Ready for take off: The Colluli Project

Large deposit with a 200-year mine life
Low cost
Premium product
Development underway
Production and revenue expected in 2022

June 2020
Forward Looking Statements

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Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. 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, 1 February 2017, 29 January 2018 and 19 February 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.

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Who is Danakali?

Danakali is a Sulphate of Potash (SOP) focused crop-nutrient company

The Company is listed on both ASX and LSE

Our flagship project is Colluli – one of the biggest, most advanced, high quality and economically potentially rewarding fertiliser projects in the world
Danakali is developing the Colluli project in the Danakil basin as a 50/50 JV with ENAMCO.
Danakali Investment Case

Large deposit
200-year mine life

Advanced financing
US$250M of funding*

Low cost mining
<US$150/t (mine gate)

Anticipated cashflow
US$85M² per annum

10-year Offtake
EuroChem

Development underway
Expected production in 2022

Premium product
Price premium

Exceptional returns
NPV_{10, Real} US$439m
IRR 31.3%¹

¹Funding remains subject to satisfaction of relevant conditions precedent  ²Source: DNK announcements, 29-Jan-18 & 30-Nov-2015  ³Average for first 60 years of production. Source: DNK announcements, 29-Jan-18.
Binding Offtake Provides Cashflow Certainty

EuroChem will take, pay, market and distribute up to 100% of Colluli Module I SOP production

10-year binding contract\(^1\)

EuroChem

DANAKALI
create. nurture. grow

1 The Offtake agreement is not unconditional. Additional details available in DNK announcement, 12-Jun-18

CY2019 revenue of US$6.2Bn and EBITDA of US$1.55 Bn
Advanced Funding

US$250M of funding provides the majority of development capital

Documentation executed for US$200M in senior debt from AFC and Afreximbank in December 2019

US$50M equity investment from AFC
- Tranche 1 (US$21.6M) received in December 2019
- Tranche 2 (US$28.4M) to settle by November 2020*

*Subject to satisfaction of relevant conditions precedent
Development Underway

Phased EPCM process started by DRA

- EPCM phases 1 & 2: Mobilisation
- EPCM phases 3 - 6: Construction
- Production

EPCM phase 1 complete, phase 2 completion in progress
Construction expected in 2021
Production targeted for 2022
Premium Product

SOP is environmentally-friendly, chloride-free source of Potassium and Sulphur

Price premium due to low levels of chloride, additional nutrients (sulphur) and favourable solubility characteristics

Applied on high value crops such as fruits, vegetables, coffee, tea and nuts

<table>
<thead>
<tr>
<th>SOP $K_2SO_4$</th>
<th>~7Mtpa</th>
<th>US$450-600/t*</th>
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<tbody>
<tr>
<td>High value, chloride sensitive or intolerant</td>
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</table>

<table>
<thead>
<tr>
<th>MOP KCl</th>
<th>~67Mtpa</th>
<th>US$200-300/t*</th>
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</thead>
<tbody>
<tr>
<td>Low value, chloride tolerant</td>
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</tr>
</tbody>
</table>

SOP Demand & Supply Fundamentals

**Demand**

- Increasing global population
- Changing dietary preferences
- Limited arable land available
- Average CAGR growth around 2 - 2.4% (excluding China)

**Supply**

- **Primary Natural Brine**
  - 35%
- **Primary Natural Ore**
  - 13%
- **Secondary Mannheim process**
  - 50%
- **Secondary production MOP & Sulphate salts reaction**
  - 2%

**SOP production structure**

Source: Potassium Sulphates and Potassium Nitrate Market Outlook, CRU, January 2020
**Market Potential (SOP Application Rates)**

Source: Argus, CRU, Statistics Canada, Australian Bureau of Statistics (2015 data)
Infrastructure

Proximity to a Coastline

Proximity to established port infrastructure provides unrivalled access to the global export markets and significant cost advantage.

Massawa

Existing port for export

Anfile Bay

Proposed future port

Colluli

Mining and processing site
Simple, Safe and Low-cost Mining

Mineralisation starting at just 16m allowing simple, safe, low cost, open-cut mining

Processing from solid salts

Low level of complexity due to simple, commercially proven processing technology

Mine/Crush → Float/Mix/Dry → Transport to port → Shipping → Customer
Unrivalled Scale

Quality

Among the highest grade SOP deposits globally
Product with purity of 98%
Colluli will be at the top of the quality spectrum

Size

1.3Bt Mineral Resource*
@ 11% K2O for 260Mt of contained SOP
1.1Bt Ore Reserve*
@ 10.5% K2O for 203Mt of contained SOP
Almost 200 years LOM
Able to supply 100% of predicted global SOP demand for up to 30 years

Scalability

Low stripping ratios
Solid salts
Short production time from ore to product
Large resource with great scalability potential

*Mineral Resources and Ore Reserves have been reported according to the JORC Code, 2012 Edition. Source: DNK announcements, 29-Jan-18 & 19-Feb-18
Danakali Investment Case

**Large deposit**
- 200-year mine life

**Advanced financing**
- 10-year Offtake EuroChem
- Development underway
- Expected production in 2022

**Low cost mining**
- <US$150/t (mine gate)

**Anticipated cashflow**
- US$85M² per annum

**Exceptional returns**
- NPV10, Real US$439m
- IRR 31.3%¹

¹Funding remains subject to satisfaction of relevant conditions precedent  
²Source: DNK announcements, 29-Jan-18 & 30-Nov-2015  
³Average for first 60 years of production. Source: DNK announcements, 29-Jan-18.
Thank you
Our ESG Aspirations

Committed to operating in alignment with the UN Sustainable Development Goals, IFC Performance Standards and Equator Principles

Sustainable Development Framework in place (Sustainability Report available on website)

Independent UNDP Report Potential to contribute to 13 of 17 UN SDGs

Operational management systems Under development will align with IFC PSs and EPs in advance of construction activities
AFC is a Strong Partner for Danakali

“AFC continues to be a great supporter of Colluli and we are confident in Danakali’s competence to successfully deliver the Project.

We remain committed to our US$150m funding across the CMSC Senior Debt and equity investments.”

Samaila D Zubairu
President and CEO of AFC
June 2020

Source: DNK Announcement 01-June-2020

AFC is a leading investment bank and DFI created to mobilise capital towards driving Africa’s development.

- International organisation established by treaty
- Comprised of 26 member countries (including Eritrea)
- ~ US$6.1 billion of AUM
- US$6.6 billion in projects within 30 countries across Africa
Eritrea as a Mining Jurisdiction

Danakali has been operating in Eritrea since 2009 and has found the country to be safe, stable and development focused.

- Stable, supportive Government
- Simple, predictable tax conditions
- Pragmatic and business-friendly mining policies
- No evidence of corruption
- Improved geopolitical dynamics
- Significant community support
- Safe and secure operational environment
- Improving infrastructure
SOP Pricing Dynamics

SOP demand and supply dynamics support a robust pricing environment

Source: Potassium Sulphates and Potassium Nitrate Market Outlook, CRU, January 2020
Processing of SOP

Simple, energy efficient, commercial processing with 85% Plant recovery and 95% overall recovery.

No pre-evaporation ponds necessary, reducing capex and time to revenue.
## Capital and Operating Expenditure

FEED confirmed industry-leading capital intensity and first quartile operating costs

### FEED development and working capital estimates

<table>
<thead>
<tr>
<th>Metric</th>
<th>Module I</th>
<th>Module II</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plants, ponds, and mine development</td>
<td>US$130M</td>
<td>US$97M</td>
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<tr>
<td>Supporting infrastructure</td>
<td>US$80M</td>
<td>US$37M</td>
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<tr>
<td>Owners costs and EPCM</td>
<td>US$56M</td>
<td>US$41M</td>
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<tr>
<td>Contingency</td>
<td>US$36M</td>
<td>US$27M</td>
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<tr>
<td>Development capital</td>
<td>US$302M</td>
<td>US$202M</td>
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<tr>
<td>Working capital (including working capital contingency)(^2)</td>
<td>US$20M</td>
<td>-</td>
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<tr>
<td>Total capital</td>
<td>US$322M</td>
<td>US$202M</td>
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<tr>
<td>Capital intensity (excluding working capital)(^3)</td>
<td>US$640/t</td>
<td>US$534/t</td>
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<tr>
<td>Incremental Module II capital intensity</td>
<td>US$427/t</td>
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### FEED operating cost estimates

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<thead>
<tr>
<th>Metric</th>
<th>Module I</th>
<th>Modules I &amp; II</th>
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</thead>
<tbody>
<tr>
<td>Mining</td>
<td>US$77/t</td>
<td>US$73/t</td>
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<tr>
<td>Processing</td>
<td>US$64/t</td>
<td>US$59/t</td>
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<tr>
<td>Water logistics</td>
<td>US$2/t</td>
<td>US$2/t</td>
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<tr>
<td>G&amp;A</td>
<td>US$22/t</td>
<td>US$15/t</td>
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<tr>
<td>Mine gate cash costs</td>
<td>US$165/t</td>
<td>US$149/t</td>
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<tr>
<td>Product logistics</td>
<td>US$73/t</td>
<td>US$73/t</td>
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<tr>
<td>FOB cash costs</td>
<td>US$238/t</td>
<td>US$222/t</td>
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<td>Royalties</td>
<td>US$20/t</td>
<td>US$20/t</td>
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<tr>
<td>Total cash costs</td>
<td>US$258/t</td>
<td>US$242/t</td>
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</tbody>
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1. DNK announcement 29 January 2018
2. Economic estimates and outcomes reported in US$ 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
Resource Diversity

Excellent potash product diversification, as well as the potential to produce a suite of other products, including Rock Salt, Kieserite, Gypsum, and Magnesium Chloride.