

ASX Release

23<sup>rd</sup> May 2017

## Issue of Shares– Appendix 3B and S708A Notice

Danakali Ltd (ASX:DNK) (“**Danakali**” or “**Company**”) is pleased to advise that the private placement announced by the Company on 17<sup>th</sup> May 2017 of approximately 20 million shares at A\$0.62 per share to institutional and sophisticated investors in the United Kingdom and Australia to raise gross proceeds of approximately A\$12.25million (“**Placement**”), has completed.

On 23<sup>rd</sup> May 2017 the Company issued 19,920,645 shares at A\$0.62 (“**Placement Shares**”) to raise gross proceeds of \$12,350,800.

The Placement Shares have been issued in a single tranche under the Company’s 15% capacity pursuant to Listing Rule 7.1.

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 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 shares.

Shareholders can view all Danakali's announcements on the ASX website ([www.asx.com.au](http://www.asx.com.au)) and Danakali's website ([www.danakali.com](http://www.danakali.com)).

**For more information, please contact:**

Paul Donaldson  
Managing Director  
+61 8 6315 1444

**About Danakali Ltd**

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 Corporation (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 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.

The company has completed a definitive feasibility 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.

**Forward Looking Statements and Disclaimer**

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

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

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

Mineral Resource, Ore Reserve and financial assumptions made in this presentation are consistent with assumptions detailed in the Company's ASX announcements dated 25 February 2015, 4 March 2015, 19 May 2015, 23 September 2015, 30 November 2015, 15 August 2016 and 1 February 2017 which continue to apply and have not materially changed. The Company is not aware of any new information or data that materially affects assumptions made.

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 Number of +securities issued or to be issued (if known) or maximum number which may be issued

1. 19,920,645 fully paid ordinary shares

- 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

+ 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> <p> <input type="checkbox"/> the date from which they do  <input type="checkbox"/> the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment  <input type="checkbox"/> the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment         </p>	<p>1. Yes – fully paid ordinary shares</p>
5	<p>Issue price or consideration</p>	<p>1. \$0.62 per fully paid share</p>
6	<p>Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>1. Funds raised will be used to complete the development cost reduction and optimisation work identified in the front-end engineering design process, completion of the tendering processes for key contracts, completion of offtake and financing activities, on the ground work to reduce the project development timeline, working capital and transaction costs.</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 in relation to the +securities the subject of this Appendix 3B, and comply with section 6i</p>	<p>Yes</p>
6b	<p>The date the security holder resolution under rule 7.1A was passed</p>	<p>19 May 2017</p>
6c	<p>Number of +securities issued without security holder approval under rule 7.1</p>	<p>1. 19,920,645 fully paid ordinary shares</p>
6d	<p>Number of +securities issued with security holder approval under rule 7.1A</p>	<p>Nil</p>

+ 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	Capacity under L.R.7.1 is 12,009,456 Capacity under LR7.1A is 22,620,067					
7	<p>+Issue dates</p> <p>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.</p> <p>Cross reference: item 33 of Appendix 3B.</p>	23 May 2017					
8	Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">Number</th> </tr> <tr> <td style="text-align: left;">246,121,323</td> </tr> </table>	Number	246,121,323	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: left;">+Class</th> </tr> <tr> <td style="text-align: left;">Ordinary Shares</td> </tr> </table>	+Class	Ordinary Shares
Number							
246,121,323							
+Class							
Ordinary Shares							

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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

Number	<sup>+</sup> Class
4,600,000	Unlisted Options exercisable at \$0.278 each, expiring 17 November 2017
10,333,185	Unlisted Options exercisable at \$0.35 each, expiring 30 March 2018
800,000	Unlisted Options exercisable at \$0.35 each, expiring 13 May 2018
2,449,000	Remuneration Options exercisable at \$0.405 each, 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
750,000	Unlisted Remuneration Options exercisable at \$0.55 each, expiring 4 November 2018
1,000,000	Unlisted Options exercisable at \$0.55 each, expiring 31 December 2018
1,000,000	Unlisted Options exercisable at \$0.558 each, expiring 8 August 2019
800,000	Unlisted Options exercisable at \$0.543 each, expiring 7 October 2019
308,000	Performance Rights – Class 1
800,000	Performance Rights – Class 4

10 Dividend policy (in the case of a  
trust, distribution policy) on the  
increased capital (interests)

N/A

<sup>+</sup> See chapter 19 for defined terms.

## 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 <sup>+</sup> securities will be offered	N/A
14	<sup>+</sup> Class of <sup>+</sup> securities to which the offer relates	N/A
15	<sup>+</sup> 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 holders to participate on exercise, the date notices will be sent to option holders	N/A

+ See chapter 19 for defined terms.

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## Appendix 3B

### New issue announcement

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
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

(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

+ See chapter 19 for defined terms.



**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	<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> <p>) the date from which they do</p> <p>) the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment</p> <p>) the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment</p>	N/A					
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>	N/A					
42	Number and +class of all +securities quoted on ASX (including the +securities in clause 38)	<table border="1"> <tr> <th>Number</th> <th>+Class</th> </tr> <tr> <td>N/A</td> <td>N/A</td> </tr> </table>	Number	+Class	N/A	N/A	
Number	+Class						
N/A	N/A						

+ See chapter 19 for defined terms.

## Appendix 3B

### New issue announcement

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#### Quotation agreement

- 1 +Quotation of our additional +securities are 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)

23 May 2017

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	
<b>Step 1: Calculate “A”, the base figure from which the placement capacity is calculated</b>	
<b>Insert</b> number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	200,642,631
<b>Add</b> the following: <ul style="list-style-type: none"> <li>Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2</li> <li>Number of fully paid ordinary securities issued in that 12 month period with shareholder approval</li> <li>Number of partly paid ordinary securities that became fully paid in that 12 month period</li> </ul> <b>Note:</b> <ul style="list-style-type: none"> <li>Include only ordinary securities here – other classes of equity securities cannot be added</li> <li>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</li> <li>It may be useful to set out issues of securities on different dates as separate line items</li> </ul>	50,000 (fully paid ordinary shares issued 23 Jun 2016 on exercise of options) 400,000 (fully paid ordinary shares issued 7 Jul 2016 on exercise of options) 117,500 (fully paid ordinary shares issued 15 Jul 2016 on exercise of options) 125,000 (fully paid ordinary shares issued 26 Aug 2016 on exercise of options) 75,000 (fully paid ordinary shares issued 11 Oct 2016 on exercise of options) 300,000 (fully paid ordinary shares issued 21 Oct 2016 on exercise of options) 20,200,000 (fully paid ordinary shares issued 18 Aug 2016 as private placement and approved at General Meeting on 4 Nov 2016) 300,000 (fully paid ordinary shares issued 17 Nov 2016 on exercise of options) 1,000,000 (fully paid ordinary shares issued 25 Nov 2016 on exercise of options) 1,030,000 (fully paid ordinary shares issued 28 Nov 2016 on exercise of options) 225,000 (fully paid ordinary shares issued 22 Dec 2016 on exercise of options) 29,546 (fully paid ordinary shares issued 28 Dec 2016 on exercise of options) 45,455 (fully paid ordinary shares issued 12 Jan 2017 on exercise of options) 126,000 (fully paid ordinary shares issued 17 Jan 2017 on exercise of options) 34,091 (fully paid ordinary shares issued 27 Jan 2017 on exercise of options)

+ See chapter 19 for defined terms.

## Appendix 3B

### New issue announcement

	<p>775,000 (fully paid ordinary shares issued 1 Feb 2017 on vesting of performance rights)</p> <p>284,091 (fully paid ordinary shares issued 1 Feb 2017 on exercise of options)</p> <p>255,000 (fully paid ordinary shares issued 2 Feb 2017 on exercise of options)</p> <p>136,364 (fully paid ordinary shares issued 3 Feb 2017 on exercise of options)</p> <p>50,000 (fully paid ordinary shares issued 1 May 2017 on exercise of options)</p>
<b>Subtract</b> the number of fully paid ordinary securities cancelled during that 12 month period	N/A
<b>“A”</b>	226,200,678

#### **Step 2: Calculate 15% of “A”**

<b>“B”</b>	<p>0.15</p> <p><i>[Note: this value cannot be changed]</i></p>
<b>Multiply</b> “A” by 0.15	33,930,101

#### **Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used**

<p><b>Insert</b> 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"> <li>Under an exception in rule 7.2</li> <li>Under rule 7.1A</li> <li>With security holder approval under rule 7.1 or rule 7.4</li> </ul> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li><i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i></li> <li><i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i></li> <li><i>It may be useful to set out issues of securities on different dates as separate line items</i></li> </ul>	<p>200,000 (unlisted options issued 23 Jun 2016)</p> <p>800,000 (unlisted options issued 7 Oct 2016)</p> <p>1,000,000 (unlisted options issued 4 Nov 2016)</p> <p>19,920,645 (fully paid ordinary shares issued 23 May 2017 pursuant to private placement)</p>
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+ See chapter 19 for defined terms.

<b>"C"</b>	21,920,645
<b>Step 4: Subtract "C" from ["A" x "B"] to calculate remaining placement capacity under rule 7.1</b>	
<b>"A" x 0.15</b> <i>Note: number must be same as shown in Step 2</i>	33,930,101
<b>Subtract "C"</b> <i>Note: number must be same as shown in Step 3</i>	21,920,645
<b>Total</b> ["A" x 0.15] – "C"	12,009,456

## Part 2

<b>Rule 7.1A – Additional placement capacity for eligible entities</b>	
<b>Step 1: Calculate "A", the base figure from which the placement capacity is calculated</b>	
<b>"A"</b> <i>Note: number must be same as shown in Step 1 of Part 1</i>	226,200,678
<b>Step 2: Calculate 10% of "A"</b>	
<b>"D"</b>	0.10 <i>Note: this value cannot be changed</i>
<b>Multiply "A" by 0.10</b>	22,620,067
<b>Step 3: Calculate "E", the amount of placement capacity under rule 7.1A that has already been used</b>	
<b>Insert</b> 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"><li>• This applies to equity securities – not just ordinary securities</li><li>• Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</li><li>• 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</li></ul>	Nil

+ See chapter 19 for defined terms.

**Appendix 3B**  
**New issue announcement**

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<ul style="list-style-type: none"><li>It may be useful to set out issues of securities on different dates as separate line items</li></ul>	
<b>“E”</b>	Nil
<b>Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A</b>	
<b>“A” x 0.10</b> <i>Note: number must be same as shown in Step 2</i>	22,620,067
<b>Subtract “E”</b> <i>Note: number must be same as shown in Step 3</i>	Nil
<b>Total</b> [“A” x 0.10] – “E”	22,620,067

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+ See chapter 19 for defined terms.