

ASX ANNOUNCEMENT29th October 2020

SEPTEMBER 2020 QUARTERLY ACTIVITY REPORT

- Davenport announces JORC (2012) compliant inferred resource at Nohra-Elende project in Germany, comprising 768Mt at an average grade of 8.1% magnesium sulphate, with intersections up to 20%
- Magnesium sulphate is contained within the mineral kieserite ($\text{MgSO}_4 \cdot \text{H}_2\text{O}$) of which 72Mt has been identified
- Magnesium sulphate can be sold in a pure form, blended with potash (MOP) to produce value-added fertilizers or reacted with MOP to manufacture potassium sulphate (SOP)
- Ian Farmer appointed Non-Executive Chairman as part of Board restructure as Davenport progresses development of European potash projects
- Mr Farmer was CEO of platinum miner Lonmin plc, a FTSE 100/250 company, from 2008 until 2012 and has 26 years' experience at Lonmin and parent company Lonrho, with involvement in financial management, corporate development, marketing and strategy
- Dr. Reinout Koopmans returned to Non-Executive Director role
- Robert van der Laan appointed interim Executive Director following Patrick McManus' resignation.

Next steps

Continue discussions with potential investors and strategic partners to progress development of its project portfolio in South Harz, Germany.

Davenport plans to then sink twin, confirmatory drill holes at the Ohmgebirge (MOP) project to upgrade the current inferred resources to the indicated category

Complete further studies on the production cost and market potential for SOP, magnesium sulphate and specialty K+Mg fertiliser blends

Davenport Resources Ltd (ASX: DAV, "Davenport", "The Company") is pleased to report on its activities for the September 2020 quarter.

GERMANY – SOUTH HARZ PROJECTS

In September, Davenport announced a maiden JORC-compliant inferred kieserite resource for the northern part of its Nohra-Elende project totalling 768 million tonnes grading an average of 8.1% magnesium sulphate (predominantly in the form of the mineral "kieserite"), but increasing to 20% in places (ASX announcement 23rd September 2020). The resource was confirmed by renowned consultancy group Micon International Co Limited based on available historic exploration data.

The resource area contains approximately 72 million tonnes of kieserite ($\text{MgSO}_4 \cdot \text{H}_2\text{O}$), which is a valuable fertiliser nutrient. It provides a source of both readily water-soluble magnesium and sulphur, which are commonly depleted from soils in Europe and around the world.

CONTACT DETAILS

The kieserite resource is present within the carnallite and sylvinite potash seams that were evaluated by Micon in late 2018 (ASX announcement 13th November 2018). In addition to the 72Mt kieserite resource, the entire Nohra-Elende potash deposit comprises sylvinite and carnallite, containing more than 165 million tonnes of potentially exploitable K₂O resources.

Kieserite is marketed globally and produced in three major forms, depending on the water content. The most common form, used predominantly in agriculture, is magnesium heptahydrate (Epsom Salt). The European market for magnesium sulphate products derived from kieserite is approximately 300,000 tonnes per annum, however, kieserite is also used in combination with MOP to produce higher value K+Mg fertilisers and is also used to convert MOP to the premium SOP fertiliser, the latter having a 6Mt global market.

Natural kieserite is already mined in Germany, however ore reserves are depleting and a replacement source will be required. Palm oil producers in SE Asia use large volumes of magnesium sulphate sourced from product manufactured synthetically in China through a chemical process.

Nohra-Elende is one of at least four standalone projects in Davenport's portfolio, which comprises western Europe's largest potash resource inventory of more than 5.3 billion tonnes. Davenport is working to develop its project portfolio.

In accordance with ASX listing rule 5.23, the Company is not aware of any new information or data that materially affects the information included in the previous market announcement (ASX announcements 13th November 2018 and 23rd September 2020) and that all material assumptions and technical parameters underpinning the estimate in the previous market announcement continue to apply and have not materially changed.

Davenport intends to continue with its strategy to sink twin, confirmatory drillholes at its Ohmgebirge (MOP) project in order to upgrade the current inferred resources to the indicated category, following which the existing scoping study will be upgraded to a feasibility study.

In parallel with this, as a consequence of the kieserite discovery, Davenport will conduct further studies on the production cost and market potential for SOP, magnesium sulphate and specialty K+Mg fertiliser blends.

CORPORATE

Board Changes

Davenport announced the appointment of former Lonmin Plc ("Lonmin") CEO Ian Farmer as Non-Executive Chairman in September.

Mr Farmer is a UK based, highly experienced mining executive. He served as Chief Executive Officer of Lonmin, the third largest platinum miner globally, between 2008 and 2012, where he oversaw a period of significant transformation, both operationally and financially. During his 26 years at Lonmin and its parent company Lonrho, Mr Farmer held various financial and strategic positions, including Chief Strategy Officer from 2006-2008. Mr Farmer led the acquisition of various junior mining projects and integrated them into the group.

He has been a Non-Executive Director of The Royal Marsden NHS Foundation Trust in the UK since 2014, and previously was a Non-Executive Director of VTTI Energy Partners LP (2014 - 2017).

On Mr Farmer's appointment, Dr. Reinout Koopmans, who was Davenport's Interim Chairman since May 2020, stepped down from that role, but remains on the Board as a Non-executive Director.

Mr Farmer's appointment as Davenport's Non-Executive Chairman is part of a Board restructure to increase its effectiveness in progressing the development of its potash projects while addressing the cost base of the Company.

In addition, Mr Patrick McManus resigned from the Board and Mr Robert Van der Laan was appointed an interim Executive Director. He is a qualified accountant with more than 30 years' experience in the management of financial and risk management systems of public and private companies, in the resources and engineering sectors.

CONTACT DETAILS

In other changes, Managing Director Dr Chris Gilchrist agreed to have his salary reduced on a temporary basis by 30% and will no longer participate in the Company's Salary Sacrifice Share Plan.

Annual General Meeting

Davenport's Annual General Meeting of shareholders will be held on 27th November 2020. A notice of meeting for the Annual General Meeting will be lodged on the ASX platform in due course.

Change of Business and Registered Office Addresses

Davenport's business and registered office of the Company has relocated to :

Level 1
677 Murray Street
Perth WA 6005
AUSTRALIA

The postal address has also changed to :

PO Box 174
West Perth WA 6872
AUSTRALIA

Investor & Media Enquiries

Dr Chris Gilchrist

Managing Director
Davenport Resources Ltd
+353 41 988 3409
cgilchrist@davenportresources.com.au

Nathan Ryan

Managing Director
NWR Communications
+61 420 582 887
nathan.ryan@nwrcommunications.com.au

CONTACT DETAILS

W: davenportresources.com.au
E: info@davenportresources.com.au
P: +61 (08) 6145 0291

ABN: 64 153 414 852

ASX Code: DAV

ASX Code (Options): DAVO

Frankfurt Code: A2DWXX

197.1 M Ordinary Shares

14.2 M Unlisted Options

46.2 M Listed Options

5.1M Performance Rights

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Davenport Resources Limited

ABN

64 153 414 852

Quarter ended ("current quarter")

30 September 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (03months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1	1
1.2	Payments for		
	(a) exploration & evaluation	(96)	(96)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(142)	(142)
	(e) administration and corporate costs	(206)	(206)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(443)	(443)

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (03months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	744	744
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(39)	(39)
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	705	705

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	242	242
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(443)	(443)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	705	705

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (03months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	502	502

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	502	502
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	502	502

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1*	(84)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
* Directors fee payments Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.		

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(443)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(443)
8.4 Cash and cash equivalents at quarter end (item 4.6)	502
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	502
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.13
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Yes	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: The Company continues to explore options for strategic investment and further reduce expenditure to ensure it has operating capital until this is secured.	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The Company expects to secure investment to ensure its continued operation.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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.

Date: 29 October 2020.....

Authorised by: ...By the board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.