



ASX Announcement

28 April 2017

COMPANY DETAILS

Davenport Resources Limited

ABN: 64 153 414 852

ASX CODE: DAV

PRINCIPAL AND REGISTERED OFFICE (& Postal Address)

Davenport Resources Limited
Level 14,
31 Queen Street
Melbourne VIC 3000

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P: +61 (0) 415 065 280

Capital Structure

74.0M Ordinary shares

33.85M First milestone shares

33.85M Second milestone shares

6.2M Unlisted options

BOARD OF DIRECTORS

Patrick McManus

(Non-Executive Chairman)

Chris Bain

(Managing Director)

Rory Luff

(Non-Executive Director)

Angus Edgar

(Non-Executive Director)

Chris Gilchrist

(Non-Executive Director)

Exploration activities report for March quarter 2017

HIGHLIGHTS:

- Davenport continues working with German authorities to pioneer the pathway within the legislative framework to achieve drilling approval
- Grafentonna historic drillhole data analysis for an exploration target close to finalization
- Planning near completion for extended geophysical survey at Southern Cross Bore
- Ongoing identification and evaluation of opportunities to advance the Company's objectives including expanding and improving the potential of existing projects.

Germany

South Harz Potash project

Davenport holds two potash exploration licences in Germany's Thüringen State. The licences cover a combined total area of 457 km² on the southern section of the South Harz potash basin. Historic drilling and mining in the basin demonstrate that the licences are underlain by a continuous potash horizon.

Küllstedt

Davenport's consultants ERCOSPLAN estimated an Exploration Target on the Küllstedt licence (Davenport Replacement Prospectus 24 October 2016) of 4-5 billion tonnes of potash mineralisation with a grade range of 7.2% K₂O to 25% K₂O. The potential quantity and grade of the Exploration Target is conceptual in nature. There has been insufficient exploration to estimate a mineral resource and it is uncertain if further exploration will result in the estimation of a mineral resource.

There is significant goodwill regarding Davenport's exploration plans and as there has been no potash exploration in the region since the closure of the industry after German reunification in 1991, Davenport is working with all levels of authority to pioneer the pathway within the legislative framework to achieve drilling approval. Progress over the March quarter includes:

- Ground checking access conditions at planned drill sites;
- Determining land ownership at drill sites;
- Meetings with municipal and mining authorities;
- Tender proposals received from qualified drilling companies;
- Data collection and evaluation for an Environmental Impact Assessment.

Additional meetings with regional authorities are being conducted through April before determining if there is a requirement for a public community meeting before submitting a final drilling approval application to the Mines Authority.

Gräfentonna

ERCOSPLAN are close to completing the analysis of previous drill holes on the licence. Most of the holes were for hydrocarbon exploration, however, as they intersected the potash horizon, it is believed there is sufficient data to establish an Exploration Target on the Gräfentonna licence.

Australia

Southern Cross Bore Project

The Geographic Information System (GIS) over the Southern Cross Bore project tenements (EL28045 and 30090) has been rebuilt using all available historic exploration data. Davenport has engaged Southern Geoscience to re-interpret the Versatile Time Domain Electromagnetic System (VTEM) and magnetic survey completed in 2013 over EL28045 with a focus on the Johnnies Reward area. Johnnies Reward has been extensively drilled in the past, however, it is geologically complex and new insights are required to achieve effective targeting of future drilling. The new interpretation now being finalised incorporates lithological information and interpreted mineralization envelopes from previous drilling to model the location of conductive plates that may represent untested mineralization.

Review of past exploration over EL30090 shows that it is sparsely explored. Historically, several campaigns of stream sediment sampling followed by some soil sampling traverses has shown possible anomalous areas and indications of alteration often associated with Iron Oxide Copper Gold (IOCG) mineralization. Despite the Arunta region being recognized as highly prospective for metals and gold and the proximity of Johnnies Reward in adjoining EL28045 there is no known drilling on EL30090. Apart from very wide spaced government geophysical data, there are no detailed geophysical surveys. Davenport is using the knowledge gained from interpretation of the VTEM and magnetics with the drilling at Johnnies Reward to plan a major geophysical survey over EL30090.

Corporate

During the quarter the company appointed Chris Gilchrist as a Non Executive Director of Davenport. (ASX Announcement 28 February 2017)

The Company seeks and monitors opportunities relevant to its objectives. Opportunities may include expanding and improving the potential of existing projects. The Company may engage in discussions with third parties, undertake preliminary investigations, and consider the appropriateness, possible structure and any applicable regulatory requirements in respect of potential opportunities when identified. If a proposal advances, details would be announced in accordance with the Company's continuous disclosure obligations

ENQUIRIES

Investors:

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Competent Person Statements

The South Harz Potash Project data in this report is based on information reviewed by Jason Wilkinson, a member of the Professional Member of the Institute of Materials, Minerals & Mining (MIMMM) and an employee of Davenport Resources Limited. Mr Wilkinson has sufficient experience that is relevant to the style of the mineralisation and the type of deposit under consideration and to the activity to which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Wilkinson has consented to the inclusion of this information in the form and context in which it appears in this report.

The Southern Cross Bore Project data in this report is based on information reviewed by Mr Chris Bain, a Member of the Australian Institute of Metals & Mining (AusIMM) and an employee of Davenport Resources Limited. Mr Bain has sufficient experience that is relevant to the style of the mineralisation and the type of deposit under consideration and to the activity to which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bain has consented to the inclusion of this information in the form and context in which it appears in this report.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Davenport Resources Limited

ABN

64 153 414 852

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers – sub-tenants rent	3	11
1.2 Payments for		
(a) exploration & evaluation	(28)	(51)
(b) development		
(c) production		
(d) staff costs	(55)	(122)
(e) administration and corporate costs	(143)	(274)
1.3 Dividends received (see note 3)		
1.4 Interest received	7	11
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other - IPO/acquisition of East Exploration costs	(375)	(680)
- Rehabilitation costs		(32)
1.9 Net cash from / (used in) operating activities	(591)	(1,137)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	(d) other non-current assets Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements		500
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		(80)
2.4	Dividends received (see note 3)		
2.5	Other – cash acquired upon the purchase of East Exploration	112	112
	- security deposits paid	(20)	(20)
2.6	Net cash from / (used in) investing activities	92	512

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,112	5,112
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options	(301)	(301)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	4,811	4,811

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	269*	395
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(591)	(1,137)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	92	512
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,811	4,811

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(13)	(13)
4.6	Cash and cash equivalents at end of period	4,568	4,568

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,568	269 *
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (short term deposit)	2,000	
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,568	269 *

* The closing balance as at 31 December 2016 excluded share application funds received during the quarter. These funds were restricted pending satisfaction of the conditions required for the Company listing on the ASX. These conditions were satisfied and the Company listed on 20 January 2017 raising a total of \$5,111,737 before costs.

The above cash flow information includes East Exploration Pty Ltd and its controlled subsidiary acquired by Davenport with an effective date of 9 January 2017 following satisfaction of all contract conditions.

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	55
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director salaries and fees.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	300
9.2 Development	
9.3 Production	
9.4 Staff costs	60
9.5 Administration and corporate costs	150
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	510

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Refer to the attached schedule.		
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director)

Date:28 April 2017.....

Print name: Chris Bain

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

DAVENPORT RESOURCES LIMITED

TENEMENT SCHEDULE

NORTHERN TERRITORY

The following tenement interests were held during the quarter ended 31 March 2017:

Title Number	Interest held at start of quarter	Change in interest during the quarter	Interest held at end of quarter	Status (G - Grant, A - Appl'n)	Area sq kms
EL28045	100	-	100	G	73
EL30090	100	-	100	G	557

GERMANY

During the quarter the following interest was acquired:

Effective on 9 January 2017, the Company acquired East Exploration Pty Ltd and its 100% controlled entity located in Germany, East Exploration GmbH.

East Exploration GmbH holds the South Harz Project located in the northern part of the Federal State of Thuringia, situated approximately halfway between Frankfurt and Berlin. Details of the two licences held are:

- K llstedt licence granted on 12 January 2015 covering an area of 241 km²
- Gr fentonna licence granted on 12 January 2015 covering an area of 216 km²

Under the German Mining Law the exploration licences are granted for a term of 5 years with an option to renew for a further 3 years.

DAVENPORT RESOURCES LIMITED

PERFORMANCE SHARES - MILESTONES

It is a condition of the ASX listing that the Company discloses in each quarterly report details of the Performance shares that remain on issue.

During 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 Performance shares (67,708,334 in total). These remain on issue and no milestones have been met.

The following are the common terms of the first Performance shares and the second Performance shares.

- (a) **(Performance Shares):** A Performance share is a share in the capital of the Company (being Davenport Resources Limited) **(Performance Shares)**.
- (b) **(General Meetings):** A Performance share shall confer on the holder (a **Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. The Holder of a Performance share has the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights):** A Performance share does not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights):** A Performance share does not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up):** The Holder of a Performance share is not entitled to participate in the surplus assets or profits of the Company in a winding up.
- (f) **(Not Transferable):** A Performance share is not transferable.
- (g) **(Issues and Reorganisation of Capital):** A Performance share does not entitle the Holder to participate in any bonus issue, pro rata issue or any other issue or rights to subscribe for fully paid ordinary shares or any other securities issued by the Company. Further, if at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed as if each Performance share held by the Holder was a fully paid ordinary share, to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(No Other Rights):** A Performance share gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (i) **(Conversion):** Subject to paragraph (m) below, a Performance share will convert into one fully paid ordinary share in the Company (a **Share**) upon the achievement of the milestone applicable to that Performance Share (the **Applicable Milestone**). The Applicable Milestone for a Performance share will be specified in the terms of issue of or invitation to apply for the Performance share. Performance shares which have not lapsed will convert automatically (without the achievement of the Applicable Milestone) in the event of a takeover or change of control of the Company.
- (j) **(Conversion Procedure):** The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of Performance Shares into Shares under paragraph (i).
- (k) **(Lapse):** If the Applicable Milestone for a Performance share is not achieved within the time or by the event specified for and as part of the Applicable Milestone, all Performance shares for which that milestone is the Applicable Milestone will lapse and be deemed to have been cancelled without payment or other compensation to the Holder.
- (l) **(Quotation – Application to ASX):** Performance shares will not be quoted on the ASX. If Performance shares convert into Shares the Company must within seven (7) days of the date of conversion apply for official quotation on ASX of the Shares.

- (m) **(Compliance with Law):** The conversion of Performance shares is subject to compliance at all times with the Corporations Act and the Listing Rules of ASX.
- (n) **(Ranking of Shares):** The Shares into which the Performance share will convert will rank pari passu in all respects with existing Shares.

The Applicable Milestone for the first Performance shares is Milestone 1. The Applicable Milestone for the second Performance shares is Milestone 2. The Milestones are set out below.

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).

“South Harz Project” means the mineral exploration project targeting potash in central Germany including the Küllstedt and Gräfenonna exploration licences and all ground within 50 kilometres of the Küllstedt and Gräfenonna tenements.