



ASX Release

5th October 2015

Issue of Securities Appendix 3B & S708A Notice

Danakali Limited (ASX: DNK) is pleased to announce the vesting of Performance Rights and allotment of shares to Colluli Study Manager James Durrant. The Company also advises the issue of shares, options and performance rights to advisors as consideration for services received.

An Appendix 3B is attached and a Secondary Trading Exemption Notice is detailed below.

Secondary Trading Exemption Notice

The Corporations Act 2001 ("Act") restricts the on-sale of securities without disclosure, unless the sale is exempt under Section 708 or 708A of the Act. By the Company giving this notice, the on-sale of the securities will fall within the exemption offered by Section 708A (5) of the Act.

The Company provides the following information in accordance with Section 708A(5)(e) of the Act:

- (a) the issue was made without a disclosure document under Part 6D.2 of the Act;
- (b) as at the date of this Notice, the Company has complied with the provisions of Chapter 2M of the Act as they apply to the Company and section 674 of the Act; and
- (c) as at the date of this Notice, there is no excluded information to be provided in accordance with section 708A(7) and (8) of the Act.

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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 the Eritrean National Mining Company (ENAMCO).

The project is located in the Danakil Depression region of Eritrea, 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 amendable 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 prefeasibility study 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. 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) with 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.

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 | <ol style="list-style-type: none">1. Fully paid ordinary shares2. Unlisted options3. Performance rights (class 1)4. Fully paid ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | <ol style="list-style-type: none">1. 62,0002. 600,0003. 255,0004. 150,000 |
| 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) | <ol style="list-style-type: none">1. Fully paid ordinary shares2. Unlisted Options exercisable at \$0.55, expiry 31/5/20183. Conversion to fully paid ordinary shares is subject to vesting conditions.4. Fully paid ordinary shares |

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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 	<ol style="list-style-type: none"> 1. Yes 2. No – upon conversion into ordinary shares, the allotted and issued shares will rank equally in all respects with an existing class of quoted securities. The options do not entitle the holder to participate in the next dividend or interest payment. 3. No – upon conversion into ordinary shares, the allotted and issued shares will rank equally in all respects with an existing class of quoted securities. The performance rights do not entitle the holder to participate in the next dividend or interest payment. 4. Yes
5	Issue price or consideration	<ol style="list-style-type: none"> 1. Nil 2. Nil 3. Nil 4. Nil
6	<p>Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<ol style="list-style-type: none"> 1. Issue of fully paid ordinary shares to advisors as consideration for services received. 2. Issue of unlisted options to advisors as consideration for services received. 3. Issue of performance rights (class 1) to advisors as consideration for services received. 4. Issue of shares on vesting of performance rights (class 3).
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>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	29 May 2015
6c	Number of ⁺ securities issued without security holder approval under rule 7.1	917,000
6d	Number of ⁺ securities issued with security holder approval under rule 7.1A	N/A

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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	150,000 (LR 7.2 Exception 9)	
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 25,235,825 Capacity under LR 7.1A is 17,435,217	
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.	5 October 2015	
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	Number 174,414,167	+Class Ordinary Shares

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	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the +securities in section 2 if applicable)	500,000	Unlisted Options exercisable at \$1.449 each, expiring 30 November 2015
	500,000	Unlisted Options exercisable at \$1.949 each, expiring 30 November 2015
	700,000	Unlisted Options exercisable at \$0.599 each, expiring 30 January 2016
	1,000,000	Unlisted Options exercisable at \$0.649 each, expiring 30 January 2016
	1,300,000	Unlisted Options exercisable at \$0.949 each, expiring 30 January 2016
	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
	750,000	Unlisted Options exercisable at \$0.527 each, expiring 29 May 2018
	600,000	Unlisted Options exercisable at \$0.55 each, expiring 31 May 2018
	626,000	Performance Rights – Class 1
	150,000	Performance Rights – Class 2
	300,000	Performance Rights – Class 3
	2,150,000	Performance Rights – Class 4
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 – DELETED – NOT APPLICABLE

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

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- (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 |
| 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: <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 | N/A |

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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)	N/A
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42	Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in clause 38)	Number	+Class
		N/A	N/A

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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)

5 October 2015
Date:

Print name: **Amy Just**
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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	139,427,826												
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 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <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> 	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%; text-align: right;">10,000,000 (placement shares issued 16 January 2015)</td> </tr> <tr> <td></td> <td style="text-align: right;">400,000 (shares issued on vesting of performance rights 18 March 2015)</td> </tr> <tr> <td></td> <td style="text-align: right;">10,974,174 (placement shares issued 30 April 2015)</td> </tr> <tr> <td></td> <td style="text-align: right;">7,336,337 (rights issue shares issued 26 May 2015)</td> </tr> <tr> <td></td> <td style="text-align: right;">6,063,830 (rights issue shortfall shares issued 29 May 2015)</td> </tr> <tr> <td></td> <td style="text-align: right;">150,000 (shares issued on vesting of performance rights 5 October 2015)</td> </tr> </table>		10,000,000 (placement shares issued 16 January 2015)		400,000 (shares issued on vesting of performance rights 18 March 2015)		10,974,174 (placement shares issued 30 April 2015)		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)
	10,000,000 (placement shares issued 16 January 2015)												
	400,000 (shares issued on vesting of performance rights 18 March 2015)												
	10,974,174 (placement shares issued 30 April 2015)												
	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)												
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil												
“A”	174,352,167												

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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	26,152,825
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p><i>Insert</i> 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>
“C”	917,000
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>	26,152,825
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	917,000
Total [“A” x 0.15] – “C”	25,235,825 <i>[Note: this is the remaining placement capacity under rule 7.1]</i>

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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>	174,352,167
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	17,435,217
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 Notes: <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”	Nil

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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>	17,435,217
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	Nil
Total ["A" x 0.10] – "E"	17,435,217 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

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