

Davenport Resources Limited
ABN 64 153 414 852

Half-year Financial Report - 31 December 2016

Davenport Resources Limited
Contents
31 December 2016

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Davenport Resources Limited
Directors' report
31 December 2016

The directors present their report, together with the financial statements, on the Company for the half-year ended 31 December 2016.

Directors

The following persons were directors of Davenport Resources Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

Mr Patrick McManus (appointed 9 January 2017)
Mr Chris Bain
Mr Rory Luff
Mr Angus Edgar
Dr Chris Gilchrist (appointed 28 February 2017)

Principal activities

During the financial year the principal continuing activities of the Company consisted of:

- investment in and development of mineral exploration assets

Review of operations

During the half-year to December 2016, Davenport Resources Ltd ("Davenport" or the 'Company') primarily undertook work toward the Initial Public Offer (IPO) for an ASX listing. A meeting of Davenport shareholders was held on 28 September 2016 to approve the acquisition of East Exploration Pty Ltd and its German subsidiary East Exploration GmbH the holder of the German potash exploration licences. Shareholders approved the acquisition. Subsequently a prospectus was lodged with ASIC to raise a minimum of \$5 million in order to list on the ASX. Notwithstanding some delays the IPO closed on 21 December 2016 successfully raising just over \$5million. Subsequent to the end of the period Davenport completed the acquisition of East Exploration and commenced trading on the ASX on 20 January 2017.

Exploration

Germany

Davenport worked with East Exploration during the half-year period to continue preparatory work so that following the IPO application could be made to the German mining authorities to undertake exploration drilling on the Kllstedt licence. This work is ongoing with a number of steps including environmental studies to be completed before approval will be given. In addition Davenport supported East Exploration in finding and acquiring historic drill hole information on the Grfentonna licence ahead of a planned evaluation to estimate an Exploration Target.

Australia

Davenport held three Exploration Licences as part of the Southern Cross Bore project located north of Alice Springs in the Northern Territory. Although no field exploration work was carried out the Company did complete rehabilitation work over an area of previous drilling at the Johnnies Reward prospect. Toward the end of the period Davenport relinquished EL29827 a small 4 block tenement on the south-eastern edge of the main licence area. The Company retains EL28045 and EL 30090 covering an area of over 600 km². Planning is now well underway for a comprehensive exploration program including follow up work at the Johnnies Reward project on EL28045 where drilling during 2012 and 2013 intersected significant copper gold mineralisation.

Davenport Resources Limited
Directors' report
31 December 2016

Matters subsequent to the end of the financial period

Acquisition of South Harz Potash Project

Effective 9 January 2017, the Company acquired 100% of the issued capital of East Exploration Pty Ltd ("East Exploration"), completed a capital raising of \$5.11 million (before costs) at 20 cents per share and listed on the Australian Stock Exchange ("ASX") on 20 January 2017. East Exploration holds two exploration licences in Germany, referred to as the South Harz Project, through a wholly owned and controlled German subsidiary.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors:



Chris Bain
Director

16 March 2017
Melbourne

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF DAVENPORT RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



**ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS**



**BEN BESTER
PARTNER**

Dated in Melbourne on this 16 day of March 2017

Davenport Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	31/12/16 \$	31/12/15 \$
Revenue from continuing operations	2	270,586	25,262
Expenses			
Administration, legal and corporate expenses		(54,147)	(84,066)
Director remuneration and consulting		(64,502)	-
Acquisition and prospectus costs		(253,914)	-
Doubtful debts expense		(29,202)	-
Exploration costs written off		(14,302)	(12,502)
Rehabilitation expenses		-	(28,318)
Occupancy costs		(66,257)	(47,289)
Loss before income tax expense from continuing operations		(211,738)	(146,913)
Income tax expense		(33,261)	-
Loss after income tax expense for the half-year		(244,999)	(146,913)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain/(Loss) on the revaluation of available-for-sale financial assets, net of tax		-	34,760
Total comprehensive income for the half-year		(244,999)	(112,153)
 Basic loss per share (cents per share)	 4	 (2.04)	 n/a
Diluted loss per share (cents per share)	4	(2.04)	n/a

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Davenport Resources Limited
Statement of financial position
As at 31 December 2016

	Note	31/12/16	30/6/16
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		268,716	395,005
Trade and other receivables		18,805	25,809
Monies held in trust – share applications		4,494,708	-
Prepayments		74,944	14,157
Total current assets		4,857,173	434,971
Non-current assets			
Trade and other receivables		143,174	141,981
Other financial assets		330,000	250,000
Property, plant and equipment		11,226	11,817
Exploration and evaluation	3	-	261,245
Total non-current assets		484,400	665,043
Total assets		5,341,573	1,100,014
Liabilities			
Current liabilities			
Trade and other payables		219,506	232,599
Current tax liabilities		40,671	-
Share application funds		4,494,708	-
Provisions		-	28,318
Total current liabilities		4,754,885	260,917
Non-current liabilities			
Provisions		12,000	12,000
Deferred tax liabilities		-	7,410
Total non-current liabilities		12,000	19,410
Total liabilities		4,766,885	280,327
Net assets		574,688	819,687
Equity			
Issued capital		917,054	917,054
Accumulated losses		(342,366)	(97,367)
Total equity		574,688	819,687

The above statement of financial position should be read in conjunction with the accompanying notes.

Davenport Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2016

	Contributed	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2016	917,054	-	(97,367)	819,687
Loss after income tax expense for the half-year	-	-	(244,999)	(244,999)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(244,999)	(244,999)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Balance at 31 December 2016	<u>917,054</u>	<u>-</u>	<u>(342,366)</u>	<u>574,688</u>

	Contributed	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 1 July 2015	437,054	-	(2,872,603)	(2,435,549)
Loss after income tax expense for the half-year	-	-	(146,913)	(146,913)
Other comprehensive income for the half-year, net of tax	-	34,760	-	34,760
Total comprehensive income for the half-year	-	34,760	(146,913)	(112,153)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	-	-	-	-
Balance at 31 December 2015	<u>437,054</u>	<u>34,760</u>	<u>(3,019,516)</u>	<u>(2,547,702)</u>

Davenport Resources Limited
Statement of cash flows
For the half-year ended 31 December 2016

	2016 \$	2015 \$
Cash flows from operating activities		
Interest received	3,868	997
Receipts from customers	7,715	21,866
Payments to suppliers and employees	<u>(535,071)</u>	<u>(3,616)</u>
Net cash (used in)/provided by operating activities	<u>(523,488)</u>	<u>19,247</u>
Cash flows from investing activities		
Payments for exploration and evaluation	(22,801)	(8,768)
Proceeds from sale of exploration asset	500,000	-
Payment for loan to East Exploration Pty Ltd	<u>(80,000)</u>	<u>-</u>
Net cash provided by/(used in) investing activities	<u>397,199</u>	<u>(8,768)</u>
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(126,289)	10,479
Cash and cash equivalents at the beginning of the period	<u>395,005</u>	<u>3,328</u>
Cash and cash equivalents at the end of the period	<u><u>268,716</u></u>	<u><u>13,807</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Davenport Resources Limited
Notes to the financial statements
31 December 2016

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Davenport Resources Limited financial report for the year ended 30 June 2016.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. No significant impact on the accounting policies of the Company is expected from the adoption of these Accounting Standards and Interpretations.

Going concern

For the half-year ended 31 December 2016, the Company incurred a total comprehensive loss of \$244,999. As at 31 December 2016, the Company's current assets exceeded its current liabilities by \$102,288. As at 31 December 2016, the Company had accumulated losses of \$342,366.

As detailed in Note 5 below, effective 9 January 2017, the Company acquired 100% of the issued capital of East Exploration Pty Ltd, completed a capital raising of \$5.11 million (before costs) at 20 cents per share and listed on the Australian Stock Exchange ("ASX") on 20 January 2017. As a result, \$4,494,708 of share application funds recorded as a liability as at 31 December 2016 was satisfied by the issue of shares and is no longer payable.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the Company's ability to effectively manage its operations and working capital requirements, the directors believe that the Company will continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business at the amounts stated in the financial statements.

Davenport Resources Limited
Notes to the financial statements
31 December 2016

Note 2. Revenue

	31/12/16 \$	31/12/15 \$
From continuing operations:		
Interest	5,086	997
Profit on sale of Hatches Creek project	238,755	-
Other revenue	26,745	24,265
Revenue from continuing operations	<u>270,546</u>	<u>25,262</u>

Note 3. Non-current assets - exploration and evaluation

	31/12/16 \$	30/6/16 \$
Exploration and evaluation – at cost	<u>-</u>	<u>261,245</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Exploration \$	Total \$
Balance at 1 July 2016	261,245	261,245
Additions	14,302	14,302
Sale of Hatches Creek project	(261,245)	(261,245)
Exploration costs written off	<u>(14,302)</u>	<u>(14,302)</u>
Balance at 31 December 2016	<u>-</u>	<u>-</u>

Note 4. Loss per share

	Consolidated	
	31 December 2016 \$	31 December 2015 \$
(a) Loss used in the calculation of loss per share	<u>(244,999)</u>	<u>(112,153)</u>
	Number of Shares	
(b) Weighted average number of ordinary shares outstanding during the reporting period used in calculation of basic and diluted loss per share:	<u>12,000,262</u>	<u>12</u>

Note 5: Events subsequent to reporting date

Subsequent to reporting date the following event occurred:

Acquisition of South Harz Potash Project

Effective 9 January 2017, the Company acquired 100% of the issued capital of East Exploration Pty Ltd ("East Exploration"), completed a capital raising of \$5.11 million (before costs) at 20 cents per share and listed on the Australian Stock Exchange ("ASX") on 20 January 2017. East Exploration holds two exploration licences in Germany, referred to as the South Harz Project, through a wholly owned and controlled German subsidiary.

The acquisition of East Exploration (the legal subsidiary) by the Company (the legal parent) is deemed to be a reverse acquisition, since the substance of the transaction is such that the former shareholders of East Exploration have obtained substantial control of the Company.

AASB 3 Business combinations ('AASB 3') sets out the accounting principles to be followed in a reverse acquisition transaction. However, the Directors have concluded that the Company does not meet the definition of a business as prescribed in AASB 3 and, as such, it has been deemed that the Acquisition cannot be accounted for in accordance with the guidance set out in AASB 3.

Therefore, consistent with the accepted practice for transactions similar in nature to the acquisition, the Company will account for the acquisition of East Exploration in the reporting of the legal acquirer (the Company) as a continuation of the financial statements of the legal acquired entity (East Exploration), together with a share based payment measured in accordance with *AASB 2 Share based payments* ('AASB 2'), which represents a deemed issue of shares by the legal acquired entity (East Exploration) to the shareholders in the Company prior to the acquisition. The excess of the assessed value of the share based payment over the net assets of the Company as at acquisition date will be expensed to the income statement as a listing fee.

Number of consideration shares paid on acquisition:

36,458,333 fully paid Ordinary Shares to the vendors.

67,708,334 Performance Shares were also issued to the vendors (details described below).

Davenport Resources Limited
Notes to the financial statements
31 December 2016

Summary movement of fully paid ordinary shares:

As at 31 December 2016	12,000,262
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No movement of shares occurred during the period.

Issued subsequent to the end of the period:

IPO capital raised \$5,111,737	25,558,687
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Issued to East Exploration Vendors	<u>36,458,333</u>
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Total on issue as at 19 January 2017	<u>74,017,282</u>
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In addition to the fully paid ordinary shares, Performance shares with milestone conditions attached were issued subsequent to the end of the quarter in connection with the acquisition of East Exploration which occurred effective 9 January 2017. Share Options were also issued in connection with the capital raising subsequent to the end of the quarter. Details are included below.

Details on all securities on issue as at 19 January 2017:

Quoted fully paid ordinary shares	33,178,592
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Restricted fully paid ordinary shares	37,913,690 (i)
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Restricted fully paid ordinary shares	<u>2,925,000</u> (ii)
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Total Shares	<u>74,017,282</u>
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First Performance Shares (Non-voting)	33,854,167 (iii)
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Second Performance Shares (Non-voting)	<u>33,854,167</u> (iv)
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Total Performance Shares	<u>67,708,334</u>
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Options	6,158,000 (v)
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- (i) To be held in escrow for 24 months from 20 January 2017.
- (ii) To be held in escrow for 12 months from the date of issue being 18 May 2016.
- (iii) Refer below for performance milestone terms and conditions issued to East Exploration vendors.
- (iv) Refer below for performance milestone terms and conditions issued to East Exploration vendors.
- (v) Options issued in connection with the capital raising. Exercisable at 25 cents and expiring on 19 January 2020. To be held in escrow for 24 months from 20 January 2017.

Performance Shares - Milestones

Subsequent to the end of the quarter, as part consideration for the acquisition of East Exploration Pty Ltd effective 9 January 2017, the Company issued two tranches of 33,854,167 Non-voting Milestone Performance Shares (67,708,334 in total). Details of the milestone performance conditions are as follows:

Milestone 1

The Milestones for the first performance shares are as follows:

The announcement to ASX by Davenport within four (4) years after 9 January 2017 of the first JORC Code compliant inferred resources of one of the following:

- (a) 250 million tonnes of potash at or above 11.0% K₂O by content, or
- (b) 150 million tonnes of potash at or above 12.0% K₂O by content, or
- (c) 100 million tonnes of potash at or above 13.0% K₂O by content, or
- (d) 75 million tonnes of potash at or above 15.0% K₂O by content, or
- (e) 50 million tonnes of potash at or above 18.0% K₂O by content.

Milestone 2

The Milestone for the second performance shares are as follows:

The announcement to ASX by Davenport within five (5) years after 9 January 2017 of satisfaction of all mining approvals and utility contracts required to construct and operate a minimum 500,000 tonnes per annum potash mine on the South Harz Project (including all government approvals, water and energy contracts necessary to operate the mine).

Davenport Resources Limited
Directors' declaration
31 December 2016

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



Chris Bain
Director

16 March 2017
Melbourne

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF DAVENPORT RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Davenport Resources Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Davenport Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF DAVENPORT RESOURCES LIMITED (Continued)**

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Davenport Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Davenport Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



**ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS**



**BEN BESTER
PARTNER**

Dated in Melbourne on this

16 day of March 2017