
ASX Release**16 May 2016**

Allotment of Tranche 2 Placement Shares and Cleansing Notice

Danakali Ltd ("**Danakali**" or "**Company**") refers to the placement announced by the Company on 21 March 2016 of up to approximately 25 million shares ("**Placement Shares**"), with one free attaching unlisted option ("**Option**") to subscribe for one fully paid ordinary share for every two Placement Shares issued to sophisticated and professional investors to raise approximately AU\$5.5million at \$0.22 per share ("**Placement**").

Danakali is pleased to announce that it has today issued the second tranche of the Placement, consisting of 1,600,000 Placement Shares and 800,000 Options, after receiving shareholder approval for the second tranche of the Placement at the Company's AGM held on 13 May 2016.

The Placement Shares are part of a class of securities quoted on ASX. A completed Appendix 3B has been lodged together with this announcement.

Secondary Trading Exemption

Danakali gives notice under section 708A(5)(e) of the Corporations Act 2001 (Cth) ("**Act**") of the following:

1. the second tranche of Placement Shares were issued without disclosure under Part 6D 2 of the Act;
2. this notice is being given under section 708A(5)(e) of the Act;
3. as at the date of this notice, the Company has complied with:
 - (a) the provisions of Chapter 2M of the Act as they apply to the Company; and
 - (b) section 674 of the Act; and
4. as at the date of this notice, there is no information:
 - (a) that has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - (b) that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - (ii) the rights and liabilities attaching to the Placement Shares.

Shareholders can view all of Danakali's announcements relating to the Placement on the ASX website (www.asx.com.au) and Danakali's website (www.danakali.com).

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About Danakali Limited

Danakali is an ASX listed company and 50% owner of the Colluli Potash Project in Eritrea, East Africa. The company is currently developing the Colluli Project in partnership with ENAMCO. Colluli is 100% owned by CMSC, which is a 50:50 joint venture between Danakali and ENAMCO.

The project is located in the Danakil Depression region of Eritrea, and is c. 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.

In November 2015, Danakali released a positive DFS for Colluli which demonstrates industry leading capital intensity and the lowest development costs relative to all SOP projects at DFS level in the world. Bottom quartile operating costs are predicted and mine life is estimated at over 200 years at the DFS production rate, providing the project with substantial growth potential.

SOP is a chloride free, specialty fertiliser which carries a substantial price premium relative to the more common potash type; potassium chloride. 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 potassium bearing resource of the Danakil Depression has the unique capability to produce three of the four potash types in the global potash market which comprises potassium chloride (muriate of potash or MOP), potassium sulphate (sulphate of potash or SOP), potassium magnesium sulphate (sulphate of potash magnesia or SOP-M) and potassium nitrate (nitrate of potash or NOP). While CMSC is concentrating on achieving SOP production in the near-term, the focus is on developing a multi agri-commodity and salt business in the medium term.

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

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

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

DANAKALI LTD

ABN

56 097 904 302

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | <div>1. Fully paid ordinary shares
2. Unlisted options
3. Unlisted (remuneration) Options</div> |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | <div>1. 1,600,000 fully paid ordinary shares
2. 800,000 unlisted options
3. 2,700,000 unlisted (remuneration) options</div> |
| 3 | Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | <div>1. Fully paid ordinary shares
2. Unlisted options exercisable at \$0.35, expiring 13 May 2018 (two years from date of issue)
3. Unlisted (remuneration) options exercisable at the higher of \$0.35 or 1.43 times the VWAP of the fully paid ordinary shares traded 30 days prior to the shareholder approval date (13 May 2016), expiring 13 May 2018</div> |

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

4	<p>Do the ⁺securities rank equally in all respects from the ⁺issue date with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional ⁺securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>1. Yes – fully paid ordinary shares</p> <p>2. No – shares issued on exercise of the options will rank equally in all respects with fully paid ordinary shares then on issue. The options do not entitle the holder to participate in the next dividend or interest payment.</p> <p>3. No – shares issued on exercise of the options will rank equally in all respects with fully paid ordinary shares then on issue. The options do not entitle the holder to participate in the next dividend or interest payment.</p>
5	Issue price or consideration	<p>1. \$0.22 per fully paid ordinary share.</p> <p>2. The options are free attaching options under the placement for which no additional consideration is payable.</p> <p>3. Higher of \$0.35 or 1.43 times the VWAP of the fully paid ordinary shares traded 30 days prior to the shareholder approval date (13 May 2016)</p>
6	<p>Purpose of the issue</p> <p>(If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>1 & 2. Funds raised will be used for commencement of front end engineering design work, initiating mine contract tendering process; completion of mining approvals process, securing offtake agreements and further strategic relationships, securing project funding (debt/equity), transaction costs and working capital.</p> <p>3. Funds raised from the Unlisted (remuneration) Options, if exercised, will be used for general working capital</p>
6a	<p>Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	No, approval was not obtained at the 2016 AGM
6b	The date the security holder resolution under rule 7.1A was passed	N/A
6c	Number of ⁺ securities issued without security holder approval under rule 7.1	3. 500,000 Unlisted (remuneration) options
6d	Number of ⁺ securities issued with security holder approval under rule 7.1A	N/A

+ See chapter 19 for defined terms.

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/A	
6f	Number of +securities issued under an exception in rule 7.2	1. 1,600,000 fully paid ordinary shares 2. 800,000 unlisted options 3. 2,700,000 unlisted (remuneration) options – exception 14	
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A	
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	Capacity under LR 7.1 is 24,776,274 Capacity under LR 7.1A is NIL – shareholder approval was not obtained at the AGM held 13 May 2016	
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	16 May 2016	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number	+Class
		200,642,631	Ordinary Shares

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	6,000,000	Unlisted Options exercisable at \$0.34 each, expiring 29 November 2016
	5,000,000	Unlisted Options exercisable at \$0.278 each, expiring 17 November 2017
	11,635,232	Unlisted Options exercisable at \$0.35 each, expiring 30 March 2018
	800,000	Unlisted Options exercisable at \$0.35 each, expiring 13 May 2018
	2,700,000	Remuneration Options exercisable at higher of \$0.35 each or 1.43 times the VWAP of the fully paid ordinary shares traded 30 days prior to the shareholder approval date (13 May 2016), expiring 13 May 2018
	750,000	Unlisted Options exercisable at \$0.527 each, expiring 29 May 2018
	600,000	Unlisted Options exercisable at \$0.55 each, expiring 30 May 2018
	1,000,000	Unlisted Options exercisable at \$0.408 each, expiring 4 November 2018
	308,000	Performance Rights – Class 1
	150,000	Performance Rights – Class 2
	1,500,000	Performance Rights – Class 4
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Pro rata issue

11 Is security holder approval required?	N/A
12 Is the issue renounceable or non-renounceable?	N/A
13 Ratio in which the +securities will be offered	N/A
14 +Class of +securities to which the offer relates	N/A
15 +Record date to determine entitlements	N/A

+ See chapter 19 for defined terms.

16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

- | | | |
|----|--|-----|
| 32 | How do security holders dispose of their entitlements (except by sale through a broker)? | N/A |
| 33 | +Issue date | N/A |

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 34 Type of +securities
 (tick one)
- (a) ☒ +Securities described in Part 1 (for the fully paid ordinary shares – the options will be unlisted)
- (b) ☐ All other +securities
- Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
 1 - 1,000
 1,001 - 5,000
 5,001 - 10,000
 10,001 - 100,000
 100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

- | | | |
|----|--|-----|
| 38 | Number of +securities for which +quotation is sought | N/A |
| 39 | +Class of +securities for which quotation is sought | N/A |

+ See chapter 19 for defined terms.

40	<p>Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<div style="border: 1px solid black; height: 200px; width: 100%;"></div>				
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another +security, clearly identify that other +security)</p>	<div style="border: 1px solid black; height: 100px; width: 100%;"></div>				
42	<p>Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in clause 38)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; padding: 5px;">Number</th> <th style="width: 50%; padding: 5px;">+Class</th> </tr> </thead> <tbody> <tr> <td style="height: 100px; vertical-align: top; padding: 5px;">N/A</td> <td style="height: 100px; vertical-align: top; padding: 5px;">N/A</td> </tr> </tbody> </table>	Number	+Class	N/A	N/A
Number	+Class					
N/A	N/A					

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:
(Director/Company secretary)

16 May 2016
Date:

Print name: Chris Els
.....

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	160,802,000
Add the following: <ul style="list-style-type: none"> Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid ordinary securities issued in that 12 month period with shareholder approval Number of partly paid ordinary securities that became fully paid in that 12 month period <i>Note:</i> <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	7,336,337 (rights issue shares issued 26 May 2015) 6,063,830 (rights issue shortfall shares issued 29 May 2015) 150,000 (shares issued on vesting of performance rights 5 October 2015) 1,130,500 (shares issued on vesting of performance rights 27 November 2015) 5,722,494 (fully paid ordinary shares issued 30 March 2016) 1,600,000 (fully paid ordinary shares issued 16 May 2016)
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	182,805,161

+ See chapter 19 for defined terms.

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Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	27,420,774
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>62,000 (fully paid ordinary shares issued 5 October 2015)</p> <p>600,000 (unlisted options issued 5 October 2015)</p> <p>255,000 (performance rights issued 5 October 2015)</p> <p>1,000,000 (CFO incentive options issued 3 November 2015)</p> <p>227,500 (fully paid ordinary shares issued 27 November 2015)</p> <p>500,000 (unlisted (remuneration) options issued 16 May 2016)</p>
“C”	2,644,500
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	27,420,774
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	2,644,500
Total [“A” x 0.15] – “C”	24,776,274

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	
“E”	

+ See chapter 19 for defined terms.

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Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	
Total [“A” x 0.10] – “E”	<i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.