



SHAREHOLDER UPDATE

Danakali Limited (“Danakali”, ASX: DNK) is a 50% owner of the world-class Colluli potash project located in the Danakil basin in Eritrea. Danakali represents the premier pre-production potash opportunity on the ASX and is one of the few sulphate of potash (“SOP”) opportunities globally at an advanced stage with a premium product and modest capex. A new investor presentation is attached to this announcement which outlines a compelling investment case and Danakali’s near term milestones.

INVESTMENT HIGHLIGHTS

- Danakali is the premier pre-production potash opportunity on the ASX
- Globally, Colluli is a stand-out potash resource given large size and strategic location
- Colluli will produce premium potash products, maximising returns for investors
- Modular development will minimise upfront capex and optimise shareholder returns
- Colluli will generate significant cash flows once operational
- Predicted bottom quartile cost curve position means Colluli will generate sustainable industry-leading returns in any commodity market cycle
- The Danakil region has unrivalled potential to produce a diversity of fertiliser products and provide valuable strategic options across multiple product markets
- Colluli is located at the epicentre of booming population growth in Africa and Asia, while also lying close to traditional Middle Eastern and European markets

NEAR TERM MILESTONES

- Delivery of JORC compliant rock salt resource (3Q 2015)
- Completion of Definitive Feasibility Study (2H 2015)
- Initiate mining agreement submission (4Q 2015)
- Progress ongoing discussions with project funding providers (CY 2016)
- Commence construction of Colluli module 1 (CY 2016)

Managing Director Paul Donaldson said: *“The next 12 months represent an exciting period for Danakali as we finalise our Definitive Feasibility Study for the Colluli Project and work towards commencing construction alongside our project partner ENAMCO. The Colluli potash project sits uniquely on the ASX as an advanced stage, SOP potash development with world class project attributes. Colluli’s significant resource size, anticipated lowest quartile costs and close proximity to key growth markets make the project positively unique. We look forward to delivering significant value to our loyal shareholders as we begin to transition from developer to producer.”*

For more information, please contact:

Paul Donaldson
Managing Director
+61 8 6315 1444



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Company Update

ASX: DNK

September 2015

Helping grow a better future



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**DANAKALI IS AN EMERGING AGRICHEMICAL COMPANY
DEVELOPING A WORLD-CLASS POTASH PROJECT**

Financial information

Share price (16-Sep-15) A\$0.295

Number of shares¹ 174.2m

Market capitalisation A\$51.4m

Cash (16-Sep-15) A\$6.2m

Debt (16-Sep-15) Nil

Enterprise Value A\$45.2m

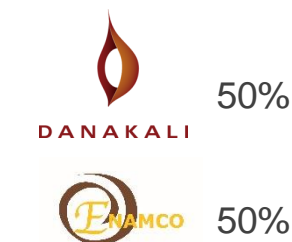
Source: IRESS, company filings

Note:

¹ Excludes 15.8m unlisted options on issue (exercise prices A\$0.28 – 1.95; expiry Nov 2015 – May 2018)

Colluli Mining Share Company

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



Eritrean National Mining Company

Top shareholders

Well Efficient (*Hong Kong private investor*) 12%

Sprott Asset Management 7%

Kam Lung Investment Dev. (*private investor*) 5%

Danakali Board and management 11%

Top 20 shareholders 63%





GLOBAL POTASH MARKET IS DRIVEN BY POPULATION GROWTH AND A DECLINE IN ARABLE LAND

- Potassium bearing minerals and manufactured chemicals used primarily as fertiliser
 - Essential to the world's food supply with no known substitute
- Sulphate of potash is one of the best performing commodities since the peaks in 2011
- Global population growth and reduction in arable land driving demand for higher yielding crops
 - 98% of population growth will be driven by less developed regions; **62% of the population increase and a large portion of potash demand from Africa alone**
 - Developing country population growth will be a key driver of future potash demand

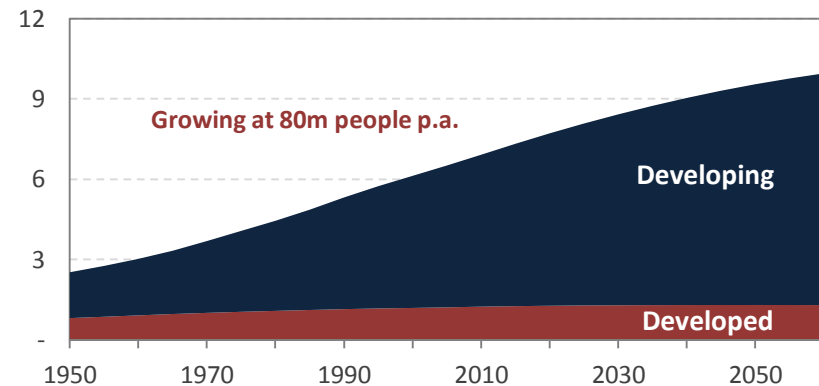


Source: United Nations, FAO, Parthenon Analysis, EPM Mining

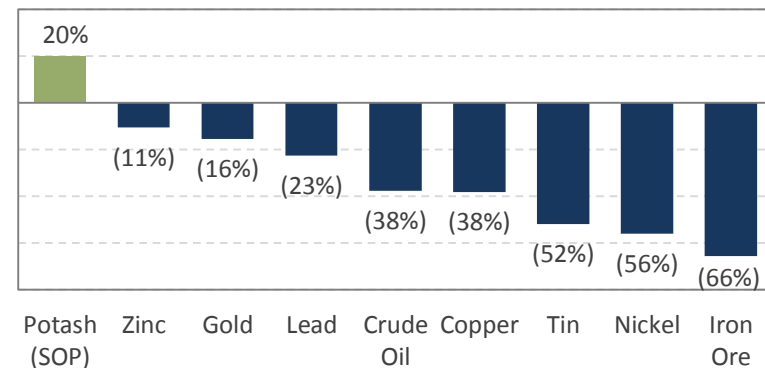
Note:

1 US\$ commodity price performance from May 2011

Population (bn)



Commodity price changes over last 4 years (%)¹



SOP is the premium potash product



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DEVELOPERS THAT PRODUCE SOP WILL REALISE HIGHER PRICES AND **MAXIMISE RETURNS FOR INVESTORS**

Major potassium products

~80% of potash supply

~10% of potash supply

Muriate of potash (MOP)

- Improves yield for wide range of crops
- Most concentrated form of granular potassium
- Demand is elastic
- Market is well supplied by global potash majors
- Generally higher development costs

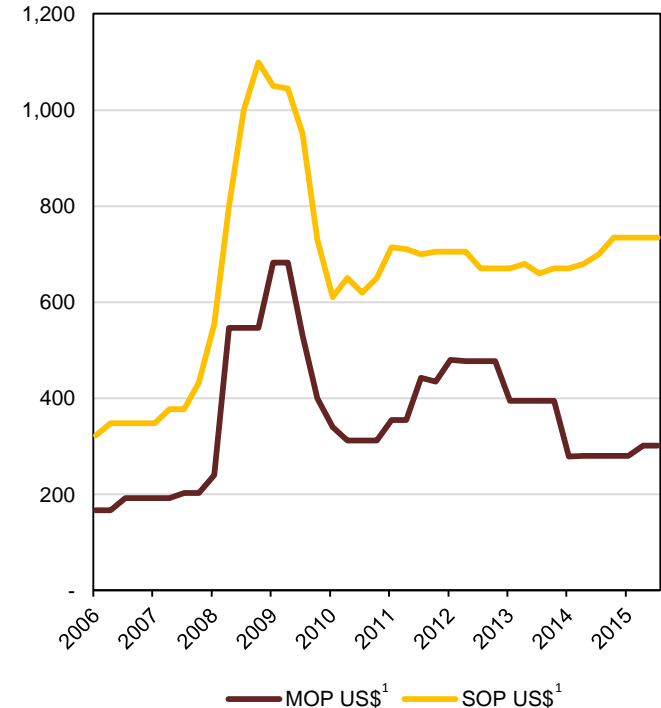
Sulphate of potash (SOP)

- Improves yield of **high value crops**
- Suitable for chloride intolerant crops**
- Demand is **inelastic**
- Global **supply shortage of primary resources**
- Sulphur is a **key nutrient**
- Fewer natural sources**
- Lower costs**



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SOP prices have traded at a sustained premium



Source: Compass Minerals 2015 quarterly report, Greenmarkets

Note:

¹ Based on FOB Vancouver prices

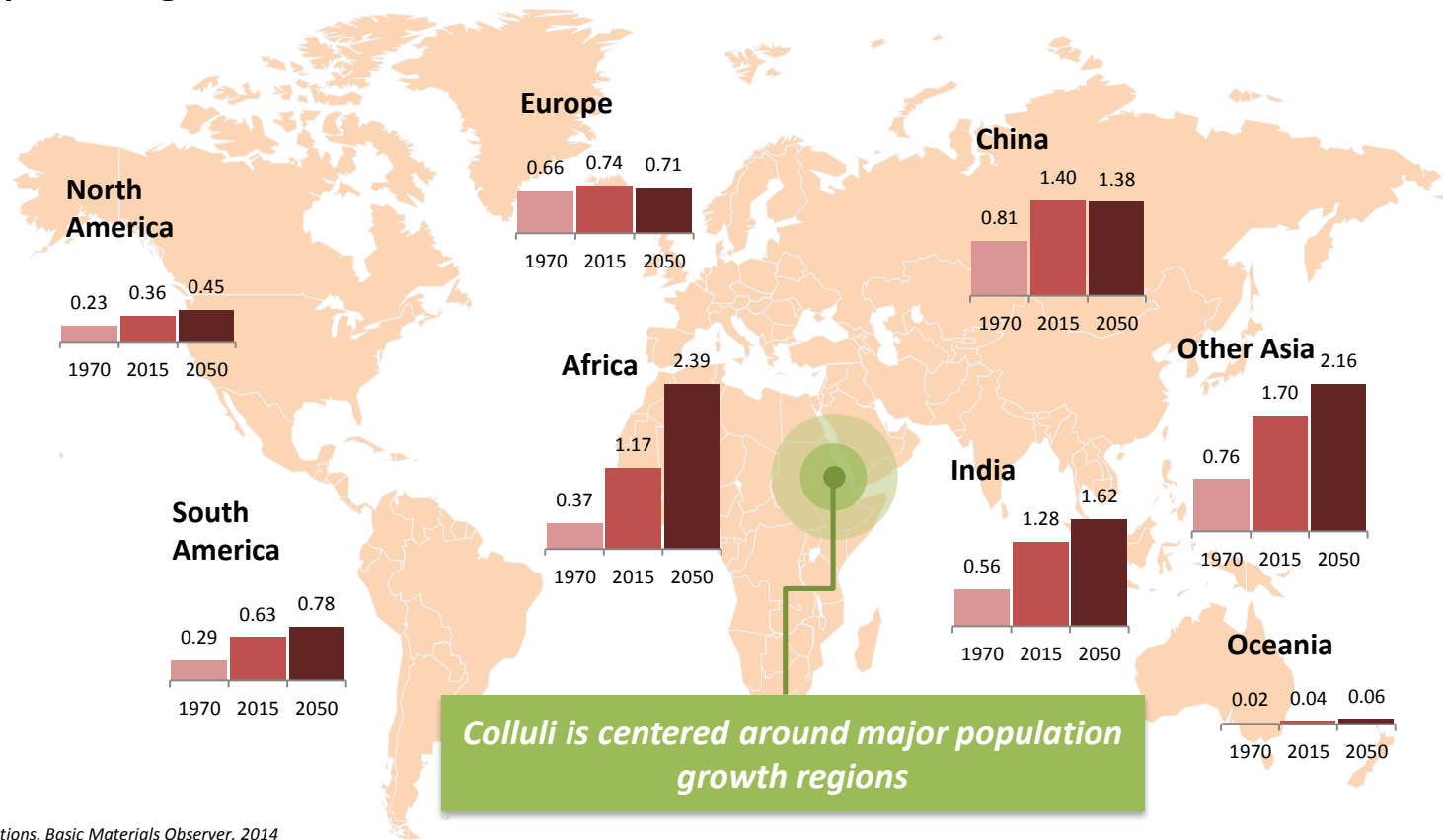
Colluli is at the epicentre of global population growth



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COLLULI IS LOCATED AT THE EPICENTRE OF BOOMING POPULATION GROWTH IN AFRICA AND ASIA

Global population growth *Billions*



Source: United Nations, Basic Materials Observer, 2014

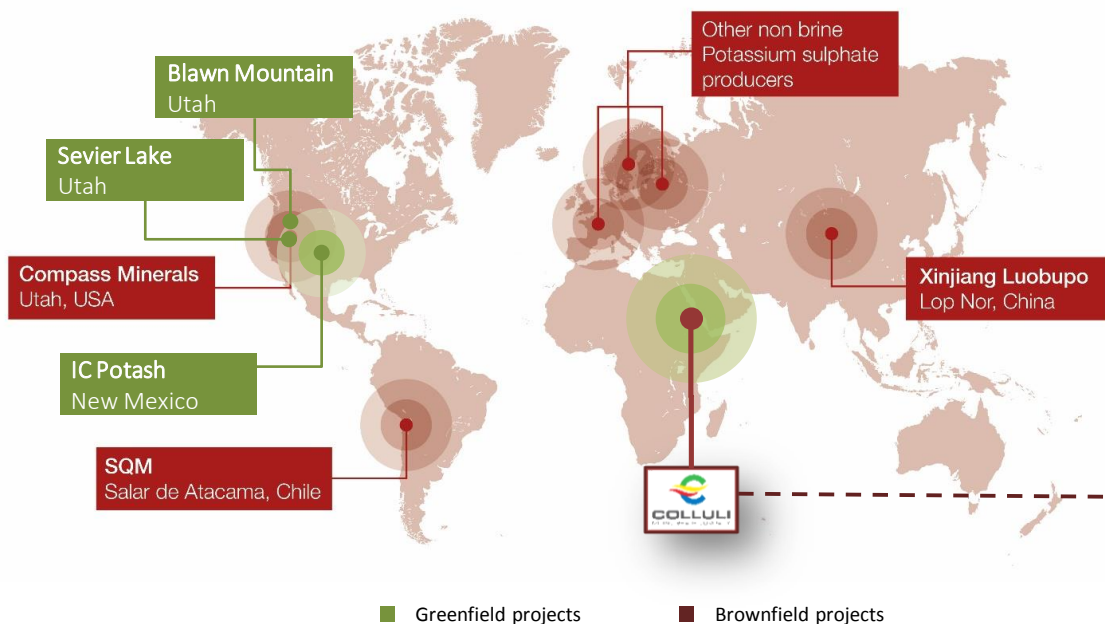
Constrained supply of premium SOP developments



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DANAKALI'S PROJECT HAS A HIGHLY STRATEGIC LOCATION IN A MARKET WITH LIMITED SUPPLY GROWTH OPTIONS

Limited low cost SOP resources globally



Greenfield operations

Project	Capex (US\$m)	Reserves (Mt)	Capital intensity (US\$/t)
Ochoa New Mexico IC Potash	1,018	182	1,714
Sevier Lake Utah, USA Crystal Peak Minerals	378	na ¹	1,260
Blawn Mountain Utah, USA Potash Ridge	1,100	426	1,429
Colluli Eritrea Danakali (50%)	442	1,107	1,087

Source: Company announcements (IC Ochoa N43-101 DFS; EPM Sevier Lake, PFS; Potash Ridge PFS; Danakali PFS)

Note:

1 Mineral Reserves for EPM Sevier Lake to be established following pilot-testing from Feasibility Study. Project includes a Measured and Indicated Resource of 31.5Mt

World class Colluli potash project



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COLLULI IS A PREMIER POTASH DEPOSIT LOCATED IN THE WORLD CLASS DANAKIL BASIN

- World class SOP project in the Danakil Basin, Eritrea
 - Strategic location **close to key growth markets**
 - Surrounded by global potash majors (ICL, Yara)
- PFS shows **strong economics for two-stage development**
 - Open pit mine using safe, conventional methods
 - **Estimated bottom quartile of C1 mine gate cash costs**
 - Module 1+2 has a 240+ year mine life and growing
 - Two modules underpin decades of further growth

Ownership	50% (with ENAMCO)	
JORC Resource	1.1Bt @ 18.5% K ₂ SO ₄ equiv.	
PFS	Module 1	Module 2
Production rate (kt)	425	850
Development capital (US\$m)	442	282
NPV ₁₀ (US\$m)	206	397
PFS timing	Completed (March 2015)	
DFS timing	Expected 2H 2015	
Construction timing	Expected 2016	

Project location

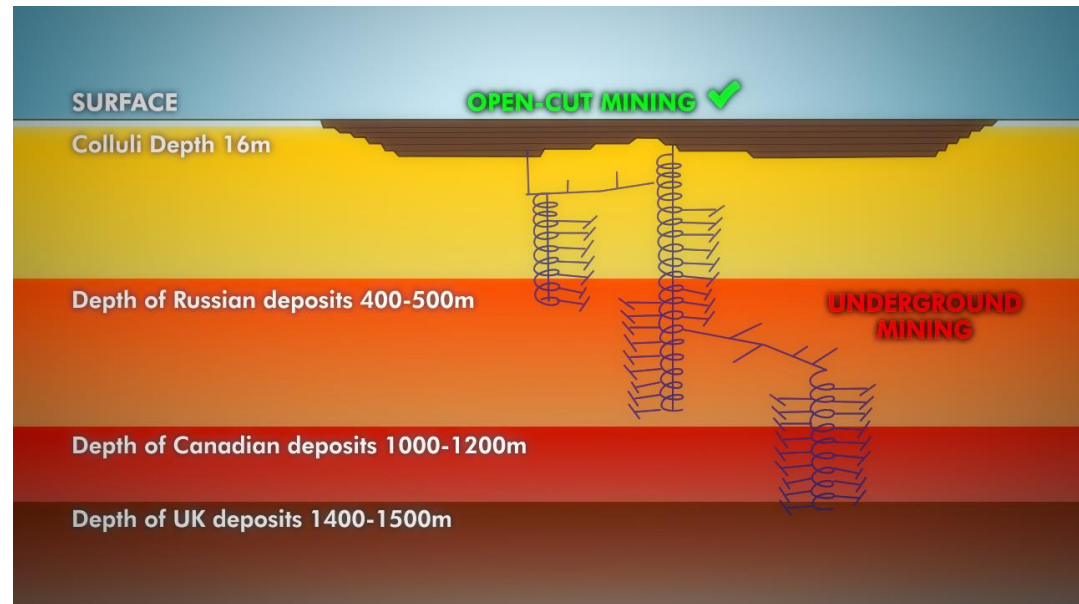




COLLULI IS THE WORLD'S SHALLOWEST POTASH PROJECT RESULTING IN **LOWER DEVELOPMENT AND OPERATING COSTS**

- Mineralisation commences at just **16m below surface**
- Shallow mineralisation provides Colluli with **several unique advantages**
 - **Reduced capital intensity**
 - Superior resource utilisation
 - Substantially **reduced risk profile**
 - High degree of selectivity of different potassium salt types
 - **Significant expandability** with lower marginal capex per tonne
 - Upside from non potassium salt products can be readily commercialised

Colluli shallow open pit design

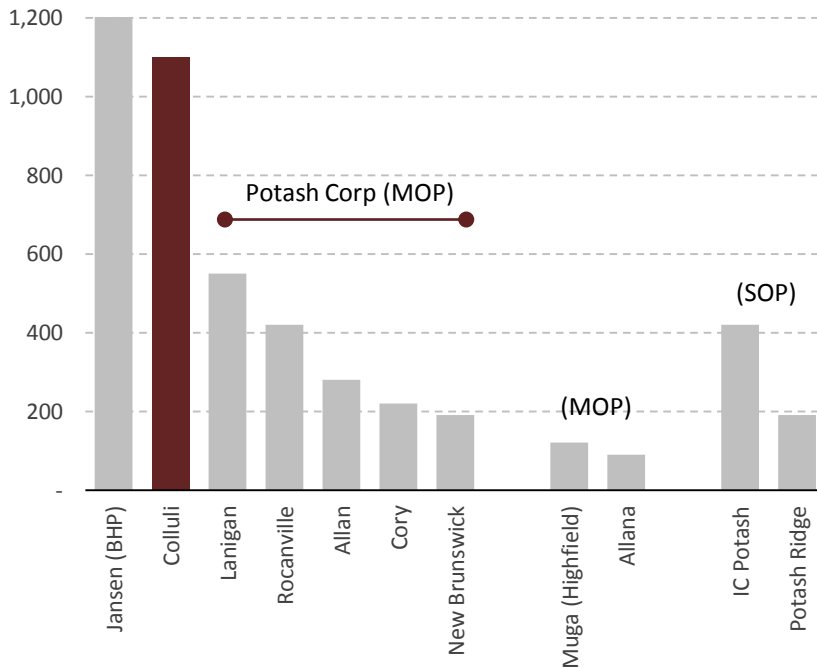




COMPARABLE SCALE TO THE WORLD'S LARGEST DEPOSITS AND BOTTOM QUARTILE CASH COSTS TO DRIVE PROFITABILITY

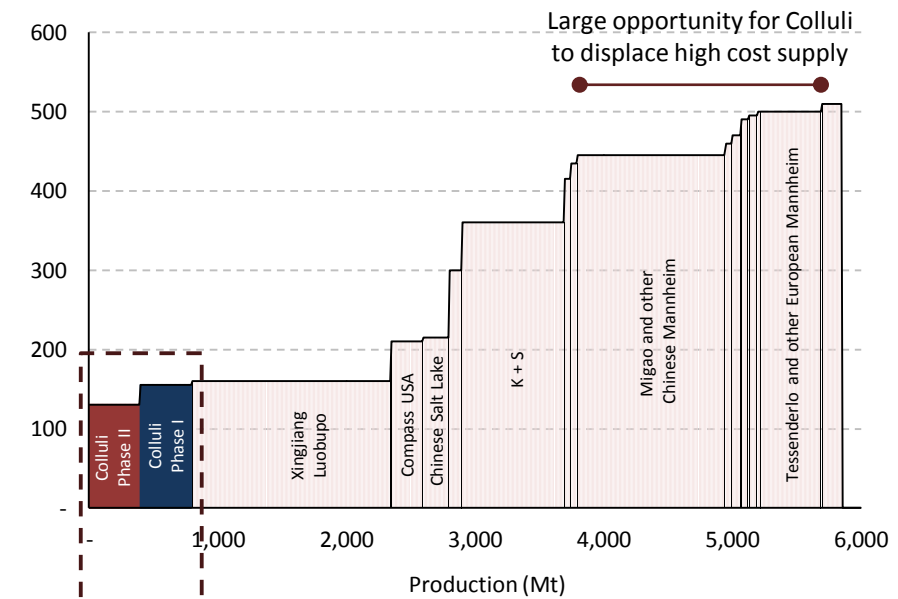
Scale of Colluli is truly world class

Potash reserves for selected projects (Mt)



Bottom quartile cost position protects margins

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



Large opportunity for Colluli to displace high cost supply

- ✓ Bottom quartile cost position
- ✓ Provides insulation in the event of a SOP price decline

Source: Company websites, Potash Corp annual report, CRU Research, EPM Mining presentation 2014, Integer Research

The premier pre-production SOP opportunity



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DANAKALI IS ONE OF THE FEW SOP OPPORTUNITIES WITH AN ADVANCED PROJECT, PREMIUM ASSET AND MODEST CAPEX

- Over the last 12 months, Danakali has accelerated the development of Colluli faster than its peers
 - Successfully completed both the PFS and optimisation studies (and the DFS due in 2H15)

Asset	Company	Market cap (A\$m)	Cash (A\$m) ¹	Capex (\$)	Defined resource	Completed PFS	Fully funded DFS	Premium product suite
Colluli	Danakali (ASX)	54	6	US\$442m	✓ (1,289Mt)	✓	✓	✓
Ochoa	IC Potash (TSX)	25	7	US\$1,018m	✓ (1,302Mt)	✓	✓	
Sevier Lake (brine)	Crystal Peak Minerals (TSX-V)	25	10	US\$378m	✓ (34Mt)	✓	✓	
Blawn Mountain	Potash Ridge (TSX)	3	0	C\$1,124m	✓ (872Mt)	✓		
Lake Disappointment (brine)	Reward Minerals (ASX)	76	8	A\$320m	✓ (24Mt)			

Source: IRESS, Bloomberg, Company filings

Note:

¹ Cash as at 30-Jun-15 (16-Sep-15 for Danakali)



MODULAR DEVELOPMENT WILL MINIMISE UPFRONT CAPEX AND OPTIMISE SHAREHOLDER RETURNS

	<i>Module 1</i>	<i>Module 2</i>	
Total capex (100% basis)	US\$442m	US\$282m	-36%
Incremental production	+425ktpa	+425ktpa	
Timing	2018	2020+	
Post tax IRR	22.3%	25.9%	+16%
Danakali NPV (50% basis)	US\$206m	US\$397m	+93%
Mine gate cash costs	US\$162/t	US\$141/t	-13%

- **Increasingly NPV accretive** modular development
- Potential to **fund subsequent Modules using organic cash flows and project finance**
- **Superior returns to be unlocked** with staged development
- Reduction in upfront capex **de-risks funding**



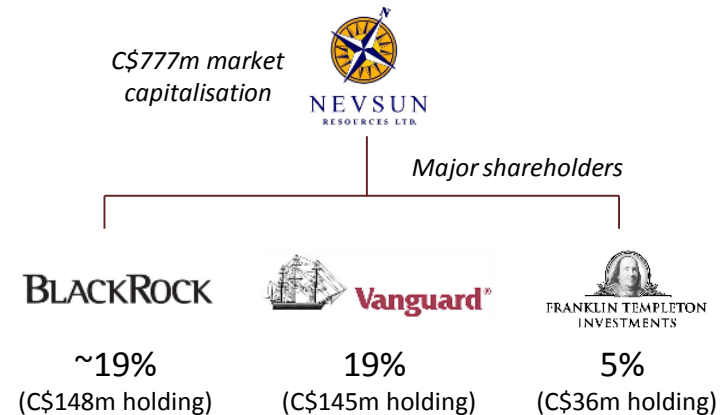
BISHA JV AND GLOBALLY RECOGNISED NEVSUN INVESTORS SHOW **ERITREA IS A STURDY EMERGING MARKET INVESTMENT**

Proven investment jurisdiction

- Nevsun Resources (TSX: NVS) is a major Eritrean-focused mining company
 - JV constructed and now operates the Bisha copper mine
 - **Successful modular JV development** with ENAMCO paves the way for the Colluli JV
 - Significant shareholders in Nevsun are **globally recognised investors** who are **comfortable with Eritrean investment**
- **Relationship with ENAMCO will generate significant benefits to the Colluli project**
 - Relationship with ENAMCO remains strong
 - ENAMCO tie-up assists with establishment of positive local relationships
 - Danakali currently have 3 of 5 Joint Venture board seats

Source: Nevsun Resources August 2015 corporate presentation, Bloomberg, company websites

Significant Eritrean institutional investors



Major Eritrean mining developments



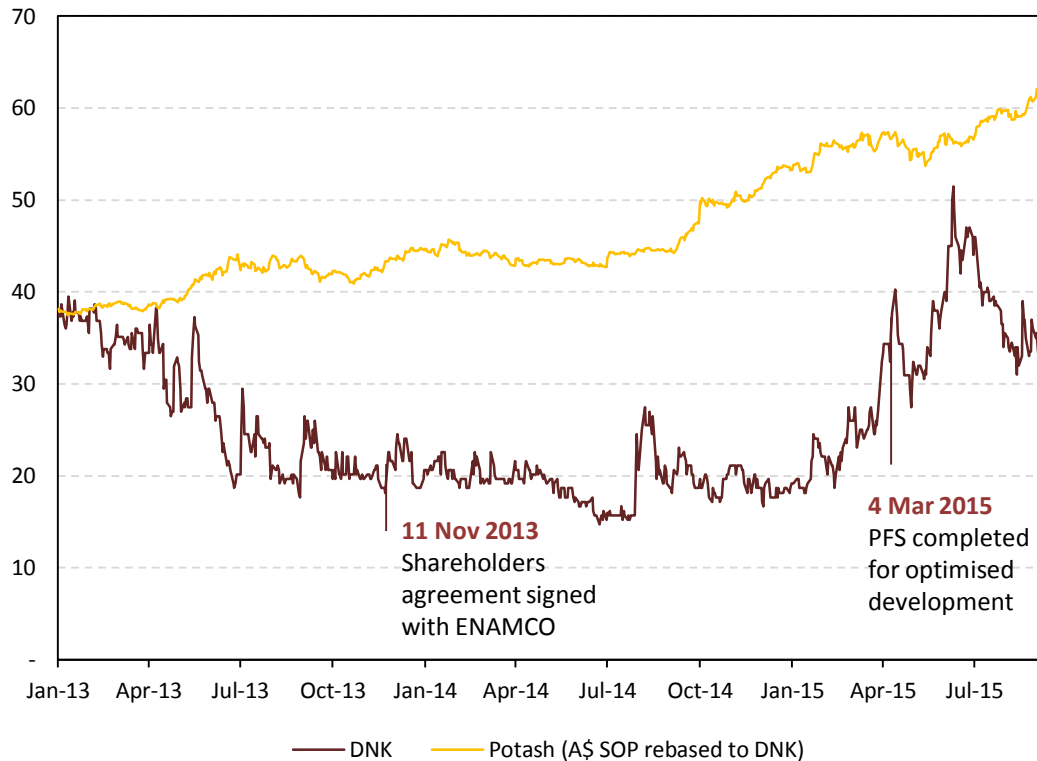
The equity story is gaining momentum



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ONE OF THE STRONGEST OPERATIONAL PERFORMERS OVER THE LAST 12 MONTHS, **YET REMAINS SIGNIFICANTLY UNDERVALUED**

Disconnect between share price and potash since January 2013 (Acps)



- ✓ A strong operational team has been assembled with **proven capabilities to develop a project in Eritrea**
- ✓ **Huge ore reserve (1,017Mt)** as proportion of JORC resources
- ✓ **PFS released and optimised development**
- ✓ **Clear processing path and product suite**
- ✓ **Stable, supportive local project partner**

Source: IRESS



STRONG OPERATIONAL AND LEADERSHIP TEAM ASSEMBLED WITH A TRACK RECORD OF SUCCESS



Seamus Cornelius
Non-Executive Chairman

Corporate law and negotiations

- 21+ years experience in legal and commercial negotiations
- Current Chairman of Buxton Resources, Duketon Mining & Montezuma Mining



Liam Cornelius
Non-Executive Director

Geology and exploration

- Founding Director providing guidance on project generation, fund raising and strategic direction
- 20 years experience in commodity exploration within Australia, Asia and Africa



Paul Donaldson
CEO and MD

Mining senior management

- Extensive experience in large scale open cut mine management, supply chain logistics, mineral processing, business improvement and marketing
- Formally held a series of senior management positions with BHP Billiton



John Fitzgerald
Non-Executive Director

Corporate Finance and banking

- Managing Director of Optimum Capital, specialising in corporate debt and advice in the mining sector
- Chairman of Atherton Resources (previously Mungana Goldmines) and Director of Northern Star Resources



Tony Kiernan
Non-Executive Director

Commercial law and mining

- 25+ years experience in the commercial law, corporate advisory and government relations within the mining industry
- Chairman of BC Iron, Venturex Resources and Chalice Gold Mines with previous operations in Eritrea



James Durrant
Colluli Study Manger

Engineering and operations

- Extensive experience in project management, organisational design and operational management of large scale open cut mines
- Previously held a series of operational roles with BHP Billiton

Forward Looking Statements and Disclaimer



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The information in this presentation is published to inform you about Danakali Limited (the “Company” or “DNK”) and its activities. DNK has endeavoured to ensure that the information in this presentation is accurate at the time of release, and that it accurately reflects the Company’s intentions. All statements in this presentation, other than statements of historical facts, that address future production, project development, reserve or resource potential, exploration drilling, exploitation activities, corporate transactions and events or developments that the ‘Company expects to occur, are forward-looking statements. Although the Company believes the expectations expressed in such statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements.

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

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

Material resource and financial assumptions made in this presentation are consistent with assumptions detailed in the Company’s ASX announcements dated 25 February 2015, 4 March 2015 and 19 May 2015, which continue to apply and have not materially changed. The Company is not aware of any new information or data that materially affects assumptions made.

Competent persons statement



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Resource Statement

Colluli has a JORC 2012 compliant Measured, Indicated and Inferred Mineral Resource estimate of 1,289Mt @11% K2O. The resource contains 303Mt @ 10.98% K2O of Measured Resources, 951Mt @ 10.89% K2O of Indicated Resources and 35Mt @ 10.28% K2O of Inferred Resources. The information in this report relating to the Colluli Mineral Resource was compiled by Mr. John Tyrell, under the supervision of Mr. Stephen Halabura M. Sc. P. Geo. Fellow of Engineers Canada (Hon), Fellow of Geoscientists Canada, and as a geologist with over 25 years experience in the potash mining industry. Mr. Tyrell is a member of the Australian Institute of Mining and Metallurgy and a full time employee of AMC. Mr. Tyrell has more than 25 years experience in the field of Mineral Resource estimation. 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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Mr. Tyrell & Mr. Halabura consent to the inclusion of information relating to the Resource Statement in the form and context in which it appears.

Reserve Statement

The JORC 2012 compliant Ore Reserve estimate for Colluli is 1,107Mt @ 10% K2O comprising 287Mt Proved and 820Mt Probable Ore Reserve. Mark Cheshier is the Competent Person for the 2015 Colluli Ore Reserve estimate, and supervised preparation of the Ore Reserve estimate with assistance from specialists in each area of the study. Mr. Cheshier is a Fellow of the Australasian Institute of Mining and Metallurgy, a Chartered Professional, and is a full-time employee of AMC Consultants Pty Ltd. He 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 2012. Mr Cheshier consents to the inclusion of information relating to the Ore Reserve in the form and context in which it appears. In undertaking the assignments referred to in this report, 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 Person believe that there is no conflict of interest in undertaking the assignments which are the subject of this statement.



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Thank you

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*Helping grow a better
future*