

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	Ordinary shares
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	123,001,231 shares in total have been agreed to be issued pursuant to the Placement announced 3 December 2019. The issue of Placement shares will be undertaken in two tranches, as follows: (a) Tranche 1 – 52,958,908 shares (b) Tranche 2 – 70,042,323 shares (subject to receipt of shareholder approval and conditions as set out in the ASX Announcement dated 3 December 2019)

+ See chapter 19 for defined terms.

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)	Fully paid ordinary shares
4	Do the ⁺ securities rank equally in all respects from the ⁺ issue date with an existing ⁺ class of quoted ⁺ securities? If the additional ⁺ securities do not rank equally, please state: <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 	Yes – fully paid ordinary shares
5	Issue price or consideration	\$0.60 per share
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	The majority of proceeds from AFC's equity investment will be used to commence project execution for the Colluli Sulphate of Potash Project. A portion of the proceeds will be used to cover the costs of the associated transaction and to top up Danakali's working capital.
6a	Is the entity an ⁺ eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i> , and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	27 May 2019

6c	Number of +securities issued without security holder approval under rule 7.1	(a) 26,364,563 of the Tranche 1 shares
6d	Number of +securities issued with security holder approval under rule 7.1A	(a) 26,594,345 of the Tranche 1 shares
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	(b) 70,042,323 Tranche 2 shares (subject to receipt of shareholder approval and conditions as set out in the ASX Announcement dated 3 December 2019)
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.	Yes. The \$0.60 issue price is 94% of the Company's 15-day VWAP as of the date the shares were agreed to be issued (3 December 2019) of \$0.6378 (Listing Rule 7.1A.3(a)). VWAP source data: Yahoo Finance
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 – 8,763,882 Capacity under LR7.1A - Nil
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.	(a) Tranche 1 shares are anticipated to be issued on or about 9 December 2019 (b) Tranche 2 shares are anticipated to be issued early March 2020 (subject to receipt of shareholder approval and conditions as set out in the ASX Announcement dated 3 December 2019)

+ See chapter 19 for defined terms.

8	Number and ⁺ class of all ⁺ securities quoted on ASX <i>(including the ⁺securities in section 2 if applicable)</i>	<table border="1"> <thead> <tr> <th data-bbox="708 192 1086 232">Number</th> <th data-bbox="1086 192 1311 232">⁺Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="708 232 1086 309">Current shares on issue: 265,587,398</td> <td data-bbox="1086 232 1311 309" rowspan="3">Ordinary Shares</td> </tr> <tr> <td data-bbox="708 309 1086 443">Shares on issue after issue and quotation of the 52,958,908 Tranche 1 shares: 318,546,306</td> </tr> <tr> <td data-bbox="708 443 1086 591">Shares on issue after further issue and quotation of the 70,042,323 Tranche 2 shares: 388,588,629</td> </tr> </tbody> </table>	Number	⁺ Class	Current shares on issue: 265,587,398	Ordinary Shares	Shares on issue after issue and quotation of the 52,958,908 Tranche 1 shares: 318,546,306	Shares on issue after further issue and quotation of the 70,042,323 Tranche 2 shares: 388,588,629																								
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9	Number and ⁺ class of all ⁺ securities not quoted on ASX <i>(including the ⁺securities in section 2 if applicable)</i>	<table border="1"> <thead> <tr> <th data-bbox="708 591 890 631">Number</th> <th data-bbox="890 591 1311 631">⁺Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="708 631 890 757">500,000</td> <td data-bbox="890 631 1311 757">Unlisted Options exercisable at \$0.912 each, expiring 11 May 2020 (Remuneration Options)</td> </tr> <tr> <td data-bbox="708 757 890 860">1,440,000</td> <td data-bbox="890 757 1311 860">Unlisted Options exercisable at \$0.94 each, expiring 19 May 2020 (Remuneration Options)</td> </tr> <tr> <td data-bbox="708 860 890 963">1,168,272</td> <td data-bbox="890 860 1311 963">Unlisted Options exercisable at \$1.031 each, expiring 24 January 2022 (Remuneration Options)</td> </tr> <tr> <td data-bbox="708 963 890 1066">301,040</td> <td data-bbox="890 963 1311 1066">Unlisted Options exercisable at \$1.031 each, expiring 24 January 2022 (Remuneration Options)</td> </tr> <tr> <td data-bbox="708 1066 890 1169">583,000</td> <td data-bbox="890 1066 1311 1169">Unlisted Options exercisable at \$1.108 each, expiring 13 March 2022 (Remuneration Options)</td> </tr> <tr> <td data-bbox="708 1169 890 1272">561,800</td> <td data-bbox="890 1169 1311 1272">Unlisted Options exercisable at \$1.119 each, expiring 28 March 2022 (Remuneration Options)</td> </tr> <tr> <td data-bbox="708 1272 890 1375">1,450,000</td> <td data-bbox="890 1272 1311 1375">Unlisted Options exercisable at \$1.114 each, expiring 30 May 2022 (Remuneration Options)</td> </tr> <tr> <td data-bbox="708 1375 890 1438">280,000</td> <td data-bbox="890 1375 1311 1438">Performance Rights – Class 1</td> </tr> <tr> <td data-bbox="708 1438 890 1500">800,000</td> <td data-bbox="890 1438 1311 1500">Performance Rights – Class 4</td> </tr> <tr> <td data-bbox="708 1500 890 1563">100,000</td> <td data-bbox="890 1500 1311 1563">Performance Rights – Class 5</td> </tr> <tr> <td data-bbox="708 1563 890 1626">25,000</td> <td data-bbox="890 1563 1311 1626">Performance Rights – Class 6</td> </tr> <tr> <td data-bbox="708 1626 890 1688">15,000</td> <td data-bbox="890 1626 1311 1688">Performance Rights – Class 7</td> </tr> <tr> <td data-bbox="708 1688 890 1751">65,000</td> <td data-bbox="890 1688 1311 1751">Performance Rights – Class 8</td> </tr> <tr> <td data-bbox="708 1751 890 1814">1,000,000</td> <td data-bbox="890 1751 1311 1814">Performance Rights – Class 9</td> </tr> </tbody> </table>	Number	⁺ Class	500,000	Unlisted Options exercisable at \$0.912 each, expiring 11 May 2020 (Remuneration Options)	1,440,000	Unlisted Options exercisable at \$0.94 each, expiring 19 May 2020 (Remuneration Options)	1,168,272	Unlisted Options exercisable at \$1.031 each, expiring 24 January 2022 (Remuneration Options)	301,040	Unlisted Options exercisable at \$1.031 each, expiring 24 January 2022 (Remuneration Options)	583,000	Unlisted Options exercisable at \$1.108 each, expiring 13 March 2022 (Remuneration Options)	561,800	Unlisted Options exercisable at \$1.119 each, expiring 28 March 2022 (Remuneration Options)	1,450,000	Unlisted Options exercisable at \$1.114 each, expiring 30 May 2022 (Remuneration Options)	280,000	Performance Rights – Class 1	800,000	Performance Rights – Class 4	100,000	Performance Rights – Class 5	25,000	Performance Rights – Class 6	15,000	Performance Rights – Class 7	65,000	Performance Rights – Class 8	1,000,000	Performance Rights – Class 9
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10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A																														

Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A

+ See chapter 19 for defined terms.

- 28 Date rights trading will begin (if applicable)
- 29 Date rights trading will end (if applicable)
- 30 How do security holders sell their entitlements *in full* through a broker?
- 31 How do security holders sell *part* of their entitlements through a broker and accept for the balance?
- 32 How do security holders dispose of their entitlements (except by sale through a broker)?
- 33 ⁺Issue date

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

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	N/A	
39	+Class of +securities for which quotation is sought	N/A	
40	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?	N/A	
	<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 		
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)	N/A	
42	Number and +class of all +securities quoted on ASX (<i>including</i> the +securities in clause 38)	Number	+Class
		N/A	N/A

+ See chapter 19 for defined terms.

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: 3 December 2019
(~~Director~~/Company secretary) Date:

Print name: Catherine Grant-Edwards
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Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	264,413,827
<p>Add the following:</p> <ul style="list-style-type: none"> • Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>356,049 fully paid ordinary shares issued 24 July 2018 (ratified by shareholders 27 May 2019) 8,571 fully paid ordinary shares issued 20 December 2018 (ratified by shareholders 27 May 2019) 900,000 (fully paid ordinary shares issued 9 August 2019 on exercise of options) 250,000 (fully paid ordinary shares issued 8 October 2019 on exercise of options) 15,000 (fully paid ordinary shares issued 8 October 2019 on vesting of performance rights)</p>
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	N/A
“A”	265,943,447

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	39,891,517
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> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	<p>1,168,272 unlisted options (27 February 2019) (being 1,724,015 unlisted options initially issued, less 455,800 unlisted options cancelled 7 June 2019, less 99,943 unlisted options cancelled 11 October 2019)</p> <p>583,000 unlisted options (26 March 2019)</p> <p>561,800 unlisted options (18 April 2019)</p> <p>1,000,000 performance rights (14 June 2019) (Class 9)</p> <p>1,450,000 unlisted options (14 June 2019)</p> <p>26,364,563 fully paid ordinary shares (agreed to be issued pursuant to the Placement announced 3 December 2019) (the subject of this Appendix 3B)</p>
“C”	31,127,635
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>	39,891,517
Subtract “C” <i>Note: number must be same as shown in Step 3</i>	31,127,635
Total [“A” x 0.15] – “C”	8,763,882

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>	265,943,447
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	26,594,345
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"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	26,594,345 fully paid ordinary shares (agreed to be issued pursuant to the Placement announced 3 December 2019) (the subject of this Appendix 3B)
“E”	26,594,345
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>	26,594,345
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	26,594,345
Total [“A” x 0.10] – “E”	Nil

+ See chapter 19 for defined terms.