding                      | • Secure debt funding for project              |
| 5. Corporate                                     | • Develop and issue key policies for CMSC      |
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)¹

<table>
<thead>
<tr>
<th></th>
<th>Global agri-commodity businesses</th>
<th>ASX potash developers</th>
<th>Global SOP explorers/developers</th>
</tr>
</thead>
<tbody>
<tr>
<td>K+S (ETR: SDF)</td>
<td>6,746</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compass Minerals (NYSE: CMP)</td>
<td>3,351</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Highfield Resources (ASX: HFR)</td>
<td>406</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elemental Minerals (ASX: ELM)</td>
<td>76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Danakali (ASX: DNK)</td>
<td>63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reward Minerals (ASX: RWD)</td>
<td>49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salt Lake Potash (ASX: SO4)</td>
<td>45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crystal Peak Minerals (TSX-V: CPM)</td>
<td>61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potash Ridge (TSX: PRK)</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IC Potash (TSX: ICP)</td>
<td>12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| SOP                  | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      |
| Completed DFS        | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      | ✓      |
| Multi agri-commodity (potential) | ✓ | ✓ | ✓ | (✓) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

**Strong potential for Danakali to re-rate**

Source: Bloomberg, company disclosure

1 As at close on 10 May 2016
Colluli will become the most significant potash mine in the world

- Colluli is underpinned by a **massive 1.1bt ore reserve**

- Shallow mineralisation makes the resource **amenable to open cut mining**, which results in **massive conversion of resource to reserve** and very low incremental growth capital

- Colluli open cut mining **provides unconstrained growth** in contrast with declines or underground shafts

- **Over 3 million tonnes of high cost secondary SOP production** within the global cost curve that can be **displaced** by Colluli, on top of the growth volumes

- **Significant upside exists** in lower cost logistics and product diversification as the project grows
Colluli is the premier pre-production potash and multi-agri-commodity opportunity

The right commodity
• Potassium fertilisers are essential to feed the rapidly increasing population

The right location
• East Africa is at the epicentre of booming population growth

The right project
• Colluli is positively unique and demonstrates superior economic returns, access to global markets and unrivalled product diversification potential

The right team
• A highly capable and experienced team with outcomes focus

The right development partner
• The partnership with ENAMCO is a key enabler for success

The right time
• Colluli is the most advanced low capital intensity greenfield SOP development in the world

Projects of Colluli’s quality are rare
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. 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.