



# Proactive Investors One2One Investor Forum presentation

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali**) is pleased to share the investor presentation that Executive Chairman, Seamus Cornelius, will present at the Proactive Investors One2One Investor Forum tonight in London.

Key event details:

- Date – 20 September 2018
- Time – 6:00pm-8:00pm (approximately)
- Location – Chesterfield Mayfair Hotel, 35 Charles Street, Mayfair

Link to the event registration: [http://www.proactiveinvestors.com/register/event\\_details/165](http://www.proactiveinvestors.com/register/event_details/165)

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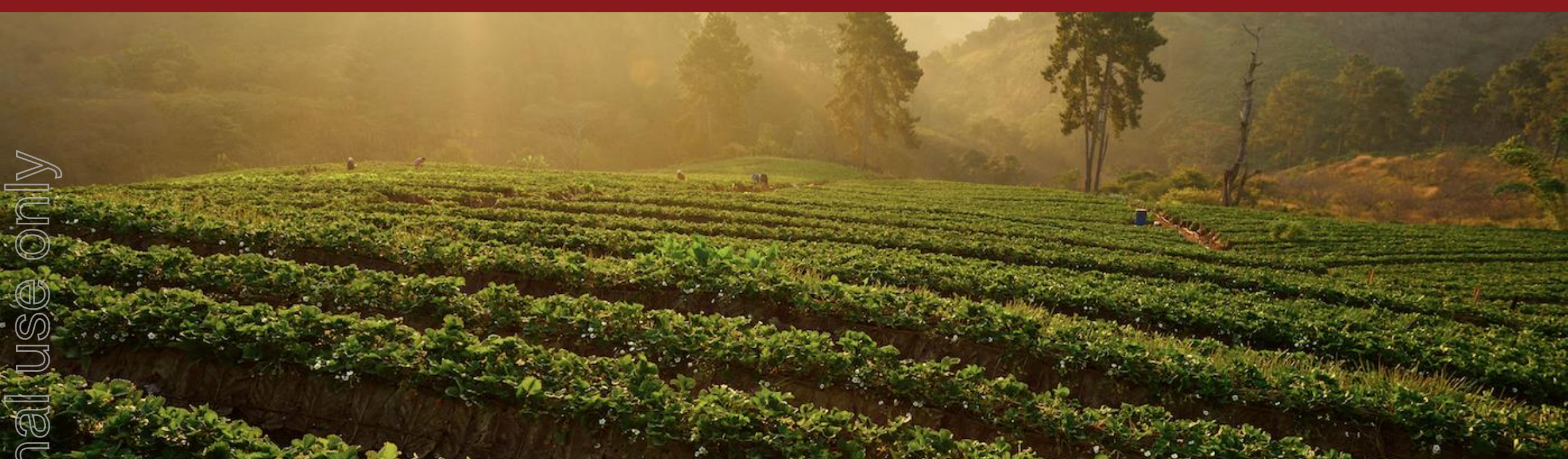
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ASX: DNK / LSE: DNK



**DANAKALI**

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# Proactive Investors One2One Investor Conference – London

Seamus Cornelius, Executive Chairman

September 2018

# Forward looking statements and disclaimer



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# Introduction to Danakali



## ASX / LSE (Main Market) dual-listed company



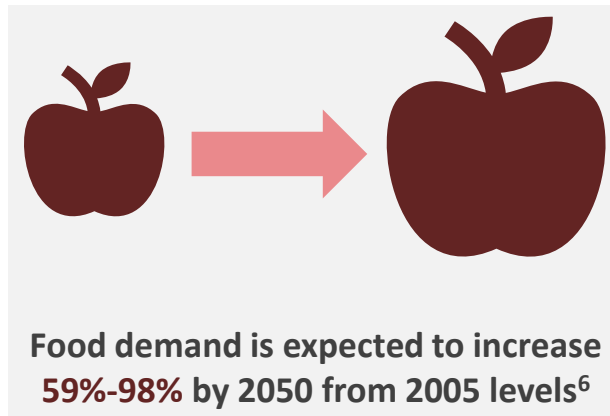
## Developing Colluli, an advanced and economically attractive potash (SOP) development project<sup>1</sup>

<p><b>Exceptional economics</b></p>  <p>NPV US\$902M IRR of 29.9%</p>	<p><b>Industry leading capital intensity</b></p>  <p>US\$534/t</p>	<p><b>First quartile operating costs</b></p>  <p>US\$242/t FOB Port of Massawa</p>
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## SOP is undersupplied and demand is growing<sup>2</sup>

SOP is:

- Used on high value, chloride-sensitive crops
- Difficult to substitute
- High margin
- **The premium potash type**



## Eritrea is a mining friendly jurisdiction

*“Ethiopia and Eritrea have pursued a rapid rapprochement”<sup>3,4</sup>*

*“[Eritrean copper/zinc producer] Nevsun finds a White Night in Zijin with US\$1.4B deal”<sup>5</sup>*



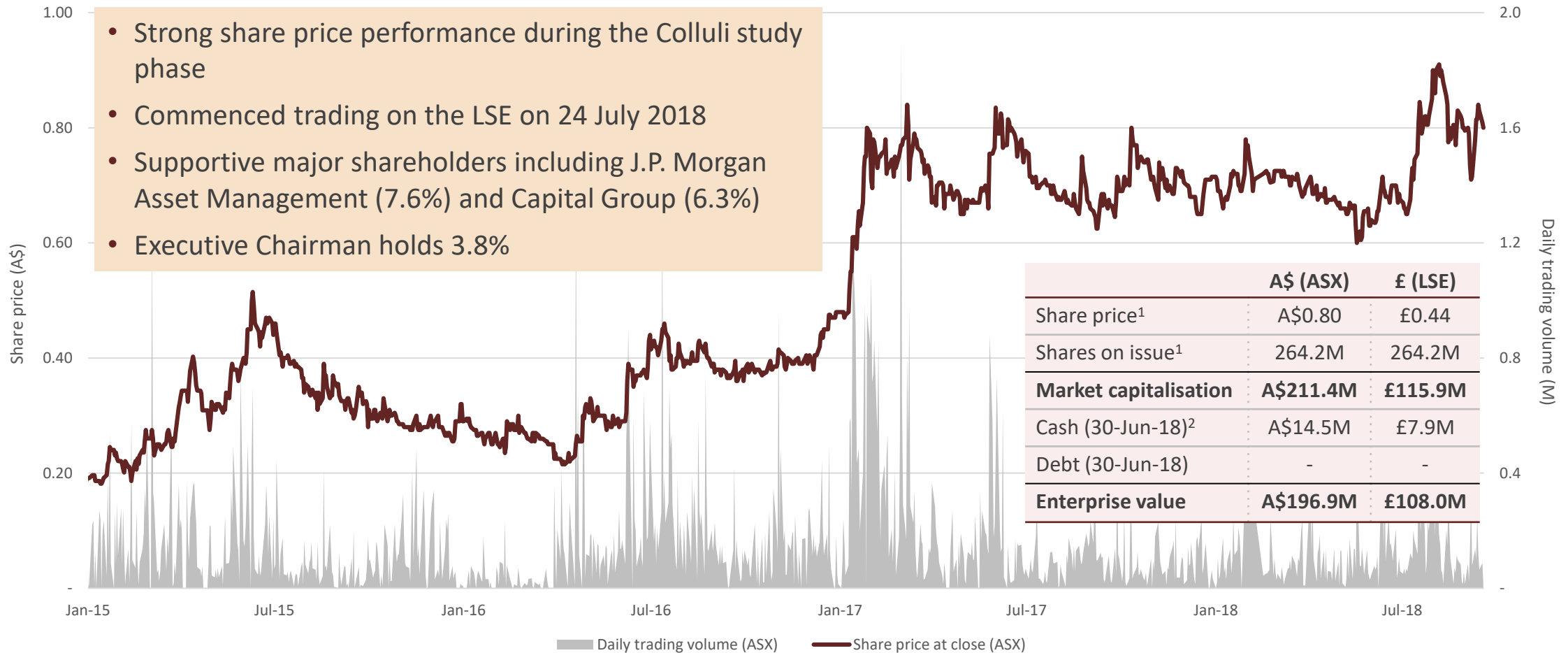
1 DNK announcement, 29-Jan-18  
 2 Integer Research  
 3 Stratfor | Worldview, 6-Sep-18

4 Washington Post, 13-Jul-18  
 5 Bloomberg, 5-Sep-18  
 6 Harvard Business Review, 7-Apr-18

# Danakali corporate snapshot



## Danakali is developing the Colluli Potash Project, a world class greenfield SOP development project



Source: BellDirect, LSE website, S&P CapIQ

<sup>1</sup> As at 4.15pm AEST, 18 September 2018; "Shares on issue" does not include 3.84M unlisted options with exercise prices ranging from A\$0.543 to A\$0.96 and expiry dates ranging from 4-Nov-18 to 19-May-20, or 1.37M performance rights

<sup>2</sup> Exchange rate of £0.55/A\$

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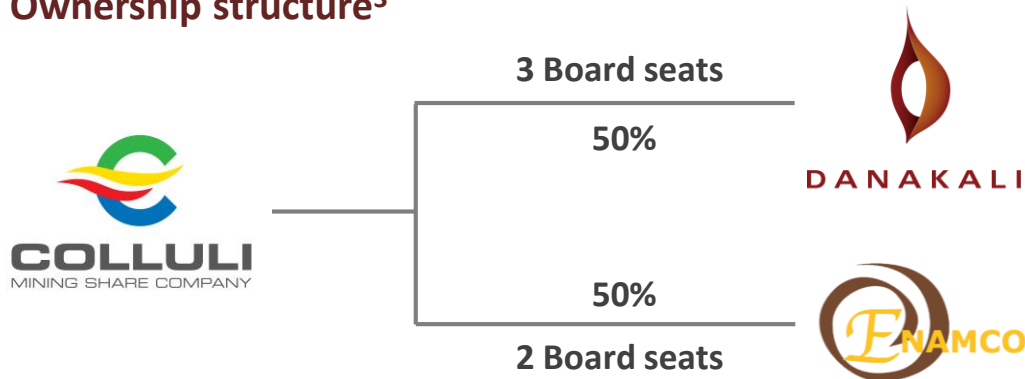
# Colluli overview



## Strategically located SOP development project with all material permits in place

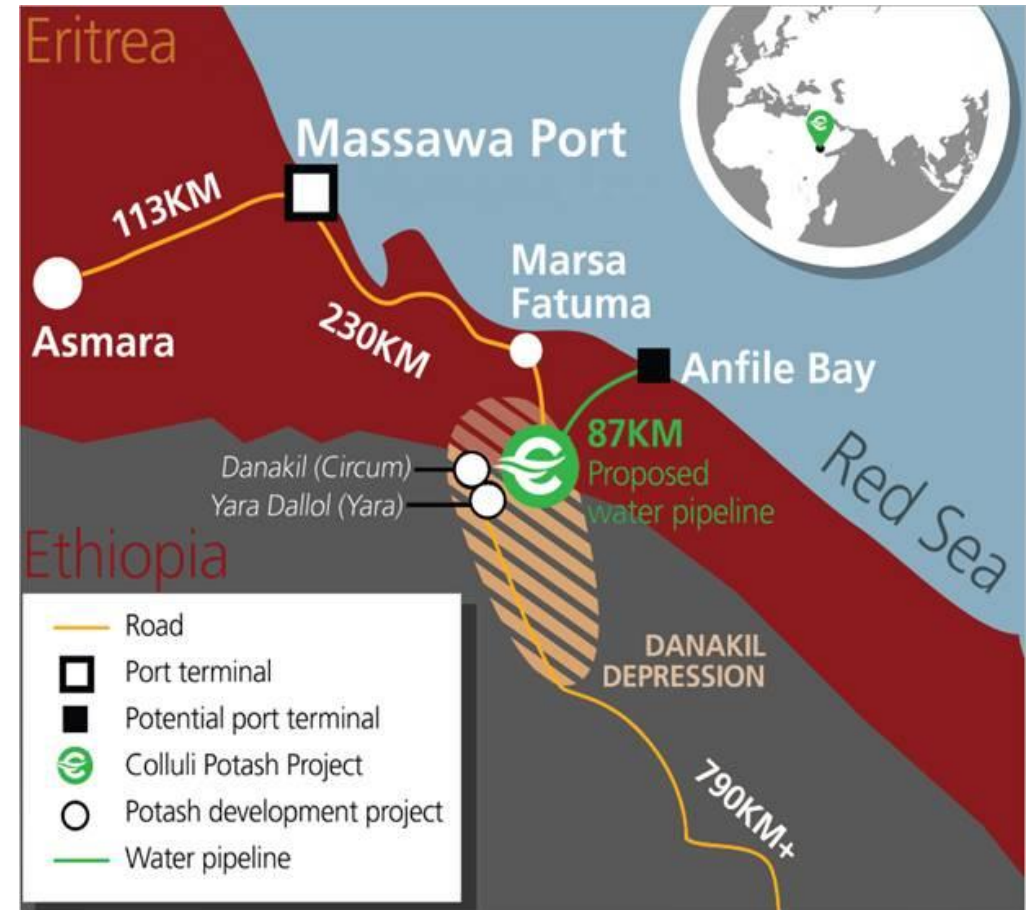
- Located in the Danakil Depression on Eritrean side of Eritrea-Ethiopia border
- To be developed utilising a modular approach
  - Module I to produce 472ktpa of premium SOP<sup>1</sup>
  - Module II to increase total SOP production to 944ktpa<sup>1,2</sup>
- 50% owned by Danakali, 50% owned by ENAMCO

### Ownership structure<sup>3</sup>



<sup>1</sup> DNK announcement, 29-Jan-18  
<sup>2</sup> Commencing in year 6 of production  
<sup>3</sup> Danakali's disclosed economics reflect the dynamics of the Shareholder's Agreement

### Location – Closest known SOP deposit to a coastline



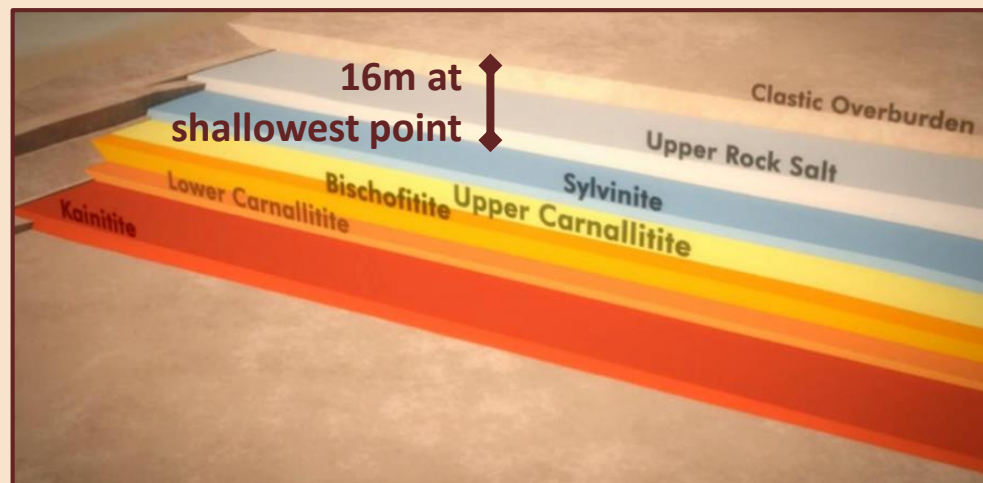
# Attributes of the Colluli resource

## Massive 1.1Bt Ore Reserve supports almost 200 year mine life<sup>1</sup>

- Favourable combination of potassium bearing salts
  - Suitable for production of SOP, SOP-M and MOP
  - Appreciable amounts of rock salt, kieserite, gypsum and magnesium chloride
- Shallowest evaporite deposit in the world, commencing at just 16m
- Light inclination – resource slope of only 1°

### Stratification<sup>1</sup>

- Salts are layered with clear distinction:
  - Homogenous, predictable grade
  - Ability to selectively extract
  - Predictable, reliable production rates



# Colluli's operational attributes

Suite of attributes that allows for simple, proven, low risk and low-cost mining, processing and logistics, and outstanding project economics compared to other SOP greenfield development projects



<ul style="list-style-type: none"> <li>✓ Shallow, light inclination, limited flora and fauna, and no communities in immediate vicinity</li> <li>✓ Simple, low cost, open-cut mining</li> <li>✓ Conventional truck and shovel methods utilised, complemented by continuous surface miners</li> </ul>	<ul style="list-style-type: none"> <li>✓ Simple, energy efficient, commercially-proven processing</li> <li>✓ Unique and favourable combination of potassium bearing salts</li> <li>✓ Colluli salt composition ideal for low energy, high yield conversion to SOP at ambient temperatures</li> <li>✓ No pre-evaporation ponds necessary, reducing capex requirements and time to revenue</li> </ul>	<ul style="list-style-type: none"> <li>✓ Closest SOP project to a coastline</li> <li>✓ Favourable logistics unlock multi-commodity potential</li> <li>✓ 230km by road to the well-established Massawa port</li> <li>✓ 87km to Anfile Bay, potential site for future port development</li> </ul>
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## Other SOP greenfield developments typically face challenges such as<sup>2</sup>...

<ul style="list-style-type: none"> <li>✗ Depth of ore body</li> <li>✗ Inconsistent grade</li> <li>✗ Lack of scale</li> </ul>	<ul style="list-style-type: none"> <li>✗ Brine complexities</li> <li>✗ Energy intensive</li> <li>✗ Extensive evaporation pond requirements</li> </ul>	<ul style="list-style-type: none"> <li>✗ Large distances to coast</li> <li>✗ Large distance to export facilities</li> <li>✗ Lack of established infrastructure</li> </ul>
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<sup>1</sup> DNK announcement, 29-Jan-18

<sup>2</sup> Peer company announcements



# FEED overview



## FEED completion confirms Colluli as an advanced stage and economically attractive project relative to other SOP greenfield development projects

- Considerably higher level of accuracy than DFS with enhanced project economics<sup>1</sup>
- Critical milestone for finalisation of offtake (complete)<sup>2</sup> and debt funding (strong progress made)
- Anfile Bay port, expansion, potash diversification and multi-commodity potential could provide major additional upside<sup>3</sup>

### Key FEED economic estimates and outcomes<sup>3,4,5</sup>



1 DNK announcement, 30-Nov-15

2 DNK announcement, 12-Jun-18


3 DNK announcement, 29-Jan-18

4 Economic estimates and outcomes reported in US\$ real

5 All results over Modules I & II unless stated

# Comparison to LSE-listed fertiliser peers

## Low capex and high grade, high value product relative to LSE-listed fertiliser peers

	 DANAKALI	Sirius	Kore	Harvest	Emmerson
Market capitalisation	<b>£115.9M (A\$211.4M)</b>	£1.4B (A\$2.6B)	£39M (A\$72M)	£32M (A\$59M)	£19M (A\$35M)
Project	<b>Colluli</b>	Woodsmith	Kola	Arapua	Khemisset
Commodity focus	<b>SOP</b>	Polyhalite ('POLY4')	MOP	Lava ('KpFertil')	MOP
Potash grade in resource	<b>20.2% K<sub>2</sub>SO<sub>4</sub></b>	~12% K <sub>2</sub> O <sup>1</sup>	35.4% KCl	3.1% K <sub>2</sub> O (2.5% P <sub>2</sub> O <sub>5</sub> )	10.2% K <sub>2</sub> O
Reserve	<b>1.1Bt @ 18.5% K<sub>2</sub>SO<sub>4</sub></b>	280Mt @ 88.4% polyhalite	No reserve	No reserve	No reserve
Development capex	<b>Module I: US\$322m Module II: US\$202m</b>	Stage 1: US\$4.17B	US\$1.85B	NA <sup>2</sup>	NA
Potash grade in product	<b>96% K<sub>2</sub>SO<sub>4</sub> (52% K<sub>2</sub>O)</b>	14% K <sub>2</sub> O	39.6% KCl (25.0% K <sub>2</sub> O)	4.2% K <sub>2</sub> O (3.5% P <sub>2</sub> O <sub>5</sub> )	NA
Product price	<b>US\$569/t<sup>3</sup></b>	US\$140-150/t <sup>4</sup>	US\$275/t <sup>5</sup>	US\$54/t <sup>4</sup>	NA
<b>Illustrative margin (FOB, ex royalties)<sup>6</sup></b>	<b>Module I: US\$331/t Module I &amp; II: US\$347/t</b>	<b>Stage 1: US\$111-121/t</b>	<b>US\$165/t</b>	<b>US\$46/t</b>	<b>NA</b>



Source: DNK announcements, 29-Jan-18 & 19-Feb-18, peer company announcements

- 1 Estimated as 85.7% polyhalite multiplied by 14% POLY4 potassium oxide grade
- 2 Development capex for Harvest is not comparable with the rest of the LSE-listed fertilizer peers
- 3 SOP price assumed in FEED

- 4 Average contract pricing from latest disclosure
- 5 Company disclosed prices are from 2012 so current NW Euro MOP FOB spot price assumed (source: Argus)
- 6 Total cash costs (FOB, ex royalties) subtract product price

# Product specifications

## Colluli's SOP and SOP-M products have superior specifications

			Sirius
Product	SOP	SOP-M	POLY4
Types	Standard / Granular / Soluble	Standard / Granular / Soluble	Powder / Granular
<b>Product specifications – High grade favourable</b>			
Potassium Sulphate / K <sub>2</sub> SO <sub>4</sub>	96.0%	47.0%	-
Potassium Oxide / K <sub>2</sub> O	52.0%	25.5%	14%
Magnesium Sulphate / MgSO <sub>4</sub>	-	32.0%	-
Magnesium Oxide / MgO <sub>2</sub>	-	10.8%	6%
Sulphur / S	18.5%	15.5%	19%
<b>Product specifications – Low grade favourable</b>			
Sodium Chloride / NaCl	<0.2%	0.7%	3.1%

Calcium content not covered in table above but gypsum (CaSO<sub>4</sub>.2H<sub>2</sub>O) has also been detected at Colluli<sup>1</sup>

## CMSC SOP and SOP-M products

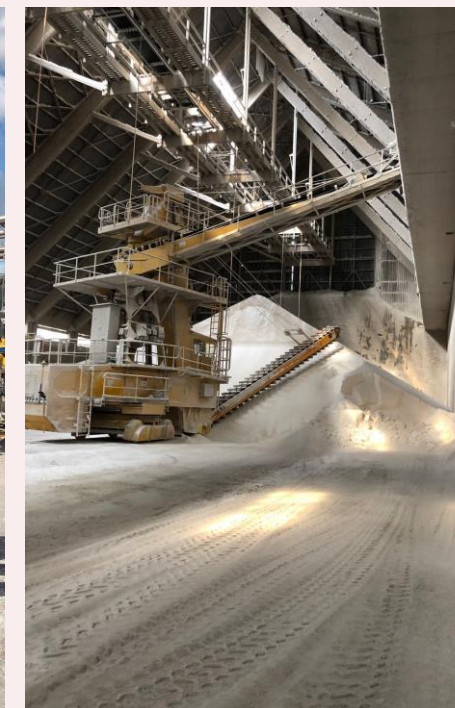


# Binding offtake agreement with EuroChem

**Danakali is the only known SOP developer with a take-or-pay offtake agreement; instrumental in providing cash flow certainty to unlock project funding**

- EuroChem will take, pay, market and distribute up to 100% of Colluli Module I SOP production<sup>1</sup>
  - CMSC has the option to retain and sell up to 13% through alternative sales channels
- 10 years with 3 year extension option<sup>1</sup>
- EuroChem to provide technical support<sup>1</sup>

**Danakali's Executive Chairman and Chief Commercial Officer recently visited EuroChem's Antwerp, Belgium fertiliser production facility (Aug-18)**



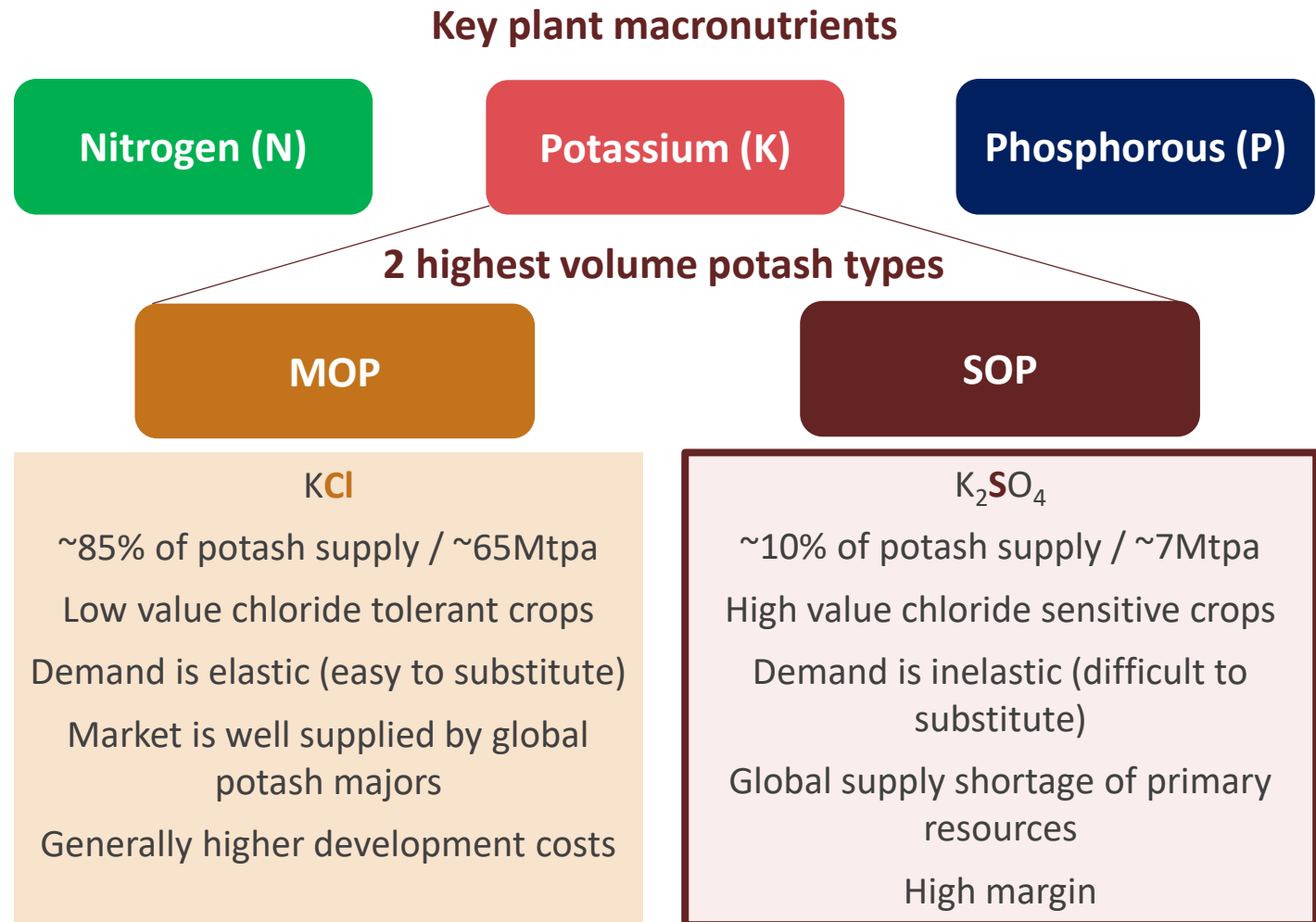
- Leading global fertiliser producer<sup>2</sup>
- Integrated mining, fertiliser production, logistics and distribution<sup>2</sup>
- CY2017 revenue of US\$4.9B and EBITDA of US\$1.1B<sup>2</sup>

<sup>1</sup> DNK announcement, 12-Jun-18  
<sup>2</sup> <http://www.eurochemgroup.com/en/home/#>

# Potash

Potassium is one of the 3 key plant macronutrients, along with Nitrogen and Phosphorous

- Potash is essential for plant life:
  - Improves crop quality
  - Increases nitrogen uptake
  - Increases water use efficiencies
- There are 4 potash types:
  - **SOP** – used on high value crops (primary Danakali focus)
  - **SOP-M** – used on high value crops (secondary Danakali focus)
  - **MOP** – used on low value crops
  - **NOP** – can only be produced artificially



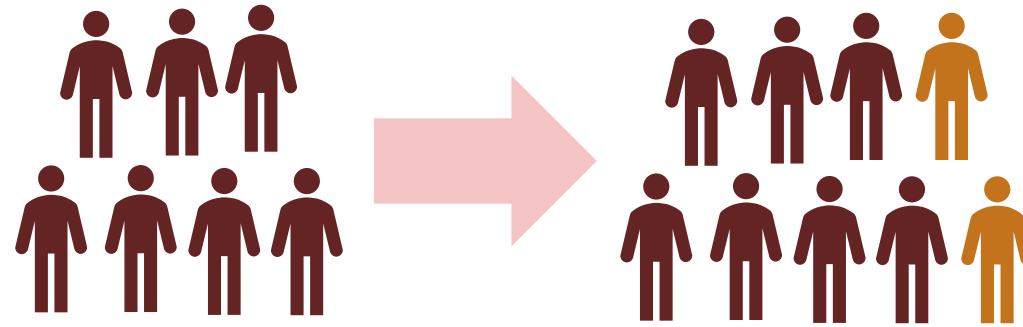
# SOP – key demand drivers

## The SOP market is growing and highly 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

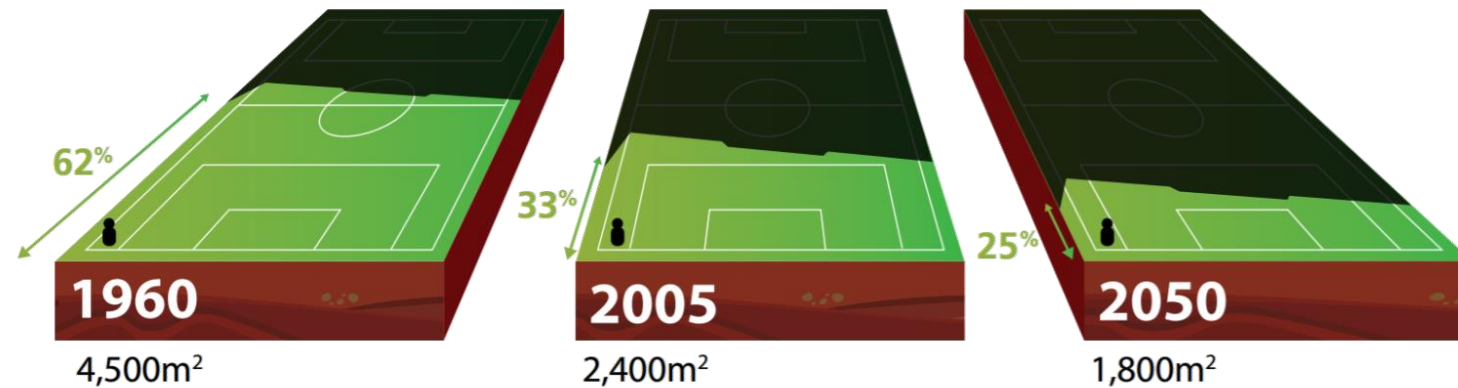
The world's population is set to increase by almost a third by 2050, from 7Bn to 9Bn



The majority of the population increase is expected to come from developing nations

Developing nations have growing middle classes seeking enhanced nutrition from premium crops

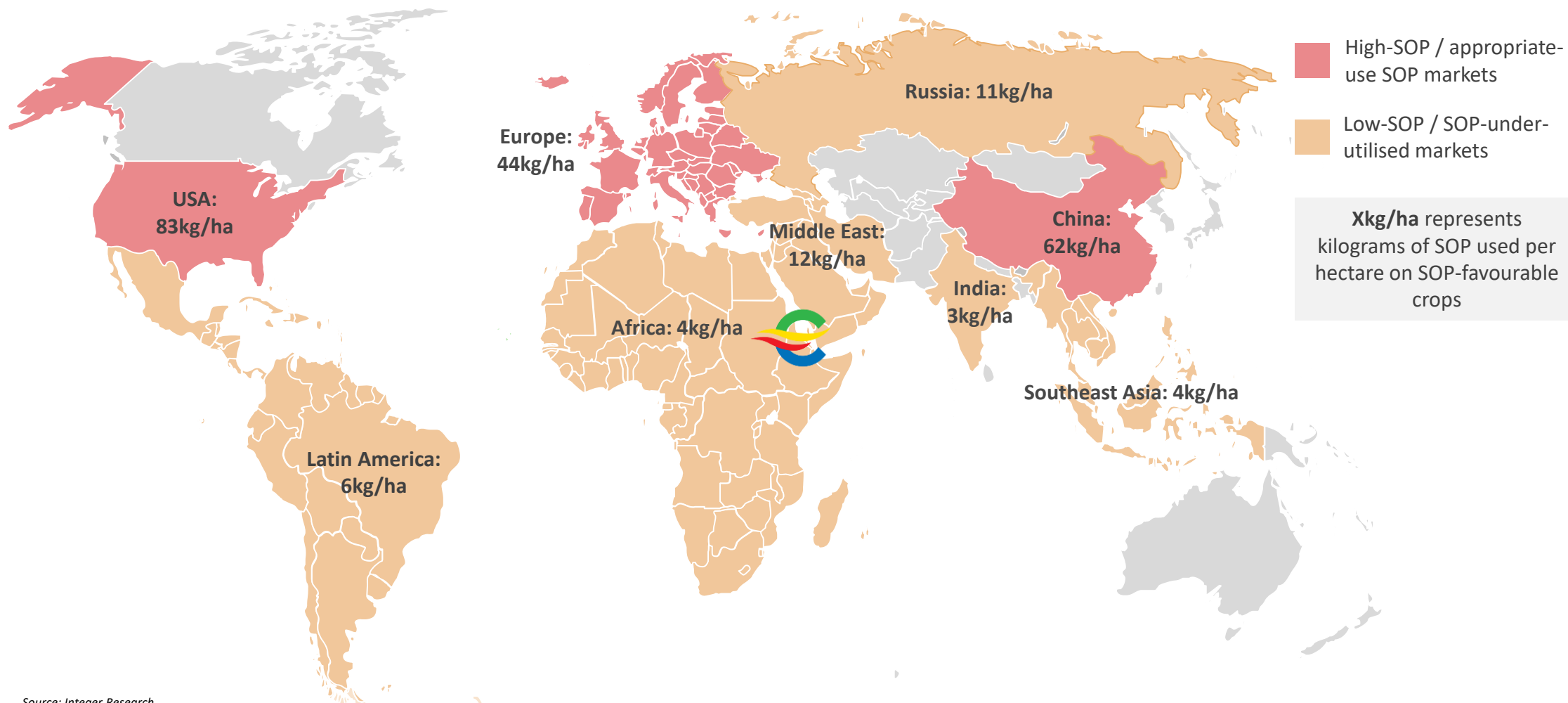
Arable land per person globally continues to dramatically decrease from 62% of a soccer pitch in 1950 to 33% in 2005 and expected to be 25% by 2050





# SOP – significant latent demand

SOP is currently underutilised in most developing nations; and a large proportion of this latent SOP demand is in close proximity to Colluli

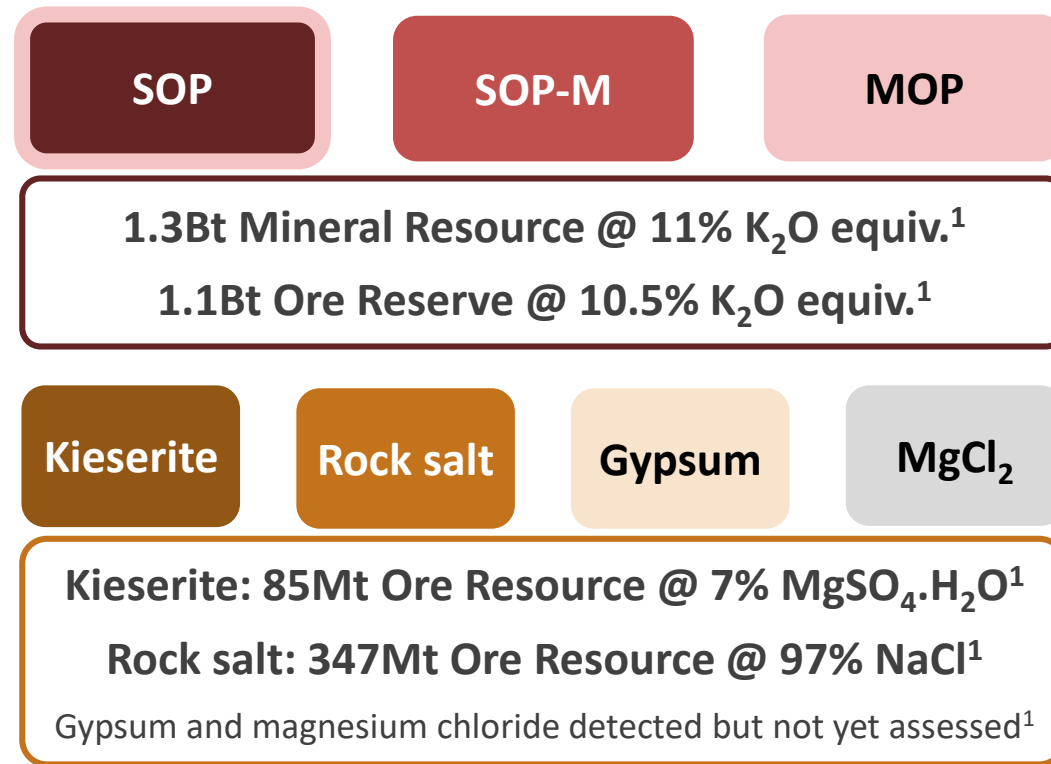


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# Multi-commodity potential

## Modular development approach underpins scalable, long life, agri-mineral and salt project

- Mine life of almost 200 years at FEED SOP production rates<sup>1</sup>
- Low incremental growth capital for further modules given wide, open, barren area and open-cut mining
- Favourable logistics
- Potassium salt combination suitable for production of SOP, SOP-M and MOP
- Appreciable amounts of rock salt (mined as overburden), gypsum, kieserite and magnesium chloride<sup>1</sup>
- SOP-M and rock salt product specifications have been developed<sup>2</sup>



**Significant expansion, potash diversification and multi-commodity potential not currently factored into FEED economics**

<sup>1</sup> ASX announcements 25-Feb-15, 23-Sep-15, 15-Aug-16, 29-Jan-18 and 19-Feb-18  
<sup>2</sup> Refer Danakali website for detailed specifications – <http://www.danakali.com.au/products>




# Eritrea overview



**Eritrea’s development aspiration is to achieve rapid, balanced, home-grown and sustainable economic growth while ensuring social equity and justice**

- Stable government
- One of the fastest growing economies globally<sup>1</sup>
  - Driven by mining, agriculture and infrastructure
- Only sub-Saharan African country to meet its Millennium Development Goals by 2015<sup>2</sup>
- Supportive laws for mining investment
  - Accelerated depreciation (straight line, 4 years)
  - 10-year carrying forward of losses
- High profile investment in Nevsun (NSU.TSE) and Danakali
  - JPMorgan, Capital Group, Fidelity, BlackRock, Vanguard and M&G

## Major mining projects in Eritrea<sup>3</sup>

Bisha	Zara	Asmara
Au, Ag, Cu, Zn	Au	Cu, Zn, Au, Ag
Nevsun 60% / ENAMCO 40%	SFECO 60% / ENAMCO 40%	Sichuan Road & Bridge Mining ( <b>SRBM</b> ) 60% / ENAMCO 40%
Third mine expansion complete	Commissioned and producing	Advanced stages of development, mining to begin in 2019
Nevsun is to be acquired by Zijin Mining for US\$1.4bn	SFECO acquired 60% of Zara from Chalice (CHN.ASX) for US\$80m	SRBM acquired 60% of Asmara from Sunridge (SGC.TSX-V) for US\$65m
		

<sup>1</sup> World Bank, The Economist

<sup>2</sup> World Health Organisation. Millennium Development Goals results include large reductions in malaria, maternal mortality, and HIV/AIDS prevalence—Improved access to potable water and almost doubled adult literacy rates

<sup>3</sup> Company announcements

# Colluli's impact in Eritrea

**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
- Social & Environmental Impact Assessment and Social & Environmental Management Plans (**SEMPs**) have been developed in line with the Equator Principles<sup>1</sup>
- Strong ongoing community support for the Project



<sup>1</sup> 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 -

# Current focus areas

**With the Project's study phase complete and binding take-or-pay offtake in place, Danakali is focusing on project execution and funding, operations readiness, logistics and marketing**

## **Project execution**

- Preferred EPCM provider confirmation imminent
- Power provider contact near completion
- Preferred mining contractor confirmation to follow EPCM confirmation
- Detailed project execution plan in place, ready for development commencement

## **Debt funding**

- Multiple potential debt financiers have provided expressions of interest
- Due diligence by potential debt financiers is well advanced
- Multiple potential debt financiers have met with Eritrean Government officials
- Targeting approximately US\$200M in debt funding

## **Operations readiness**

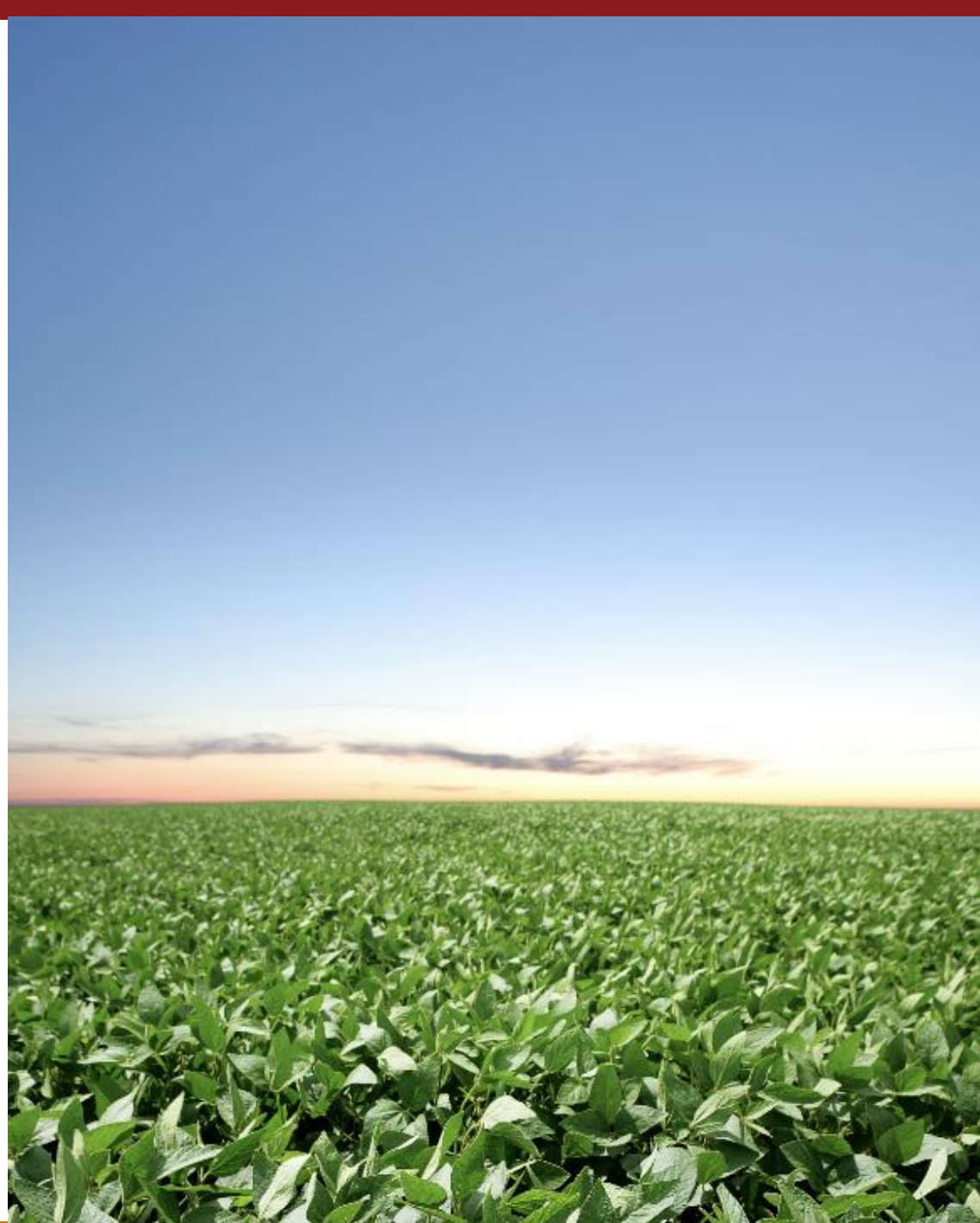
- CEO candidate shortlist in place
- Other key near term appointments likely to include General Manager and Corporate Social Responsibility Manager
- SEMP's finalised and agreed, execution of findings underway

## **Logistics and marketing**

- Working with EuroChem on SOP logistics and product optimisation
- Anfile Bay product export terminal assessment
- Discussions with potential partners for multi-commodity production, offtake and logistics

# Danakali investment case

- Binding offtake agreement for up to 100% (minimum 87%) of Module I SOP production with EuroChem<sup>1</sup>
- FEED confirmed an advanced stage and economically attractive SOP greenfield development<sup>2</sup>
- All material permits in place<sup>3</sup>
- 1.1Bt Ore Reserve and almost 200 year mine life<sup>2,4</sup>
- Shallow mineralisation allowing low cost open-cut mining<sup>2</sup>
- Simple, proven, low cost processing<sup>2</sup>
- Favourable logistics<sup>2</sup>
- Expansion, diversification and multi-commodity potential<sup>2</sup>
- Significant economic, social, community and environmental benefits<sup>2,5</sup>
- Rapidly improving geopolitical dynamics for Eritrea



# Appendix

- Colluli mine plan
- Forecast first quartile operating costs
- Comparison to ASX SOP development peers
- SOP – strong market fundamentals
- SOP – price premium to MOP
- Rapid diplomatic progress in the Horn of Africa
- Danakali Board
- Danakali senior management
- Working in Eritrea – Danakali’s experience
- Technical glossary
- Competent Persons Statements

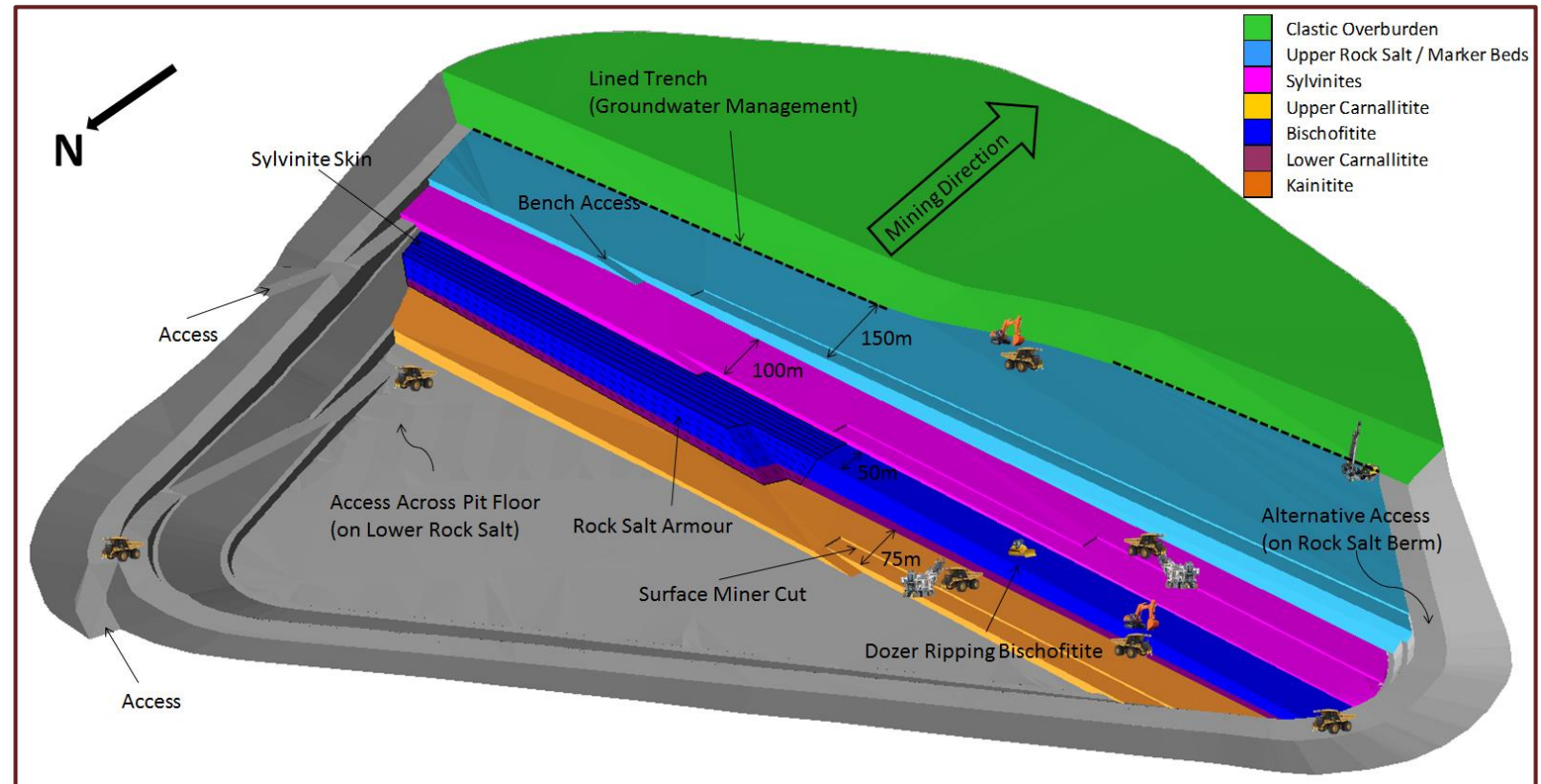


# Colluli mine plan

**Colluli's favourable resource characteristics allow simple, low cost, open-cut mining<sup>1</sup>**

- Proven and safer than underground mining
- Superior resource to reserve conversion (>85%)
- Low risk and complexity
- Potassium salts extracted in solid form
- Potential monetisation of other salts extracted as waste
- Expansion potential
- Low incremental growth capital

**Colluli mine plan**

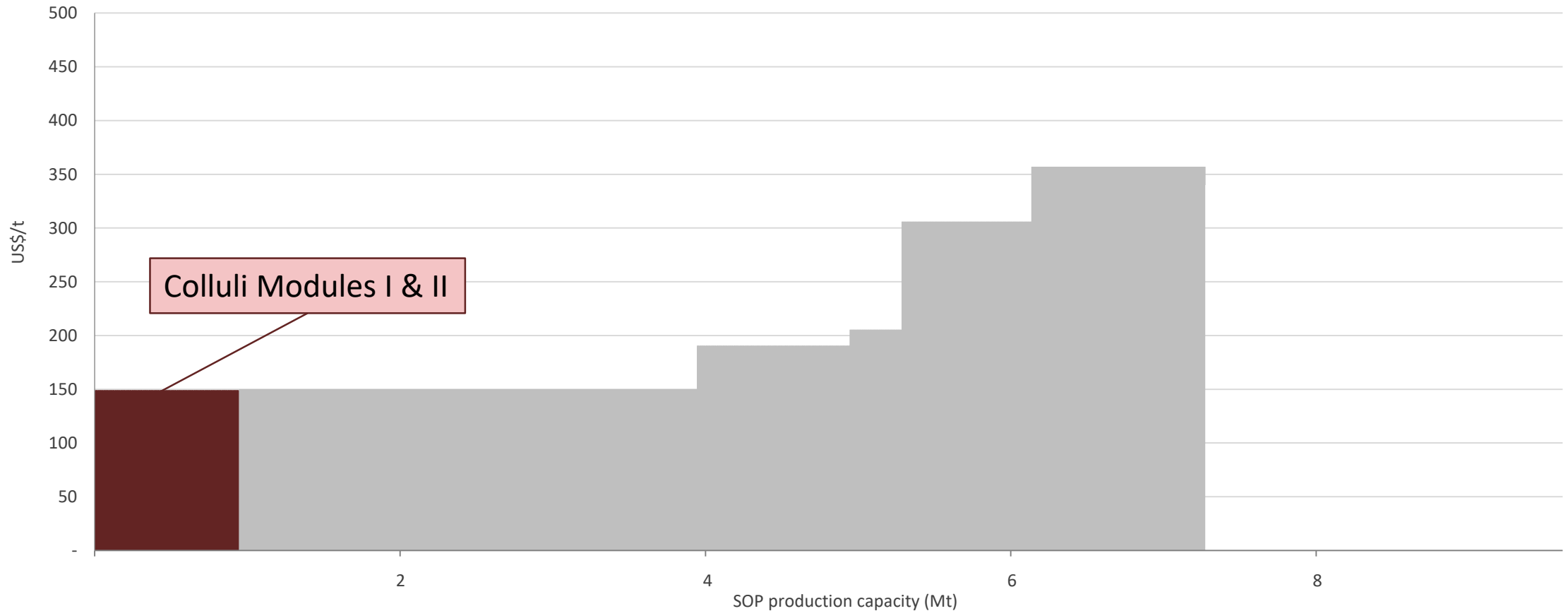


<sup>1</sup> DNK announcement, 29-Jan-18

# Forecast 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)**



Source: Greenmarkets and internal Company analysis

# Comparison to ASX SOP development peers

**Danakali has clear mineralisation, scale, mining method, capital intensity and returns advantages over ASX peers**

	 DANAKALI	<b>Agrimin</b>	<b>Salt Lake</b>	<b>Kalium</b>	<b>Australian Potash</b>
Market capitalisation	<b>A\$211M</b>	A\$137M	A\$84M	A\$51M	A\$20M
Project / location	<b>Colluli / Eritrea</b>	Mackay / Australia	Lake Wells / Australia	Beyondie / Australia	Lake Wells / Australia
Mineralisation style	<b>Solid salts</b>	Brine	Brine	Brine	Brine
Reserve	<b>1.1Bt @ 18.5% K<sub>2</sub>SO<sub>4</sub> 203Mt K<sub>2</sub>SO<sub>4</sub></b>	No reserve	No reserve	5.1Mt, 12.4mg/L K <sub>2</sub> SO <sub>4</sub>	No reserve
Mining method	<b>Open-cut</b>	Trench	Trench & bore	Trench & bore	Bore
Production	<b>Module I: 472ktpa Modules I &amp; II: 944ktpa</b>	426ktpa	Stage 1: 200ktpa Stages 1 & 2: 400ktpa	164ktpa	Stage 1: 150ktpa Stages 1 & 2: 300ktpa
Mine life	<b>Almost 200 years</b>	20 years	20 years	21 years	20 years
Capital intensity (US\$/t)	<b>Module I: US\$640/t Module II: US\$428/t Modules I &amp; II: US\$534/t</b>	US\$682/t	Stage 1: US\$794/t <sup>1</sup> Stage 2: US\$156/t <sup>1</sup> Stage 1 & 2: US\$475/t <sup>1</sup>	US\$1,230/t <sup>1</sup>	Stage 1: US\$824/t <sup>1</sup> Stage 2: US\$757/t <sup>1</sup> Stage 1 & 2: US\$790/t <sup>1</sup>
Mine gate cash costs	<b>Module I: US\$165/t Modules I &amp; II: US\$149/t</b>	NA	Stage 1: US\$118/t <sup>1</sup> Stage 2: US\$78/t <sup>1</sup>	US\$145/t <sup>1</sup>	Stage 1: US\$212/t <sup>1</sup> Stage 2: US\$192/t <sup>1</sup>
Total cash costs (ex royalties)	<b>Module I: US\$238 Modules I &amp; II: US\$222/t</b>	US\$222/t	Stage 1: US\$171/t <sup>1</sup> Stage 2: US\$131/t <sup>1</sup>	US\$195/t <sup>1</sup>	Stage 1: US\$261/t <sup>1</sup> Stage 2: US\$241/t <sup>1</sup>
Project NPV (post-tax, US\$)	<b>Module I: US\$505M Module II: US\$902M</b>	US\$453M	NA (only scoping study available)	US\$246M <sup>1</sup>	NA (only pre-tax IRR available)
Post-tax IRR (%)	<b>Module I: 28.1% Module II: 29.9%</b>	20.0%	NA (only scoping study available)	16.5%	NA (only pre-tax NPV available)



# SOP – strong market fundamentals



## Demand growth continuing to outpace low cost supply growth

### Primary production

- Economically exploitable resources are geologically scarce
- Limited new low cost development projects at an advanced stage

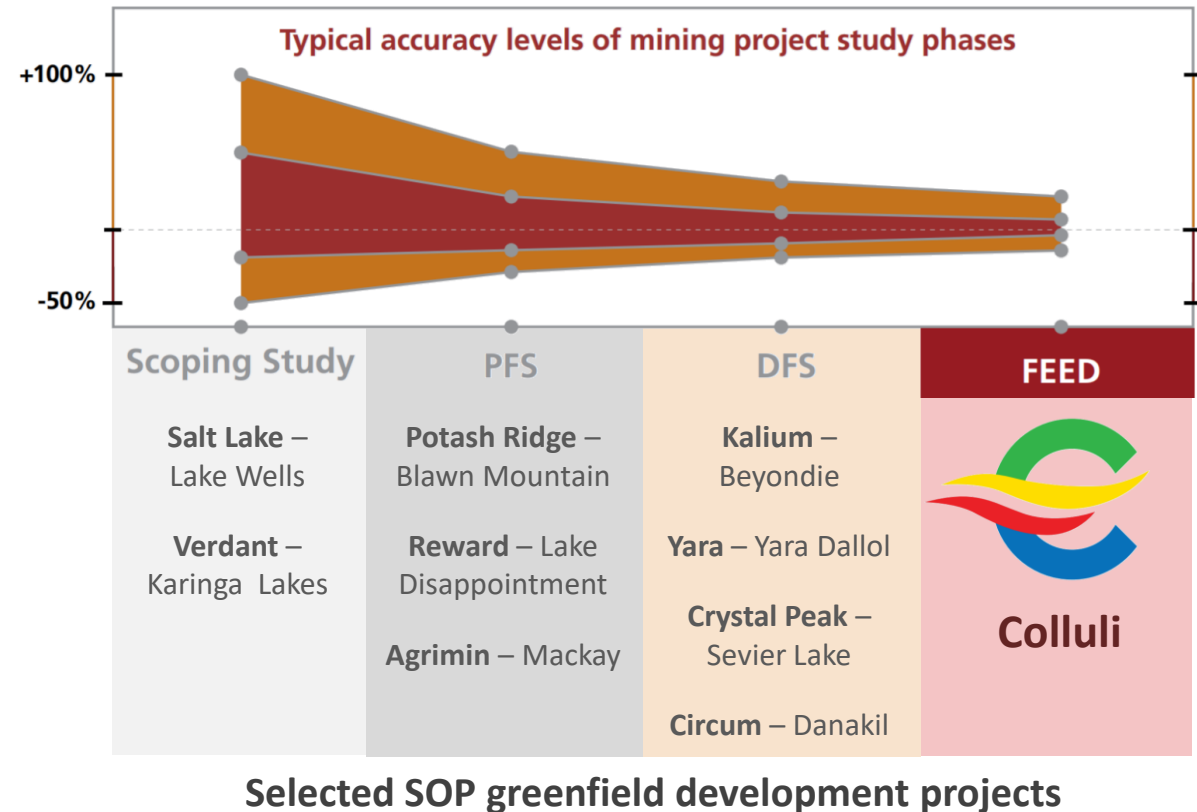
### Secondary (Mannheim Process) production

- Ample capacity, but production constrained by:
  - hydrochloric acid (HCl) disposal issues;
  - environmental issues (water/energy); and
  - increasing production costs

### China

- Largely self sufficient (supply  $\approx$  demand)
- Potash regarded as strategic commodity – export tariff of RMB600/t (~US\$90/t)

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

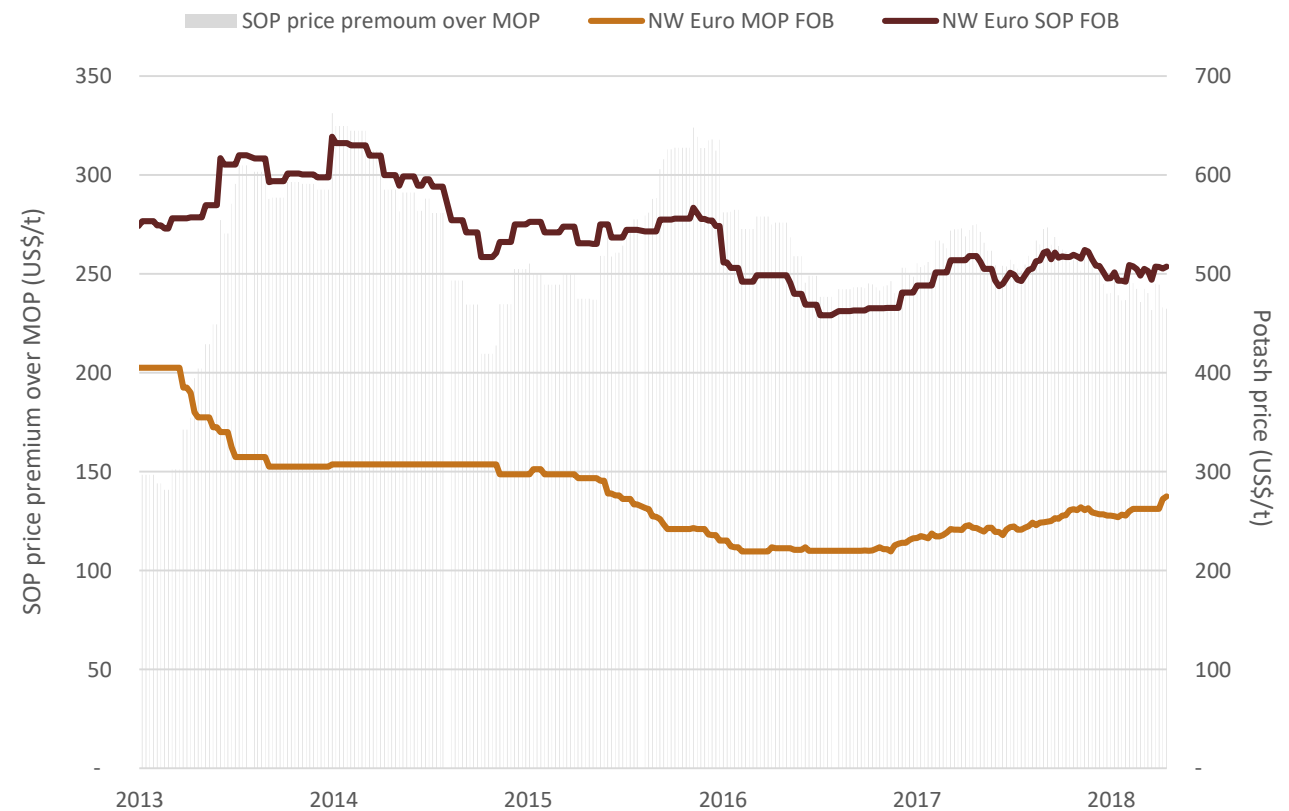


# SOP – price premium to MOP

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

- Over 50% of SOP supply is produced through the Mannheim Process
  - Conversion of MOP to SOP by adding sulphuric acid in a high energy, high cost thermal process with Hydrochloric acid as a by-product (1.2t HCl : 1t SOP)
- Hence SOP and MOP prices are correlated
  - Recent Indian and Chinese MOP contracts entered into at US\$290/t (up from US\$240/t the year prior)
- SOP prices 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\$)



# Rapid diplomatic progress in the Horn of Africa

## Restoration of diplomatic relations among Eritrea, Djibouti, Ethiopia and Somalia signals an end to the region's conflict<sup>1</sup>

**2 April**  
Ethiopian Prime Minister Abiy Ahmed elected

**9 July**  
"Joint declaration of peace and friendship" signed between Eritrea and Ethiopia<sup>1</sup>

- Ending 2 decades of war
- Re-establishing diplomatic and trade ties
- Reopening of respective embassies



Peace talks between the leaders<sup>3</sup>



Signing of the "joint declaration of peace and friendship" in Jeddah<sup>4</sup>

**11 September**  
The United Nations has hailed the normalisation of relations in the Horn of Africa<sup>6</sup>



**26 June**  
Eritrea enters ground-breaking peace talks with Ethiopia after a 20-year standoff



Prime Minister Abiy Ahmed initiates peaceful relations with Eritrea's President Isaias Afwerki<sup>2</sup>

**11 September**  
Eritrea-Ethiopia border opens for first time since 1998

- First Ethiopian ship to dock in Eritrean port
- Flights resume between the two countries



Ethiopian Ship, Mekelle, due to carry Eritrean zinc to China, docked in Massawa, Eritrea<sup>5</sup>

1 Aljazeera, 11-Sep-18

2 BBC News, 14-Sep-18

3 The Defense Post, 9-Jul-18

4 Reuters, 17-Sep-18

5 Reuters, 05-Sep-18

6 Aljazeera, 11-Sep-18

# Working in Eritrea – Danakali’s experience



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

- Danakali has a strong, effective working relationship with the Eritrean government
- Significant community support

## The Danakali experience in Eritrea

Safe and friendly
Development focused
Stable government
Strong focus on health & education
No evidence of corruption
Gender equality

*“We were very impressed with the country itself, and with Colluli. Management has a very good relationship with the Government.”*

**Hartleys research: Site visit to Eritrea confirms world class SOP project, November 2016**

*“Our recent site visit demonstrated to us that Eritrea is a much easier and friendlier country to operate in than the current global perception.”*

**Bell Potter research: World class SOP development project, August 2017**

*“The government is pragmatic in its approach to the development of the Eritrean mining industry. The Eritrean people are friendly, patriotic and exhibit no signs of corruption.”*

**Baillieu Holst research: Postcard from Eritrea, July 2016**

# Danakali Board

**An experienced, multi-disciplinary and international Board; Seamus Cornelius is acting as Executive Chairman during the current CEO transition**



## **Seamus Cornelius – Executive Chairman**

- Corporate lawyer with over 20 years' experience in the resource sector
- Former partner at one of Australia's leading law firms
- Chairman of Duketon Mining, Montezuma Mining, and Buxton Resources



## **Bob Connochie – Non-Executive Director**

- Highly experienced potash and mining specialist with over 40 years industry experience
- Previously Chairman of potash exporter Canpotex, former Chairman and CEO of Potash Company of America



## **John Fitzgerald – Non-Executive Director**

- Chartered Accountant with over 30 years finance and corporate advisory experience in the resource sector
- Previously held senior position at Rothschild, Investec and HSBC
- Non-executive Chairman of Carbine Resources, and Non-Executive Director of Northern Star Resources



## **Andre Liebenberg – Non-Executive Director**

- Mining industry professional with extensive investor market, finance, business development and leadership experience
- Over 25 years in private equity and investment banking, and senior roles at BHP Billiton, QKR Corporation and Yellow Cake



## **Paul Donaldson – Non-Executive Director**

- 25 years industry experience in senior management roles at BHP
- Extensive experience in technical project management, open cut mining operations, marketing and supply chain
- Roles at BHP included: Head of the BHP Carbon Steel Materials Technical Marketing Team, management of the Port Hedland iron ore export facility, GM of Mining Area C



## **Zhang Jing – Non-Executive Director**

- Previously held project management roles in publicly listed companies in China
- Over 15 years of international trading and business development experience in China

# Danakali senior management

**Niels Wage, a highly experienced industry executive, recently assumed the role of Chief Commercial Officer**



**Stuart Tarrant**

**Chief Financial Officer**

- Extensive exposure in the mining industry
- Financial modelling, financial systems deployment, procurement, budgeting, and cost analysis and optimisation experience
- Previously a finance manager at BHP



**Tony Harrington**

**Project Manager**

- Over 30 years' experience across a range of mining projects in various African countries, China, Europe, UK and Australia
- Project Manager for US\$0.3B Kwale Minerals Sands Project in Kenya and US\$0.3B Chimimiwango expansion at the Lumwana Copper Mine in Zambia



**Niels Wage**

**Chief Commercial Officer**

- Significant shipping, trading and commodity experience
- Previously held senior management roles at BHP, including Vice President Potash, Freight and Diamonds
- Currently also a Director on the Board of Bahia Mineração, which is developing an integrated greenfield iron ore project



**William Sandover**

**Head of Corporate Development & External Affairs**

- Extensive investment banking and corporate advisory experience at UBS, Macquarie and Vesparum
- Involved in raising more than A\$10B in equity and hybrid capital for ASX-listed companies

# Technical glossary

Term	Meaning
<b>CMSC</b>	<ul style="list-style-type: none"> <li>Colluli Mining Share Company, the 50:50 joint venture vehicle owned by Danakali and ENAMCO that 100% owns Colluli</li> </ul>
<b>Colluli</b>	<ul style="list-style-type: none"> <li>The Colluli Potash Project</li> </ul>
The <b>Company</b>	<ul style="list-style-type: none"> <li>Danakali Limited, DNK.ASX</li> </ul>
<b>CSR</b>	<ul style="list-style-type: none"> <li>Corporate Social Responsibility</li> </ul>
<b>Danakali</b>	<ul style="list-style-type: none"> <li>Danakali Limited, DNK.ASX</li> </ul>
<b>DFS</b>	<ul style="list-style-type: none"> <li>Definitive Feasibility Study, refer ASX announcement 30 November 2015 for the Colluli results</li> </ul>
<b>DIs</b>	<ul style="list-style-type: none"> <li>Depositary Interests</li> </ul>
<b>ENAMCO</b>	<ul style="list-style-type: none"> <li>The Eritrean government owned Eritrean National Mining Company (owns 50% of Colluli)</li> </ul>
<b>EPCM</b>	<ul style="list-style-type: none"> <li>Engineering, Procurement and Construction Management</li> </ul>
<b>Evaporite</b>	<ul style="list-style-type: none"> <li>A natural salt or mineral deposit left after the evaporation of a body of water</li> </ul>
<b>FEED</b>	<ul style="list-style-type: none"> <li>Front End Engineering Design, refer ASX announcement 29 January 2018 for the Colluli results</li> </ul>
<b>IRR</b>	<ul style="list-style-type: none"> <li>Internal Rate of Return, the discount rate at which the net present value of all the cash flows from a project equal zero</li> </ul>
<b>Kieserite</b>	<ul style="list-style-type: none"> <li>MgSO<sub>4</sub>.H<sub>2</sub>O</li> </ul>
<b>Mannheim Process</b>	<ul style="list-style-type: none"> <li>The high energy reaction of MOP with sulphuric acid (H<sub>2</sub>SO<sub>4</sub>) to produce SOP</li> </ul>
<b>Millennium Development Goals</b>	<ul style="list-style-type: none"> <li>Eight goals with measurable targets and clear deadlines for improving the lives of the world's poorest people</li> </ul>
<b>MOP</b>	<ul style="list-style-type: none"> <li>Muriate of Potash (KCl)</li> </ul>
<b>NPV</b>	<ul style="list-style-type: none"> <li>Net Present Value, the difference between the present value of cash inflows and the present value of cash outflows over a period of time</li> </ul>
<b>PFS</b>	<ul style="list-style-type: none"> <li>Pre-Feasibility Study, refer ASX announcement 4 March 2015 for the Colluli results</li> </ul>
The <b>Project</b>	<ul style="list-style-type: none"> <li>The Colluli Potash Project</li> </ul>
<b>SEIA</b>	<ul style="list-style-type: none"> <li>Social and Environmental Impact Assessment</li> </ul>
<b>SEMPs</b>	<ul style="list-style-type: none"> <li>Social and Environmental Management and Monitoring Plans</li> </ul>
<b>SOP</b>	<ul style="list-style-type: none"> <li>Sulphate of Potash (K<sub>2</sub>SO<sub>4</sub>)</li> </ul>
<b>SOP-M</b>	<ul style="list-style-type: none"> <li>Sulphate of Potash Magnesia (K<sub>2</sub>Mg(SO<sub>4</sub>)<sub>2</sub>.4H<sub>2</sub>O)</li> </ul>

# Competent Persons Statements

## **Competent Persons Statement (Sulphate of Potash and Kieserite Mineral Resource)**

Colluli has a JORC-2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K<sub>2</sub>O Equiv. and 7% Kieserite. The Mineral Resource contains 303Mt @ 11% K<sub>2</sub>O Equiv. and 6% Kieserite of Measured Resource, 951Mt @ 11% K<sub>2</sub>O Equiv. and 7% Kieserite of Indicated Resource and 35Mt @ 10% K<sub>2</sub>O Equiv. and 9% Kieserite of Inferred Resource.

The information relating to the 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 the report entitled “In excess of 85 million tonnes of Kieserite defined within Colluli Project Resource adds to multi agri-commodity potential” disclosed on 15 August 2016, which are available to view at [www.danakali.com.au](http://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)**

Colluli Proved and Probable Ore Reserve is reported according to the JORC Code and estimated at 1,100Mt @ 10.5% K<sub>2</sub>O Equiv. The Ore Reserve is classified as 285Mt @ 11.3% K<sub>2</sub>O Equiv. Proved and 815Mt @ 10.3% K<sub>2</sub>O Equiv. Probable. The Colluli SOP Mineral Resource includes those Mineral Resources modified to produce the Colluli SOP Ore Reserves.

The information relating to the January 2018 Colluli Ore Reserve is extracted from the report entitled “Colluli Ore Reserve update” disclosed on 19 February 2018 and is available to view at [www.danakali.com.au](http://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 Statements *cont.*

## **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](http://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.

## **AMC Consultants Pty Ltd (AMC) independence**

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.



DANAKALI

## About Danakali

Danakali Limited (ASX: DNK, LSE: DNK) (**Danakali**, or the **Company**) is an ASX- and LSE-listed potash company focused on the development of the Colluli Potash Project (**Colluli** or the **Project**). The Project is 100% owned by the Colluli Mining Share Company (**CMSC**), a 50:50 joint venture between Danakali and the Eritrean National Mining Corporation (**ENAMCO**).

The Project is located in the Danakil Depression region of Eritrea, East Africa, 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. A binding take-or-pay offtake agreement has been confirmed with EuroChem Trading GmbH (**EuroChem**) for up to 100% (minimum 87%) of Colluli Module I SOP production.

The Company's 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.

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## Danakali Limited

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#### 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 (KUTEK) has extensive experience in analysis of salt rock and brine samples and is certified according to 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 ( $K^+$ ,  $Na^+$ ,  $Mg^{2+}$ ,  $Ca^{2+}$ ,  $Cl^-$ ,  $SO_4^{2-}$ ,  $H_2O$ ) 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, production target, forecast financial information and financial assumptions made in this announcement are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 23 September 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.

No representation or warranty, express or implied, is or will be made by or on behalf of the Company, and no responsibility or liability is or will be accepted by the Company or its affiliates, as to the accuracy, completeness or verification of the information set out in this announcement, and nothing contained in this announcement is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Company and each of its affiliates accordingly disclaims, to the fullest extent permitted by law, all and any liability whether arising in tort, contract or otherwise which it might otherwise have in respect of this announcement or any such statement.

The distribution of this announcement outside the United Kingdom may be restricted by law and therefore any persons outside the United Kingdom into whose possession this announcement comes should inform themselves about and observe any such restrictions in connection with the distribution of this announcement. Any failure to comply with such restrictions may constitute a violation of the securities laws of any jurisdiction outside the United Kingdom.

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