Company Presentation

Danakali Limited (ASX: DNK) (Danakali, or the Company), is pleased to announce that the Company’s Chief Executive Officer, Mr. Danny Goeman, will present today at the Company’s Annual General Meeting.

The presentation materials are attached to this announcement.

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About Danakali Limited

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

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

The Company has completed a Front End Engineering Design (FEED) 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 (or MOP). 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) which reduces infrastructure costs and substantially reduces the time required to achieve full production capacity.

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

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

Competent Persons Statement (Sulphate of Potash Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K2O. The resource contains 303Mt @ 11% K2O of Measured Resource, 951Mt @ 11% K2O of Indicated Resource and 35Mt @ 10% K2O of Inferred Resource.

The information relating to the 2015 Colluli Mineral Resource estimate is extracted from the report entitled “Colluli Review Delivers Mineral Resource Estimate of 1.289Bt” disclosed on 25 February 2015 and is available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Competent Persons Statement (Sulphate of Potash Ore Reserve)

The January 2018 Colluli Ore Reserve is reported according to the JORC Code and estimated at 1,100Mt @ 10.5% K2O. The Ore Reserve is classified as 285Mt @ 11.3% K2O. Proved and 815Mt @ 10.3% K2O. 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 Australasian Institute of Mining and Metallurgy, a Chartered Professional, a full-time employee of AMC Consultants Pty Ltd (AMC), 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 acted as an independent party, has no interest in the outcomes of Colluli and has no business relationship with Danakali 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 and the Competent Persons believe that there is no conflict of interest in undertaking the assignments which are the subject of the statements.

Competent Persons Statement (Rock Salt Mineral Resource)

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 347Mt @ 96.9% NaCl. The Mineral Resource estimate contains 28Mt @ 97.2% NaCl of Measured Resource, 180Mt @ 96.6% NaCl of Indicated Resource and 139Mt @ 97.2% NaCl of Inferred Resource.

The information relating to the Colluli Rock Salt Mineral Resource estimate is extracted from the report entitled “+300M Tonne Rock Salt Mineral Resource Estimate Completed for Colluli” disclosed on 23 September 2015 and is available to view at www.danakali.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.
Quality control and quality assurance

Danakali exploration programs follow standard operating and quality assurance procedures to ensure that all sampling techniques and sample results meet international reporting standards. Drill holes are located using GPS coordinates using WGS84 Datum, all mineralisation intervals are downhole and are true width intervals.

The samples are derived from HQ diamond drill core, which in the case of carnallite ores, are sealed in heat-sealed plastic tubing immediately as it is drilled to preserve the sample. Significant sample intervals are dry quarter cut using a diamond saw and then resealed and double bagged for transport to the laboratory.

Halite blanks and duplicate samples are submitted with each hole. Chemical analyses were conducted by Kali-Umwelttechnik GmbH, Sondershausen, Germany, utilising flame emission spectrometry, atomic absorption spectroscopy and ion chromatography. Kali-Umwelttechnik (KUTEC) has extensive experience in analysis of salt rock and brine samples and is certified according by DIN EN ISO/IEC 17025 by the Deutsche Akkreditierungsstelle GmbH (DAR). The laboratory follows standard procedures for the analysis of potash salt rocks chemical analysis (K⁺, Na⁺, Mg²⁺, Ca²⁺, Cl, SO₄²⁻, H₂O) and X-ray diffraction (XRD) analysis of the same samples as for chemical analysis to determine a qualitative mineral composition, which combined with the chemical analysis gives a quantitative mineral composition.

Forward looking statements and disclaimer

The information in this document is published to inform you about Danakali and its activities. Danakali 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 document, 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 Colluli 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 document. Recipients should make their own enquiries in relation to any investment decisions.

Mineral Resource, Ore Reserve, and financial assumptions made in this presentation are consistent with assumptions detailed in the Company’s ASX announcements dated 25 February 2015, 23 September 2015, 15 August 2016, 1 February 2017 and 29 January 2018, 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.
Annual General Meeting

Danny Goeman, Chief Executive Officer

Friday, 11 May 2018
SOP – demand drivers

The SOP market is growing and profitable

Key demand drivers:
1. Global population growth
2. Reduction in arable land per capita
3. Changing dietary preferences
4. Under-application in developing countries
5. Water availability

Population (Billions)


demand drivers:

1. Global population growth
2. Reduction in arable land per capita
3. Changing dietary preferences
4. Under-application in developing countries
5. Water availability

Source: Integer (demand growth CAGR), United Nations world population prospects (2015), Food and Agriculture Organization of the UN (arable land and average SOP use per area of SOP crops)
SOP – sound market fundamentals

Demand growth continuing to outpace low cost supply growth

Primary production
• Economically exploitable resources are geologically scarce
• Few new low cost development projects at an advanced stage

Secondary (Mannheim Process) production
• Ample capacity, but production is constrained by:
  — hydrochloric acid (HCl) disposal issues;
  — environmental considerations; and
  — increasing production costs

China
• Largely self sufficient (supply ~ demand)
• Potash regarded as strategic commodity – export tariff of RMB600/mt (~US$90/mt)

Colluli is the only known SOP greenfield development project that is materially fully permitted and has completed FEED

Typical accuracy levels of mining project study phases

<table>
<thead>
<tr>
<th>Phase</th>
<th>Accuracy Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scoping Study</td>
<td>-50% to +100%</td>
</tr>
<tr>
<td>PFS</td>
<td>-20% to +20%</td>
</tr>
<tr>
<td>DFS</td>
<td>+0% to +10%</td>
</tr>
<tr>
<td>FEED</td>
<td>+10% to +20%</td>
</tr>
</tbody>
</table>

Selected SOP greenfield development projects

- Salt Lake – Lake Wells
- Kalium – Beyondie
- Yara – Yara Dallol
- Verdant – Karinga Lakes
- Potash Ridge – Blawn Mountain
- Crystal Peak – Sevier Lake
- Reward – Lake Disappointment
- Circum – Danakil
- Agrimin – Mackay

Source: Company announcements
SOP price premium to MOP

Secondary production provides a price floor to the advantage of primary SOP producers

- Over 50% of the world’s SOP supply is produced through the Mannheim Process
  - Conversion of MOP to SOP by adding sulphuric acid in a high cost thermal process
- SOP prices continue to command a significant premium over MOP
  - SOP price premium has averaged ~US$260/t over the last 4 years

Historical SOP prices and premium to MOP
NW Euro SOP and MOP FOB (US$)

Source: Argus, internal Danakali analysis
Domestic Chinese SOP prices are reaching near parity with North-West Europe SOP prices

- Domestic Chinese SOP prices have increased >25% in the last 12 months
- Large increases in domestic Chinese SOP prices are mainly due to:
  - increased production costs;
  - reduction/removal of industry and transport subsidies; and
  - increased environmental controls (emissions, soil salinity, energy use and HCl disposal)
- Strong China SOP demand

Source: BAI Info and Argus
1 Domestic Chinese SOP prices based on Xinjiang Lop Nor 52% powder
2 US$30/t domestic logistics costs assumed to aggregate the quoted domestic Chinese ex-works price to FOB
3 Includes 600RMB/t export tariff.
Market Summary

The SOP balance is forecast to tighten as the global demand continues to exceed capacity growth.

• Market outlook is positive – with secondary producers setting the price floor
• In addition, significant upside potential still exists in the market as:
  — Application rates of developing nations dramatically lag developed nations
    o Considerable untapped SOP demand potential in developing nations such as India and Brazil, and regions such as Southeast Asia and Africa
  — Agricultural efficiency becomes more necessary (reductions in arable land, saline soil management)
  — Lack of capacity investment in the market from existing producers

“...the SOP market will become increasingly undersupplied in the coming years without capacity investment”¹

¹ Source: Integer research
2017 and year to date in review

With all material permits in place and FEED complete, Danakali has established a strong platform for project funding and execution

Key Danakali milestones in 2017 and year to date

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q17</td>
<td>CMSC entered into Mining Agreement with the Eritrean Ministry of Energy &amp; Mines</td>
</tr>
<tr>
<td>1Q17</td>
<td>Award of 7 Mining Licences, spanning over 60km² of the 99km² Mining Agreement area</td>
</tr>
<tr>
<td>2Q17</td>
<td>Pre-construction geotechnical work commenced at Colluli</td>
</tr>
<tr>
<td>2Q17</td>
<td>Danakali raised A$12.25M via a private placement cornerstoned by global fund manager Capital Group</td>
</tr>
<tr>
<td>2Q17</td>
<td>Preferred power provider appointed, Inglett &amp; Stubbs International</td>
</tr>
<tr>
<td>3Q17</td>
<td>Mining contract tendering commenced</td>
</tr>
<tr>
<td>4Q17</td>
<td>EPCM contract tendering commenced</td>
</tr>
<tr>
<td>1Q18</td>
<td>FEED completed; confirming advanced, economically attractive project</td>
</tr>
<tr>
<td>1Q18</td>
<td>Debt Information Memorandum released to select financial institutions</td>
</tr>
</tbody>
</table>
Colluli’s positively unique attributes

Positively unique suite of attributes that allows for simple, proven, low risk and low-cost mining, processing and logistics, and outstanding project economics

<table>
<thead>
<tr>
<th>Mining</th>
<th>Processing</th>
<th>Logistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Massive 1.1Bt Ore Reserve&lt;sup&gt;1&lt;/sup&gt;</td>
<td>• Simple, energy efficient, commercially-proven processing</td>
<td>• Closest SOP project to a coastline</td>
</tr>
<tr>
<td>• Shallowest evaporite deposit in the world</td>
<td>• Unique and favourable combination of potassium bearing salts</td>
<td>• Favourable logistics unlock product diversification potential</td>
</tr>
<tr>
<td>• Simple, low cost, open-cut mining</td>
<td>• Colluli salt composition ideal for low energy, high yield conversion to SOP at ambient temperatures</td>
<td>• 230km by road to the well-established Massawa port</td>
</tr>
<tr>
<td>• Conventional truck and shovel methods utilised, complemented by continuous surface miners</td>
<td>• No pre-evaporation ponds necessary, reducing capex requirements and time to revenue</td>
<td>• 75km to Anfile Bay, potential site for future port development</td>
</tr>
</tbody>
</table>

Other SOP greenfield development projects typically face challenges such as depth of ore body, brine complexities, lack of scale, inconsistent grade, high energy processing, extensive evaporation pond requirements, and/or great distances to export facilities

<sup>1</sup> ASX announcement 29-Jan-18
FEED overview

**FEED completion confirms Colluli as the most advanced and economically attractive SOP greenfield development project**

- Enhanced project economics
- Considerably higher level of accuracy than in DFS
- Industry leading capital intensity
- Forecast first quartile operating costs
- Project level NPV of US$902M with IRR of 29.9% for Modules I and II
- Critical milestone for finalisation of offtake and debt processes
- Multi-commodity potential of Colluli provides major additional upside

### Key Colluli FEED economic estimates and outcomes

<table>
<thead>
<tr>
<th>100% of the Project (equity / pre-debt basis)</th>
<th>Module I</th>
<th>Modules I &amp; II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annualised SOP production</td>
<td>472ktpa</td>
<td>944ktpa</td>
</tr>
<tr>
<td>Module I development capital</td>
<td>US$302M</td>
<td></td>
</tr>
<tr>
<td>Incremental Module II development capital</td>
<td></td>
<td>US$202M</td>
</tr>
<tr>
<td>Capital intensity</td>
<td>US$640/t</td>
<td>US$534/t</td>
</tr>
<tr>
<td>Incremental Module II capital intensity</td>
<td></td>
<td>US$427/t</td>
</tr>
<tr>
<td>Average mine gate cash costs</td>
<td>US$165/t</td>
<td>US$149/t</td>
</tr>
<tr>
<td>Average total cash costs</td>
<td>US$258/t</td>
<td>US$242/t</td>
</tr>
<tr>
<td>Average annual undiscounted free cash flows</td>
<td>US$88M</td>
<td>US$173M</td>
</tr>
<tr>
<td>Post tax NPV (10% real)</td>
<td>US$505M</td>
<td>US$902M</td>
</tr>
<tr>
<td>Post tax IRR</td>
<td>28.1%</td>
<td>29.9%</td>
</tr>
</tbody>
</table>

**Danakali’s 50% share of the Project (post finance basis)**

| Average annual undiscounted free cash flows                | US$43M   | US$85M        |
| Post finance NPV (10% real)                                 | US$242M  | US$439M       |
| Post finance IRR                                           | 29.7%    | 31.3%         |

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1. ASX announcement 29 January 2018
2. Economic estimates and outcomes reported in US$ real
3. Assumed that Module I is 60% debt / 40% equity funded
4. Module II production expected to commence in year 6
5. Assumed 100% funded from project cash flows and third-party debt
6. Including contingency, excluding sustaining and working capital
7. Average for first 60 years of production
8. Includes mine gate cash costs, product logistics, and royalties
9. ASX announcement 30 November 2015
First quartile operating costs

If operating in 2018, Danakali would be one of the lowest cost SOP producers

Global SOP mine gate production costs in 2018 (US$/t)

Colluli Modules I & II

Source: Integer Research and internal Company analysis
Key focus areas

Danakali is focusing on securing bankable offtake agreements, advancing debt funding, executing the equity strategy and project execution

Key focus areas – project execution phase

<table>
<thead>
<tr>
<th>Offtake</th>
<th>• Progress binding offtake agreements and associated approvals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>• Advance and finalise arrangements with commercial lenders</td>
</tr>
<tr>
<td>Equity</td>
<td>• Dual listing on the London Stock Exchange</td>
</tr>
<tr>
<td>EPCM</td>
<td>• Selection of preferred EPCM contractor and finalisation of contract terms</td>
</tr>
<tr>
<td>Mining</td>
<td>• Negotiate with shortlisted mining contractors and finalise contract terms</td>
</tr>
<tr>
<td>Power</td>
<td>• Finalise contract terms for preferred power provider, Inglett &amp; Stubbs International</td>
</tr>
<tr>
<td>Operations readiness</td>
<td>• Progress the necessary systems and structures to position Danakali and CMSC for development and production</td>
</tr>
<tr>
<td>Corporate social responsibility</td>
<td>• Ensure ongoing adherence to established international standards</td>
</tr>
</tbody>
</table>
Offtake

Danakali is paving the way: no known take-or-pay offtake agreements in the SOP industry today

- Danakali is focused on entering into offtake agreements that achieve fair value for its products
- Take-or-pay offtake agreements are not the norm in the SOP industry – considerable education has been required
- Danakali continues to take a disciplined, structured and methodical approach to developing its offtake strategy
- The Company is focussed on maximising the netback value of every tonne of SOP
- Optimising the Company’s offtake portfolio takes time:
  - Multitude of stakeholders in various locations
  - Availability of key decision makers
  - Customer / market segmentation
  - Requisite approvals

Offtake process

Memorandums of Understanding (non-binding)

Heads of Agreement (non-binding)

Binding offtake agreements
Commercial terms materially agreed
Project funding

Clear debt and equity strategies established and progressing

Debt

• Debt funding process formally commenced during the March 2018 Quarter
• Provision of a Debt Information Memorandum to potential financiers
  — Provides detailed project information and seeks non-binding expressions of interest from potential financiers
• The Company expects receipt of non-binding expressions of interest in the June 2018 Quarter

Key debt enablers:
• Completion of technical and non-technical due diligence
• Take-or-pay offtake agreements
• Operational contract finalisation

Equity

• LSE dual listing is currently the key focus
• Danakali has completed its key LSE dual listing appointments:
  — Numis Securities – Financial Adviser
  — Memery Crystal – UK legal
  — Norton Rose Fulbright – Australian legal
  — EY – reporting accountant
• Prospectus well advanced and regulatory review process has commenced

Key equity enablers:
• LSE dual listing
• Offtake agreements
• Clear debt progress
Colluli’s impact

**Eritrea stands to benefit from the long term economic, social and community dividends that Colluli will generate**

- Positive impact through infrastructure, job creation, taxes, royalties, and associated economic development
- Creation of hundreds of permanent jobs for Eritrean nationals
- Long term training for trades and professionals
- Potential for adjacent industry development – including infrastructure, mining services, transport and hospitality
- Stakeholder engagements have been held with representatives of various local communities
- Deep understanding of each communities’ interests developed
- Social and Environmental Impact Assessments and Management and Monitoring Plans have been developed in line with the Equator Principles
- Strong ongoing community support for the Project

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1 The Equator Principles are a risk management framework used to manage the environmental and social risk in projects, see Danakali’s website for the SEIA and SEMPs.
Danakali investment case

Colluli is the most advanced and economically attractive SOP greenfield development project globally

<table>
<thead>
<tr>
<th>Materially fully permitted</th>
<th>High grade</th>
<th>Industry leading economics</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1Bt Ore Reserve(^1)</td>
<td>Low cost, open-cut mining</td>
<td>Strong Board and management</td>
</tr>
<tr>
<td>~200 year mine life(^1)</td>
<td>Simple mineral processing</td>
<td>Supportive JV partner</td>
</tr>
<tr>
<td>Shallowest evaporite deposit</td>
<td>High product yield</td>
<td>High profile share register</td>
</tr>
<tr>
<td>Significant diversification potential</td>
<td>Favourable logistics</td>
<td>Outstanding social dividend</td>
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</tbody>
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1 ASX announcements 29-Jan-18 and 19-Feb-18
Forward looking statements and disclaimer

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