
ASX Release

23 June 2016

Issue of Shares and Options – Appendix 3B & S708A Notice

Danakali Ltd (ASX:DNK) (“**Danakali**” or “**Company**”) advises that 50,000 new fully paid ordinary shares have been allotted and issued upon the exercise of unlisted options, and that 200,000 unlisted options each with an exercise price of \$0.45 expiring two years from the issue date (23 June 2018) have been issued to advisors for services received.

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 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 shares.

Shareholders can view all of Danakali’s announcements 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 | 1. Fully paid ordinary shares
2. Unlisted options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1. 50,000 fully paid ordinary shares
2. 200,000 unlisted options |
| 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) | 1. Fully paid ordinary shares
2. Unlisted options exercisable at \$0.45, expiring 23 June 2018 (two years from date of issue) |

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

4	Do the ⁺securities rank equally in all respects from the ⁺issue date with an existing ⁺class of quoted ⁺securities? If the additional ⁺securities do not rank equally, please state: - 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	1. Yes – fully paid ordinary shares 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.
5	Issue price or consideration	1. The shares were issued on exercise of options with an exercise price of \$0.35 each. 2. The options were issued to advisors as consideration for services received. No additional cash consideration was paid.
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	1. Exercise of unlisted options (Exercise price \$0.35, expiring 30 March 2018) 2. Issue of unlisted options to advisors as consideration for services received
6a	Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i	No
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	N/A
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	N/A	
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	N/A	
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.	23 June 2016	
8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the ⁺ securities in section 2 if applicable)	Number	⁺ Class
		200,692,631	Ordinary Shares

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

- 9 Number and ⁺class of all ⁺securities not quoted on ASX (including the ⁺securities in section 2 if applicable)

Number	⁺ Class
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
11,585,232	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
200,000	Unlisted Options exercisable at \$0.45 each, expiring 23 June 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

+ See chapter 19 for defined terms.

15	+Record date to determine entitlements	N/A
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

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

- | | | |
|----|---|-----|
| 31 | How do security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | N/A |
| 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 |
|----|--|-----|

+ See chapter 19 for defined terms.

39	+Class of +securities for which quotation is sought						
40	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: • 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						
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)						
42	Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 50%; text-align: left;">Number</th> <th style="width: 50%; text-align: left;">+Class</th> </tr> <tr> <td style="height: 60px; vertical-align: top;">N/A</td> <td style="height: 60px; vertical-align: top;">N/A</td> </tr> </table>		Number	+Class	N/A	N/A
Number	+Class						
N/A	N/A						

+ See chapter 19 for defined terms.

Quotation agreement

- P. 10.

23 June 2016
Date:

04/03/2013

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	N/A
Add the following: • 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 Note: • <i>Include only ordinary securities here – other classes of equity securities cannot be added</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>	N/A
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	N/A
“A”	N/A

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	N/A
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued: • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 Note: • <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>	N/A
“C”	N/A
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
“A” x 0.15 <i>Note: number must be same as shown in Step 2</i>	N/A
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	N/A
Total [“A” x 0.15] – “C”	N/A

+ 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>	N/A
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	N/A
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> • This applies to equity securities – not just ordinary securities • Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed • 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 • It may be useful to set out issues of securities on different dates as separate line items	N/A
“E”	N/A

+ See chapter 19 for defined terms.

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