

ASX Release

23rd June 2017

Issue of Securities

Danakali Ltd (ASX:DNK) (“**Danakali**” or “**Company**”) advises that 150,000 performance rights were issued to employees under the Company’s Performance Rights Plan and 400,000 unlisted options were issued to advisors as consideration for services received.

The company also advises that 800,000 unlisted options (each option exercisable at \$0.408 on or before 4 November 2018) (Options) have lapsed effective 20th June 2017. The Options lapsed in accordance with their terms of issue following the cessation of employment of the holder of the Options.

A completed Appendix 3B has been lodged together with this announcement.

Shareholders can view all Danakali’s announcements on the ASX website (www.asx.com.au) and Danakali’s website (www.danakali.com).

For more information, please contact:

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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.

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. Performance Rights – Class 5
2. Performance Rights – Class 6
3. Unlisted Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 1. 100,000
2. 50,000
3. 400,000 |
| 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) | 1. Conversion to ordinary shares is subject to the achievement of vesting conditions
2. Conversion to ordinary shares is subject to the achievement of vesting conditions
3. Unlisted options exercisable at \$0.96 per option (130% of the 30-day volume weighted average price of the fully paid ordinary shares traded up to 19 June 2017), expiring 20 June 2019 (two years from date of issue) |

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

<p>4 Do the ⁺securities rank equally in all respects from the ⁺issue date with an existing ⁺class of quoted ⁺securities?</p> <p>If the additional ⁺securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>1. 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.</p> <p>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 performance rights do not entitle the holder to participate in the next dividend or interest payment.</p> <p>3. No – shares issued on exercise of the options will rank equally in all respects with fully paid ordinary shares then on issue. The options do not entitle the holder to participate in the next dividend or interest payment.</p>
<p>5 Issue price or consideration</p>	<p>1. Nil</p> <p>2. Nil</p> <p>3. The options were issued to advisors as consideration for services received. No additional cash consideration was paid.</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>1. Issued to Project Construction Manager in accordance with employment contract</p> <p>2. Issued to Chief Financial Officer in accordance with employment contract</p> <p>3. Issue of unlisted options to advisors as consideration for services received.</p>
<p>6a 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>
<p>6b The date the security holder resolution under rule 7.1A was passed</p>	<p>19 May 2017</p>
<p>6c Number of ⁺securities issued without security holder approval under rule 7.1</p>	<p>400,000 Unlisted Options</p>

+ See chapter 19 for defined terms.

6d	Number of +securities issued with security holder approval under rule 7.1A	N/A	
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	100,000 Performance Rights - Class 5 50,000 Performance Rights - Class 6	
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 11,722,638 Capacity under LR7.1A is 22,695,522	
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.	20 June 2017	
8	Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in section 2 if applicable)	Number	+Class
		246,875,868	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
4,600,000	Unlisted Options exercisable at \$0.278 each, expiring 17 November 2017
9,878,640	Unlisted Options exercisable at \$0.35 each, expiring 30 March 2018
800,000	Unlisted Options exercisable at \$0.35 each, expiring 13 May 2018
2,349,000	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
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
1,440,000	Unlisted Remuneration Options exercisable at \$0.94 each, expiring 19 May 2020
400,000	Unlisted Options exercisable at \$0.96 each, expiring 20 June 2019
308,000	Performance Rights – Class 1
800,000	Performance Rights – Class 4
100,000	Performance Rights – Class 5
50,000	Performance Rights – Class 6

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

N/A

Part 2 - Pro rata issue

⁺ See chapter 19 for defined terms.

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

+ See chapter 19 for defined terms.

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Appendix 3B

New issue announcement

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 in full through a broker?	N/A
31	How do security holders sell part 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

+ See chapter 19 for defined terms.

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	<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 	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"> <thead> <tr> <th>Number</th> <th>+Class</th> </tr> </thead> <tbody> <tr> <td>N/A</td> <td>N/A</td> </tr> </tbody> </table>	Number	+Class	N/A	N/A	
Number	+Class						
N/A	N/A						

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

Quotation agreement

- 1 +Quotation of our additional +securities 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 June 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	
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	200,642,631
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 Note: <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	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.

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	<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> <p>454,545 (fully paid ordinary shares issued 7 June 2017 on exercise of options)</p> <p>300,000 (fully paid ordinary shares issued 13 June 2017 on exercise of options)</p>
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	N/A
“A”	226,955,223

Step 2: Calculate 15% of “A”

“B”	<p>0.15</p> <p><i>[Note: this value cannot be changed]</i></p>
Multiply “A” by 0.15	34,043,283

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

<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> Under an exception in rule 7.2 Under rule 7.1A With security holder approval under rule 7.1 or rule 7.4 <p>Note:</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> 	<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> <p>400,000 (unlisted options issued 20 June 2017)</p>
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+ See chapter 19 for defined terms.

<ul style="list-style-type: none"> It may be useful to set out issues of securities on different dates as separate line items 	
"C"	22,320,645
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>	34,043,283
Subtract "C" <i>Note: number must be same as shown in Step 3</i>	22,320,645
Total ["A" x 0.15] – "C"	11,722,638

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>	226,955,223
Step 2: Calculate 10% of "A"	
"D"	0.10 <i>Note: this value cannot be changed</i>
Multiply "A" by 0.10	22,695,522
Step 3: Calculate "E", the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> 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 	Nil

+ See chapter 19 for defined terms.

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<ul style="list-style-type: none"> 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 	
"E"	Nil
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>	22,695,522
Subtract "E" <i>Note: number must be same as shown in Step 3</i>	Nil
Total ["A" x 0.10] – "E"	22,695,522

+ See chapter 19 for defined terms.