



DANAKALI

ABN 56 097 904 302

NOTICE OF GENERAL MEETING

EXPLANATORY MEMORANDUM

AND

PROXY FORM

Date of Meeting

4 November 2016

Time of Meeting

10:00 am

Place of Meeting

Danakali Ltd.'s Office

Ground Floor, 31 Ventnor Avenue

WEST PERTH WA 6005

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

For personal use only

DANAKALI LTD

ACN 56 097 904 302

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Danakali Limited (**Company**) will be held at Danakali Ltd.'s Office, Ground Floor, 31 Ventnor Avenue, West Perth, Western Australia on 4 November 2016 at 10:00am for the purpose of transacting the following business referred to in this Notice of General Meeting.

AGENDA

Business

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the meeting. The Explanatory Memorandum and the Proxy Form are part of this Notice.

Terms used in this Notice will, unless the context otherwise requires, have the same meaning given to them in the glossary contained in the Explanatory Memorandum.

Resolution 1 – Ratification of Prior Placement to JP Morgan

To consider, and if thought fit, to pass with or without amendment the following as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the prior issue by the Company of 20,200,000 Shares (**Prior Placement Shares**) each at an issue price of \$0.33 on 18 August 2016 to JP Morgan Asset Management (UK) Ltd (**Prior Placement**) on the terms and conditions set out in the Explanatory Memorandum.”*

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 1 by any person who participated in the issue the subject of Resolution 1 and any person who is an Associate of those persons. However, the Company need not disregard a vote if the vote is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 2 – Ratification of Listing Rule 7.1A Placement

To consider, and if thought fit, to pass with or without amendment the following as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the prior issue by the Company of 17,548,000 Shares (**LR7.1A Placement Shares**) each at an issue price of \$0.22 on 30 March 2016 to sophisticated and professional investors (**LR7.1A Placement**) on the terms and conditions set out in the Explanatory Memorandum.”*

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 2 by any person who participated in the issue the subject of Resolution 2 and any person who is an Associate of those persons. However, the Company need not disregard a vote if the vote is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 3 – Ratification of issue of Incentive Options to Mr Danny Goeman

To consider, and if thought fit, to pass with or without amendment the following as an **ordinary resolution**:

“That for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior issue of 1,000,000 Incentive Options for nil cash consideration (with an exercise price of \$0.558 and an expiry date of 8 August 2019) to Mr Danny Goeman, on the terms and conditions set out in the Explanatory Memorandum (including Annexure A to the Explanatory Memorandum)”.

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 3 by Mr Danny Goeman and any Associate of him. However, the Company need not disregard a vote if the vote is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 4 – Issue of Remuneration Options to Mr Seamus Ian Cornelius

To consider, and if thought fit, to pass with or without amendment the following as an **ordinary resolution**:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the Directors are authorised to issue a maximum of 750,000 Remuneration Options for nil cash consideration (with an exercise price of \$0.55 and an expiry date of 4 November 2018) to Mr Seamus Ian Cornelius, a Director, or his nominee(s), on the terms and conditions set out in the Explanatory Memorandum (including Annexure C to the Explanatory Memorandum)”.

Voting Exclusion Statement: The Company will disregard any votes cast on Resolution 4 by Mr Seamus Ian Cornelius or his nominee(s) and any Associate of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 4 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 4; or
- (b) the proxy is the chair of the Meeting and the appointment expressly authorises the chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the chair intends to vote any undirected proxies in favour of Resolution 4.

Shareholders may also choose to direct the chair to vote against Resolution 4 or to abstain from voting.

If you are a Restricted Voter and purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

OTHER BUSINESS

By order of the Board



Chris Els

Company Secretary

Date: 27 September 2016

ENTITLEMENT TO VOTE

For the purposes of regulation 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Company determines that a person's entitlement to vote at the GM will be the entitlement of that person set out in the Register of Shareholders as at 4:00 pm WST time on 2 November 2016.

HOW TO VOTE

Voting in person or by attorney

A shareholder that is an individual may attend and vote in person at the meeting. If you wish to attend the meeting, please bring the enclosed proxy form to the meeting to assist in registering your attendance and number of votes. Please arrive 20 minutes prior to the start of the meeting to facilitate this registration process.

To be effective a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms below.

Voting by corporate representative

A shareholder that is a corporation may appoint an individual to act as its representative to vote at the meeting in accordance with section 250D of the Corporations Act 2001 (Cth) ("**Corporations Act**"). The representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed. The appropriate "Appointment of Corporate Representative" form should be completed and produced prior to admission to the meeting. This form may be obtained from the Company's share registry.

Voting by proxy

If you do not wish to attend the meeting, you may appoint a proxy to attend and vote on your behalf. A body corporate may also appoint a proxy. A proxy need not be a shareholder. If a representative of a corporate proxy is to attend the meeting, you must ensure that the appointment of the representative is in accordance with section 250D of the Corporations Act. The corporate representative should bring to the meeting evidence of his or her appointment, including any authority under which the appointment is signed. A form of the certificate may be obtained from the Company's share registry.

You are entitled to appoint up to 2 proxies to attend the meeting and vote on your behalf and may specify the proportion or number of votes that each proxy is entitled to exercise. If you do not specify the proportion or number of votes that each proxy is entitled to exercise, each proxy may exercise half of the votes. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Company's share registry or you may copy the enclosed proxy form. To appoint a second proxy, you must follow the instructions on the proxy form.

If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. Should any resolution, other than those specified in this Notice, be proposed at the Meeting, a proxy may vote on that resolution as they think fit. If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.

Shareholders who return their Proxy Forms with a direction how to vote, but who do not nominate the identity of their proxy, will be taken to have appointed the chair of the Meeting as their proxy to vote on their behalf. If a Proxy Form is returned but the nominated proxy does not attend the Meeting, the chair of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the chair of the Meeting, the secretary or any Director that do not contain a direction how to vote will be used, where possible, to support each of the Resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed Resolutions. These rules are explained in this Notice.

Sections 250BB and 250BC of the Corporations Act took effect on 1 August 2011 and apply to voting by proxy. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the chairman of the Meeting, who must vote the proxies as directed.

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If the proxy has two or more appointments that specify different ways to vote on a resolution, the proxy must not vote on that resolution on a show of hands.

The instrument appointing the proxy must be in writing, executed by the appointor or his attorney duly authorised in writing or, if such appointor is a corporation, either under seal or under hand of an officer duly authorised.

The Proxy Form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. If facsimile transmission is used, the Power of Attorney must be certified.

To be valid, your proxy form (and an original or certified copy of any power of attorney or other authority under which it is signed) must be received at an address given below by 10am (WST) 2 November 2016. Any proxy form received after that time will not be valid for the scheduled meeting.

Online	At www.investorvote.com.au
By mail	Share Registry – Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001, Australia
By fax	1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia)
By mobile	Scan the QR Code on your proxy form and follow the prompts
Custodian voting	For Intermediary Online subscribers only (custodians) please visit: www.intermediaryonline.com to submit your voting intentions

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the Shareholders of Danakali Limited ABN 56 097 904 302 (**Company**) in connection with the business to be conducted at the General Meeting of the Company (**GM**) to be held at Danakali Ltd.'s Office, Ground Floor, 31 Ventnor Avenue, West Perth, Western Australia, on 4 November 2016 commencing at 10:00 am.

This Explanatory Memorandum should be read in conjunction with, and forms part of, the accompanying notice.

The Directors recommend that Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning given to them in the glossary as contained in this Explanatory Memorandum.

At the GM, Shareholders will be asked to consider the following Resolutions:

- ratification of Prior Placement to JP Morgan;
- ratification of Listing Rule 7.1A Placement;
- ratification of Incentive Options issued to Mr Danny Goeman; and
- issue of Remuneration Options to Mr Seamus Ian Cornelius.

1. Resolution 1 – Ratification of Prior Placement to JP Morgan

1.1 Introduction

On 18 August 2016 the Company issued 20,200,000 Shares at an issue price of \$0.33 each to JP Morgan Asset Management (UK) Ltd (**Prior Placement Shares**), a subsidiary of JP Morgan Chase & Co.

The funds raised from the Prior Placement Shares is being used by the Company to advance the development of the Colluli Potash Project, working capital, transaction costs and corporate overheads.

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12-month period any equity securities (including securities with rights to conversion to equity such as an option), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12-month period.

The 20,200,000 Prior Placement Shares were issued within the Company's 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval.

Listing Rule 7.4 permits the ratification by a company in a general meeting of a previous issue of securities made pursuant to Listing Rule 7.1 and without prior shareholder approval (and provided that the previous issue did not breach Listing Rule 7.1).

Resolution 1 seeks Shareholder approval for the ratification of the issue of 20,200,000 Shares pursuant to Listing Rule 7.4. The effect of Shareholders passing Resolution 1 will be to partly restore the Company's ability to issue securities within the 15% placement capacity under Listing Rule 7.1 during the next 12 months, without obtaining prior Shareholder approval.

Resolution 1 is an ordinary resolution.

1.2 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5 information regarding the Prior Placement is provided as follows:

- (a) 20,200,000 Prior Placement Shares were issued under the Company's Listing Rule 7.1 capacity.
- (b) The Prior Placement Shares were issued at \$0.33 each.
- (c) The Prior Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's then existing Shares on issue.

- (d) The Prior Placement Shares were issued to JP Morgan Asset Management (UK) Ltd (who is an unrelated party of the Company).
- (e) The funds raised from the issue of the Prior Placement Shares is being used by the Company to advance the development of the Colluli Project, working capital, transaction costs and corporate overheads.

A voting exclusion statement is included in the Notice.

2. Resolution 2 – Ratification of issue of Listing Rule 7.1A Placement

2.1 Introduction

On 30 March 2016 the Company issued 17,548,000 Shares at an issue price of \$0.22 each to sophisticated and institutional investors (**LR7.1A Placement Shares**) under the additional 10% capacity allowed by Listing Rule 7.1A. Shareholders approved the 10% placement facility at the Annual General Meeting held on 29 May 2015. This approval lapsed on 13 May 2016, when Shareholders did not approve the 10% placement facility for a further 12 months at the Annual General meeting held on 13 May 2016.

The LR7.1A Placement Shares formed part of tranche 1 of a placement. Tranche 1 comprised 23,270,464 Shares at an issue price of \$0.22 each and 11,635,232 unlisted Options with an exercise price of \$0.35 each expiring 30 March 2018 (**Tranche 1 Placement**) issued to sophisticated and institutional investors on 30 March 2016.

The funds raised from the issue of the Tranche 1 Placement is being used by the Company for commencement of front end engineering and 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 corporate overheads.

ASX Listing Rule 7.1A provides that, in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue, during the period the approval is valid, a number of equity securities which represents up to 10% of the number of ordinary fully paid securities on issue at the commencement of that 12-month period as adjusted in accordance with the formula in ASX Listing Rule 7.1.

The issue of securities made relying on ASX Listing Rule 7.1A can, after they have been made, be ratified under ASX Listing Rule 7.4.

By ratifying this issue of Shares the subject of Resolution 2, the base figure upon which the Company's 15% placement capacity is calculated will be a higher number, which in turn will allow a proportionately higher number of securities to be issued under Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Resolution 2 seeks Shareholder approval for the ratification of the issue of 17,548,000 Shares pursuant to Listing Rule 7.4.

Resolution 2 is an ordinary resolution.

2.2 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5 information regarding the LR7.1A Placement is provided as follows:

- (a) 17,548,000 LR 7.1A Placement Shares were issued under the Company's Listing Rule 7.1A capacity.
- (b) The LR 7.1A Placement Shares were issued at \$0.22 each.
- (c) The LR7.1A Placement Shares are fully paid ordinary shares in the capital of the Company and rank equally in all respects with the Company's then existing Shares on issue.
- (d) The LR7.1A Placement Shares were issued to sophisticated and institutional investors (who are not related parties of the Company).
- (e) The funds raised from the issue of the LR7.1A Placement Shares is being used by the Company for commencement of front end engineering and 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 corporate overheads.

A voting exclusion statement is included in the Notice.

3. Resolution 3 – Ratification of Incentive Options issued to Mr Danny Goeman

3.1 Introduction

On 8 August 2016 the Company issued 1,000,000 unlisted Options (**Incentive Options**) to Mr Danny Goeman, newly appointed Head of Marketing for Danakali Ltd. The deemed value of the 1,000,000 Incentive Options using the Black-Scholes Option Valuation Methodology is set out in Annexure B.

The Incentive Options will be granted for no monetary consideration at an exercise price of \$0.558 each and expiry of 8 August 2019 and will vest subject to satisfaction of vesting conditions.

The Incentive Options are unlisted and non-transferable.

The full terms of the Incentive Options are included in Annexure A.

Listing Rule 7.1 provides that a company must not (subject to specified exceptions), without the approval of shareholders, issue or agree to issue during any 12-month period any equity securities (including securities with rights to conversion to equity such as an option), if the number of those securities exceeds 15% of the number of ordinary securities on issue at the commencement of that 12-month period.

The Incentive Options were issued within the Company's 15% annual limit permitted under Listing Rule 7.1, without the need for Shareholder approval.

Listing Rule 7.4 permits the ratification by a company in a general meeting of a previous issue of securities made pursuant to Listing Rule 7.1 and without shareholder approval (and provided that the previous issue did not breach Listing Rule 7.1).

Resolution 3 seeks Shareholder approval for the ratification of the issue of 1,000,000 Incentive Options with exercise price of \$0.558 each and expiry of 8 August 2019 pursuant to Listing Rule 7.4.

The effect of Shareholders passing Resolution 3 will be to partly restore the Company's ability to issue securities within the 15% placement capacity under Listing Rule 7.1 during the next 12 months, without obtaining prior Shareholder approval.

Resolution 3 is an ordinary resolution.

3.2 Information required by Listing Rule 7.5

For the purposes of Listing Rule 7.5 information regarding the Incentive Options are provided as follows:

- (a) On 8 August 2016 1,000,000 Incentive Options were issued to Mr Danny Goeman pursuant to the appointment of Mr Danny Goeman as Head of Marketing under the Company's Listing Rule 7.1 capacity.
- (b) The Incentive Options were issued for no cash consideration and with an exercise price of \$0.558 each and expiry of 8 August 2019.
- (c) The Incentive Options will vest subject to satisfaction of vesting conditions.
- (d) The Incentive Options will only rank equally with the fully paid ordinary shares of the Company's existing Shares on issue in all respects with, on conversion to fully paid ordinary shares in the capital of the Company.
- (e) The Incentive Options will be unlisted and non-transferable. The terms of the Incentive Options are set out in Annexure A.
- (f) No funds will be raised from the issue. The funds raised if the Incentive Options are exercised will be used for general working capital.

A voting exclusion statement is included in the Notice.

Resolution 4 – Issue of Remuneration Options to Mr Seamus Ian Cornelius

4.1 Introduction

The Company proposes to issue a maximum of 750,000 Remuneration Options to Mr Seamus Ian Cornelius, a Director, or his nominee(s) in consideration of the substantial efforts and time put into the Company by Mr Cornelius well in excess of that which would be expected of a non-executive director and Chairman. This is particularly so in relation to the capital markets and the introduction of new capital and investors into the Company. For this extra work Mr Cornelius would have been entitled to be paid extra fees however the Board consider the issue of options is better for the Company as it preserves cash and also provides a higher level of personnel incentive.

The exercise price of \$0.55 each is substantially in excess of the Company's 30 day VWAP (prior to the date of the Notice) and upon exercise would require Mr Cornelius to pay \$0.55 for each option exercised and if all are exercised, the sum of \$412,500.

All Directors, other than Mr Cornelius **recommend** Shareholders approve of this issue.

Annexure D sets out a deemed value of the options using the Black-Scholes Methodology.

The Remuneration Options will be granted for no monetary consideration at an exercise price of \$0.55 each and will expire on 4 November 2018.

The Remuneration Options are unlisted and non-transferable.

The full terms of the Remuneration Options are included in Annexure C.

The proposed issue of securities to a Director or his/her nominee(s) requires Shareholder approval under Listing Rules.

Resolution 4 is an ordinary resolution.

4.2 Requirement for Shareholder approval

Chapter 2E of the Corporations Act

A Director is a related party of the Company, and the issue of the Remuneration Options to him/her or his/her nominee(s) constitutes the provision of a financial benefit for the purposes of Chapter 2E of the Corporations Act.

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

The Directors have determined that the issue is reasonable remuneration for the purposes of Chapter 2E and therefore, Shareholder approval for the purposes of the related party provisions set out in Chapter 2E of the Corporations Act is not required.

Listing Rule 10.11

Listing Rule 10.11 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of securities to a related party. Accordingly, Listing Rule 10.11 requires Shareholders to approve the grant of Remuneration Options to a Director or his/her nominee(s). If Shareholder approval is obtained for the Remuneration Options under Listing Rule 10.11, Shareholder approval is not required under Listing Rule 7.1 and the proposed issue will not be included in the 15% annual limit permitted by Listing Rule 7.1 of the number of equity securities that can be issued without Shareholder approval.

4.3 Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, the following information is provided about the proposed issue of Remuneration Options to a Director or his/her nominee(s):

- (a) a maximum of 750,000 Remuneration Options will be issued to Mr Seamus Ian Cornelius, a Director of the Company or his nominee(s).
- (b) The Remuneration Options will be issued for no cash consideration and with an exercise price of \$0.55 each and expiry of 4 November 2018.
- (c) The Remuneration Options will be issued no later than 1 month after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (d) The Remuneration Options will be unlisted and non-transferable. The terms of the issue are set out in Annexure C.
- (e) No funds will be raised from the issue. The funds raised if the Remuneration Options are exercised will be used for general working capital.

A voting exclusion statement is included in the Notice.

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GLOSSARY

In this Explanatory Memorandum and the Notice, the following terms have the following meanings unless the context otherwise requires:

Associate	has the meaning given in sections 12 and 16 of the Corporations Act. Section 12 is to be applied as if paragraph 12(1)(a) included a reference to the Listing Rules and on the basis that the Company is the “designated body” for the purposes of that section. A related party of a director or officer of the Company or of a child entity of the Company is to be taken to be an associate of the director or officer unless the contrary is established.
ASX	means ASX Ltd ABN 98 008 624 691 and, where the context requires, the Australian Securities Exchange operated by ASX Ltd.
Board	means the board of Directors of the Company.
Business Day	means a day in Perth, Western Australia on which ASX is open for trading in securities and banks are open for general banking business.
Chairman	means chairman of the Board of directors of the Company.
Closely Related Party	has the same meaning as defined in Section 9 of the Corporations Act.
Company or DNK	means Danakali Limited ABN 56 097 904 302.
Constitution	means the Constitution of the Company as adopted by Shareholders from time to time.
Corporations Act	means Corporations Act 2001 (Cth).
Director	means a director of the Company.
Explanatory Memorandum	means this information attached to the Notice, which provides information to Shareholders about the Resolutions contained in the Notice.
Equity Securities	has the same meaning given in the Listing Rules.
Incentive Options	has the meaning set out on page 13.
JP Morgan	means JP Morgan Asset Management (UK) Ltd.
Key Management Personnel	has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the Company.
Listing Rules	means the listing rules of ASX.
LR 7.1A Placement	has the meaning set out on page 2.
LR 7.1A Placement Shares	has the meaning set out on page 2.
Meeting or GM	means the General Meeting of the Company the subject of this Notice.
Notice or Notice of General Meeting	means the Notice of General Meeting accompanying this Explanatory Memorandum.
Option	means an option to acquire a Share.

Placement	means the placement described in more detail in sections 2.1.
Prior Placement	has the meaning set out on page 2.
Prior Placement Shares	has the meaning set out on page 2.
Proxy Form	means the proxy form attached to this Notice.
Related Party	has the meaning given in the Corporations Act.
Remuneration Option	has the meaning set out on page 15.
Resolution	means a resolution contained in the Notice.
Restricted Voter	means Key Management Personnel and their Closely Related Parties as at the date of the Meeting.
Tranche 1 Placement	means the placement described in more detail in section 2.1.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means the holder of a Share.
Trading Day	means a day determined by ASX to be a trading day in accordance with the Listing Rules.
VWAP	means volume weighted average price.

ANNEXURE A

TERMS AND CONDITIONS OF INCENTIVE OPTIONS

The Options are to be issued on the following terms: Each Option shall be issued for no consideration.

- (a) Each Option shall be issued for no consideration.
- (b) Each Option entitles the holder to subscribe for one Share in the Company upon the payment of the exercise price \$0.558 per Option.
- (c) The Option will lapse at 5.00 pm, Western Standard Time on 8 August 2019 (**Expiry Date**).
- (d) Each Option is non-transferable.
- (e) Each option is unlisted.
- (f) The Options will be subject to satisfying vesting conditions.
- (g) There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option, without exercising the Option.
- (h) Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days' notice before books closing date to exercise the Options.
- (i) In the event the Company issues Shares pro rata to its shareholders generally by way of a bonus issue (other than in lieu of dividends or by way of dividend reinvestment) involving capitalisation of reserves or distributable profits, the Option holder is entitled, upon valid exercise of Options held at the time such pro rata issue is made, to receive an allotment of additional Shares in the Company without the payment of further consideration. The additional Shares allotted must be equal to the number of Shares the Option holder would have been issued if the Option had been exercised prior to such bonus issue.
- (j) There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Option. If the Company offers Shares pro rata generally by way of a rights issue during the Option Term, the Exercise Price of each Option that remains unexercised at the time of the rights issue will be adjusted in the manner provided for in the ASX Listing Rules. The Company will ensure, for the purposes of determining entitlements to any issue, that Option holder will be notified of a proposed issue after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.
- (k) In the event of any reorganisation (including consolidations, subdivision, reduction or return) of the issued capital of the Company, all rights of the Option holders will be adjusted (as appropriate) in the manner provided for in the ASX Listing Rules
- (l) The Options shall be exercisable in whole or in part at any time and from time to time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of one or more notices in writing (each a "**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares.
- The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
- (m) The Company shall as soon as practicable, and no later than 10 business days of exercise of the Options:
- (i) take steps so that any offer of Shares for sale within 12 months of their issue will not require disclosure under section 707(3) of the Corporations Act 2001 (Cth);
- (ii) allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number.
- (n) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.

ANNEXURE B

INCENTIVE OPTION VALUATION DETAILS

The Incentive Options were valued using the Black-Scholes Option Valuation Methodology on 8 August 2016.

Details	Input
Share price	\$0.39 being the closing price on 8 August 2016
Exercise Price	\$0.558 per option
Risk Free Rate (RBA Cash Rate)	1.45% (based on indicative mid rates of selected Australian Government Securities)
Volatility (Annualised)	80% (as determined from the daily movements in Share price over the last 12 months, adjusted for abnormal trading)
Start Date	8 August 2016
Expiry Date	8 August 2019
Dividend yield	0%
Value per Option	\$0.169

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ANNEXURE C

TERMS AND CONDITIONS OF REMUNERATION OPTIONS

The Options are to be issued on the following terms:

- (a) Each Option shall be issued for no consideration.
- (b) Each Option entitles the holder to subscribe for one Share in the Company upon the payment of the exercise price \$0.55 per Option.
- (c) The Option will lapse at 5.00 pm, Western Standard Time on 4 November 2018 (**Expiry Date**).
- (d) Each Option is non-transferrable.
- (e) The Company will not apply to the ASX for official quotation of the Options.
- (f) The Options will vest on date of issue.
- (g) There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the Option, without exercising the Option.
- (h) Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least 10 business days' notice before books closing date to exercise the Options.
- (i) If the Company makes a bonus issue the number of securities over which the Options are exercisable will be increased in accordance with the ASX Listing Rules.
- (j) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to the holders of Shares after the date of issue of the Options, the exercise price of the Options will be adjusted in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (k) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (l) The Options shall be exercisable in whole or in part at any time and from time to time until the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of one or more notices in writing (each a "**Notice**") stating the intention of the Option holder to exercise all or a specified number of Options held by them accompanied by an Option certificate and a cheque made payable to the Company for the subscription monies for the Shares.
- The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some Options shall not affect the rights of the Option holder to the balance of the Options held by it.
- (m) The Company shall as soon as practicable, and no later than 10 business days of exercise of the Options:
- (i) take steps so that any offer of Shares for sale within 12 months of their issue will not require disclosure under section 707(3) of the Corporations Act 2001 (Cth);
- (ii) allot the resultant Shares and deliver a statement of shareholdings with a holders' identification number.
- (n) The Shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects.
- (o) The Options will not give any right to participate in dividends until Shares are issued pursuant to the exercise of the relevant Options.

ANNEXURE D

REMUNERATION OPTION VALUATION DETAILS

The Remuneration Options were valued using the Black-Scholes Option Valuation Methodology on 23 September 2016.

Details	Input
Share price	\$0.375 being the closing price on 23 September 2016
Exercise Price	\$0.550 per option
Risk Free Rate (RBA Cash Rate)	1.60% (based on indicative mid rates of selected Australian Government Securities)
Volatility (Annualised)	80% (as determined from the daily movements in Share price over the last 12 months, adjusted for abnormal trading)
Start Date	4 November 2016
Expiry Date	4 November 2018
Dividend yield	0%
Value per Option	\$0.124

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DANAKALI
Danakali Limited
 ABN 56 097 904 302

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
 Computershare Investor Services Pty Limited
 GPO Box 242 Melbourne
 Victoria 3001 Australia

Alternatively you can fax your form to
 (within Australia) 1800 783 447
 (outside Australia) +61 3 9473 2555

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 (custodians) www.intermediaryonline.com

For all enquiries call:
 (within Australia) 1300 850 505
 (outside Australia) +61 3 9415 4000

Proxy Form

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Vote online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 138860

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10.00am (WST) Wednesday, 2 November 2016

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
 or turn over to complete the form** ➔

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Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Danakali Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Danakali Limited to be held at Danakali Ltd's Office, Ground Floor, 31 Ventnor Avenue, West Perth, Western Australia on Friday, 4 November 2016 at 10:00am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 4 (except where I/we have indicated a different voting intention below) even though Resolution 4 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 4 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Ratification of Prior Placement to JP Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of Listing Rule 7.1A Placement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of issue of Incentive Options to Mr Danny Goeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Remuneration Options to Mr Seamus Ian Cornelius	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /