

**ASX Announcement**31<sup>st</sup> January 2019**Davenport Resources exploration report****December quarter 2018****Highlights**

- **Davenport now controls over 3.4 billion tonnes (grading 10.5% K<sub>2</sub>O) of JORC Inferred Resource, including 1.2 billion tonnes Sylvinite grading 13.2% K<sub>2</sub>O, on granted Mining Licences.**
- **World potash demand reached record highs in 2018 with large rebounds from both China and North America for MOP (potassium Chloride). Forecast price trends are favorable.**
- **Inferred Resource of 1.7 billion tonnes grading 9.7% K<sub>2</sub>O declared for the Nohra-Elende sub area of the Mühlhausen-Nohra Perpetual Mining Licence.**
- **Planning is at an advanced stage to conduct confirmatory drilling at two sites during the first half of 2019.**

**COMPANY DETAILS****Davenport Resources Limited**

ABN: 64 153 414 852

ASX CODE: DAV

ASX CODE (Options): DAVO

FRANKFURT CODE: A2DWXX

**PRINCIPAL AND REGISTERED OFFICE (& Postal Address)**

Davenport Resources Limited  
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P: +61 (08) 9481 0389

**Capital Structure**

143.1M Ordinary Shares  
16.6M Unlisted Options  
34.4M Listed Options  
6.2M Performance Rights

**BOARD OF DIRECTORS****Patrick McManus**

(Non-Executive Chairman)

**Dr Chris Gilchrist**

(Managing Director)

**Rory Luff**

(Non-Executive Director)

**Dr Reinout Koopmans**

(Non-Executive Director)

## **GERMANY – South Harz Potash Project**

Davenport controls over 600 sq km of tenure in the historic potash producing area of South Harz, in Thuringia, Central Germany (figure 1), comprising perpetual mining licences:

- Ebeleben
- Mühlhausen-Nohra, and
- Ohmgebirge

And exploration licences Küllstedt and Gräfentonna

### **Perpetual Mining Licence Areas**

A review of JORC Inferred resources in the perpetual mining licence areas has indicated that the southern portion of the Mühlhausen-Nohra area should become the focus for an economic study during 2019 owing to its high sylvinite content and several other favourable geological factors.

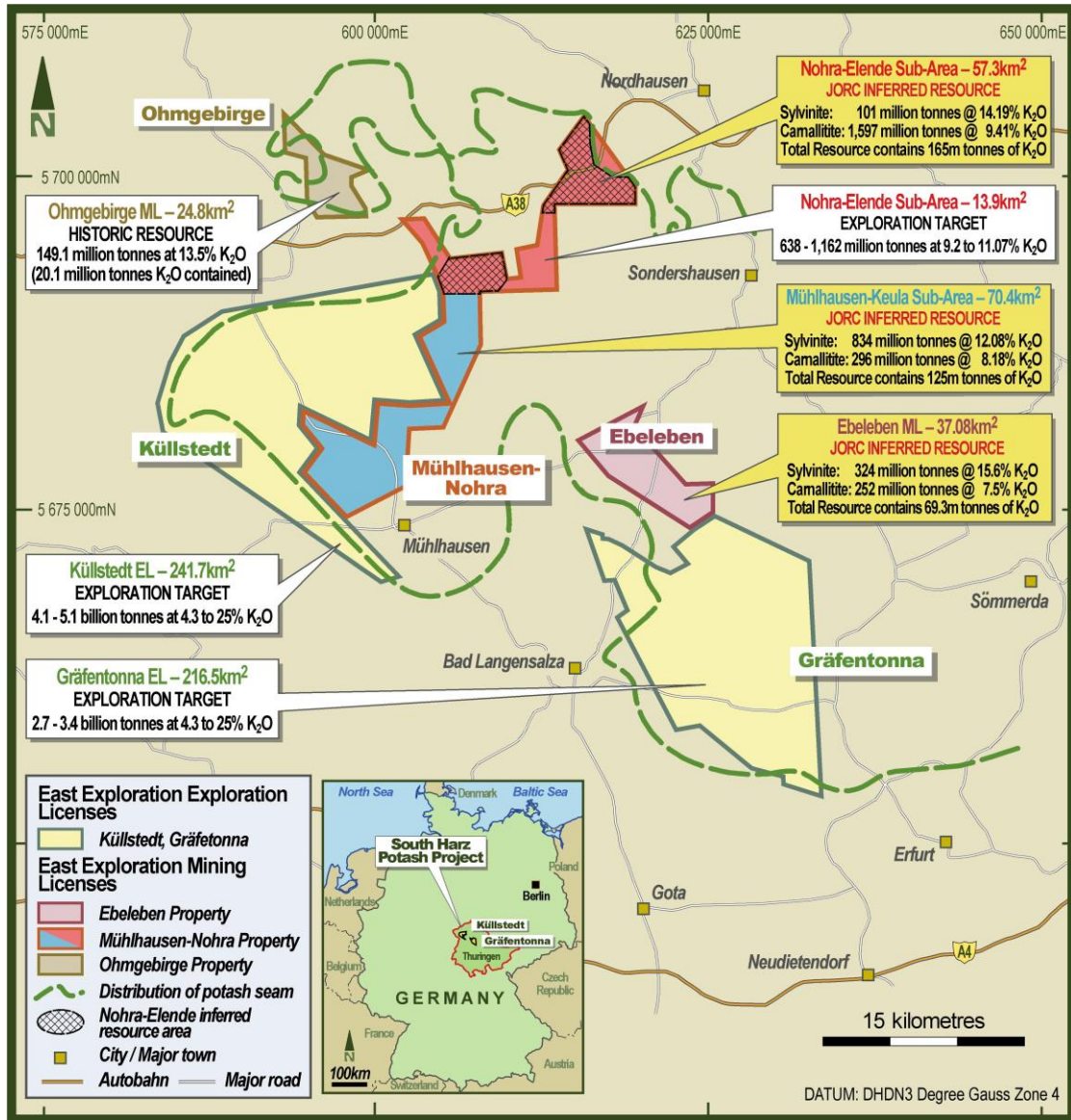
#### **Ebeleben**

No further work is planned for the Ebeleben area at this time.

#### **Mühlhausen-Nohra**

##### **Nohra-Elende Sub-Area**

A JORC 2012 Inferred resource of 1,698 million tonnes grading 9.7% K<sub>2</sub>O was announced in November 2018 following a review of historical exploration data by internationally-renowned consultancy Micon. The resource comprises 101 million tonnes sylvinite grading at 14.2% K<sub>2</sub>O and 1,597 million tonnes carnallite grading at 9.4% K<sub>2</sub>O. The declared resource occurs within the northern portion of the Mühlhausen-Nohra mining licence, designated Nohra-Elende, which has an area of 71.2km<sup>2</sup> (Figure 1). Additionally, Micon identified a further portion of the Nohra-Elende area as an Exploration Target where the drill spacing was too great to determine an Inferred resource. Details of this exploration target was announced on 15<sup>th</sup> January 2019 for a target of 638 to 1162 million tonnes grading at 9.2 – 11.1 % K<sub>2</sub>O.



**Figure 1: The Mühlhausen-Nohra Perpetual Mining Licence areas (red and blue-shaded) with a total JORC Inferred resource of 2.83 Billion tonnes comprising 935 million tonnes sylvinite and 1893 million tonnes carnallite.**

The complete breakdown of JORC Resources on Nohra-Elende (excluding exploration target) is shown in Table 1 below.

**Table 1: Nohra-Elende Mineral Resources (ASX announcement 13<sup>th</sup> November 2018)**

Seam	JORC Category	$\rho$ g/cm <sup>3</sup>	Geol Loss (%)	Tonnage (Mt)	K <sub>2</sub> O (%)	K <sub>2</sub> O (Mt)	Insols (%)	Mg (%)	Na (%)	SO <sub>4</sub> (%)
Upper Sylvinite	Inferred	2.17	20	87	14.75	13	0.59	23.83	3.50	15.99
Lower Sylvinite	Inferred	2.30	20	14	10.67	1	0.36	16.84	1.81	23.21
Carnallite	Inferred	1.90	20	1,597	9.41	150	0.55	14.80	6.01	12.98
<b>Total</b>	<b>Inferred</b>	-	<b>20</b>	<b>1,698</b>	<b>9.69</b>	<b>165</b>	<b>0.55</b>	<b>15.28</b>	<b>5.85</b>	<b>13.22</b>

## Notes:

1. Mineral resources presented according to ore type (mineralogy) and not as per stratigraphy.
2. Minimum seam thickness considered for resources is 1 m.
3. Minimum cut-off grade  $\geq 5\%$  K<sub>2</sub>O.
4. 20% geological loss applied to account for potential unknown geological losses for Inferred resources.
5. Data source: historical state records (BVVG) checked and verified.
6. Inferred resources rounded down to nearest 100,000 t.
7. Errors may exist due to rounding.

Combining the above with the Inferred Resources which have already been announced for Ebeleben (ASX announcement April 2018) and the Mühlhausen-Nohra sub-area (ASX announcement October 2018), Davenport presently holds in excess of 3.4 billion tonnes within the Inferred category containing a total of 358.8 Mt K<sub>2</sub>O as shown in Table 2 below.

**Table 2: Total JORC 2012 Inferred Resource to Q4 2018 held by Davenport.**

Seam	Tonnage (Mt)	K <sub>2</sub> O (%)	K <sub>2</sub> O (Mt)
Sylvinite	324.0	15.6	50.4
Carnallite	252.6	7.5	18.9
<b>Total Ebeleben</b>	<b>576.6</b>	<b>12.1</b>	<b>69.3</b>
Sylvinite	834.3	12.1	100.7
Carnallite	295.8	8.2	24.2
<b>Total Mühlhausen-Keula</b>	<b>1,130.1</b>	<b>11.1</b>	<b>124.9</b>
<b>Sylvinite</b>	<b>101</b>	<b>14.2</b>	<b>14</b>
<b>Carnallite</b>	<b>1,597</b>	<b>9.4</b>	<b>150</b>
<b>Total Nohra-Elende</b>	<b>1,698</b>	<b>9.7</b>	<b>165</b>
<b>Total Davenport JORC Inferred Resources to Date</b>	<b>3,404</b>	<b>10</b>	<b>358</b>

**Ohmgebirge sub-area**

Davenport is attempting to identify the owners of operating shafts in close proximity to the Ohmgebirge sub-area. Several shafts are reported to be in operation for the purpose of non-hazardous waste disposal.

## **Other activities**

Davenport continues to work with London-based Bacchus Capital Advisers (ASX announcement 6<sup>th</sup> September 2018) for the provision of strategic, financial and corporate advisory services.

Davenport has appointed Perth-based IR advisors Chapter One Advisors to assist in the marketing of Davenport Resources to an Australian and European investor audience. Under their guidance, an extensive marketing roadshow was conducted in the major Australian cities during November. Davenport was also represented at the Mines and Money conference in London during late November where the MD, Dr Chris Gilchrist, delivered the company's presentation on two occasions to receptive audiences. Davenport also staffed a booth at the accompanying trade show which was very well attended and attracted a high level of investor interest, all of which is currently being followed up.

## **Exploration Licence Areas**

### **Küllstedt**

The historic resource for the Küllstedt area (Figure 1) was calculated by consultants ERCOSPLAN at 4.1-5.1 billion tonnes (Davenport Resource Limited Replacement Prospectus 24<sup>th</sup> October 2016). The Company has identified a suitable drilling site on the property which will simultaneously serve as a twin drill hole to verify historical exploration on Mühlhausen-Nohra and Küllstedt. The site is located in agricultural land close to the town of Anrode. The landowner has given the Company permission to access his land and a compensation package has been agreed. The next step is for the Company to finalise a contract with the drilling contractor, then obtain permission from the regional authorities and prepare the drill pad. It is anticipated that drilling could commence in May of 2019.

### **Gräfentonna**

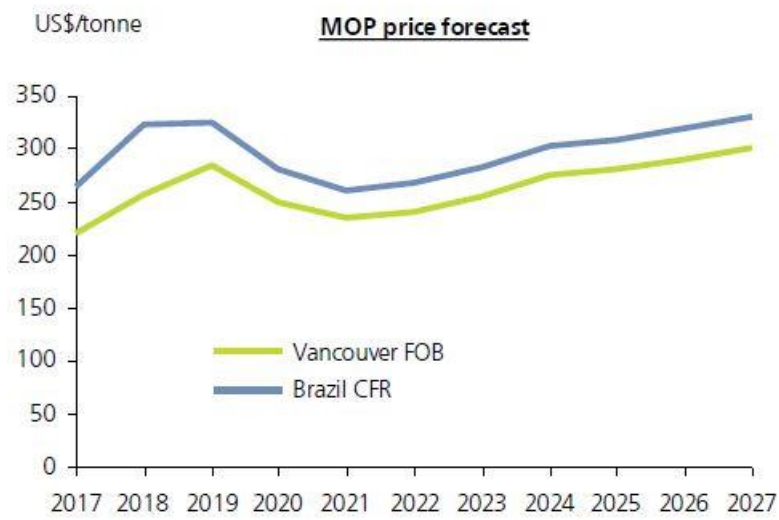
A geological study is planned for this licence.

## **Activities scheduled for next reporting period**

- Finalise Küllstedt JORC resource.
- Finalise exact location of a second drilling site in Küllstedt-Mühlhausen area and submit operational plans to permitting authority once drilling contractor(s) appointment is made.
- Make logistic preparations for drilling by Q2 2019.

## Potash Market

The Company has appointed London-based Integer Research, a renowned fertilizer market intelligence provider, to give advice on market trends within the potash space. Reports issued by Integer in December 2018 confirm that average MOP prices in Vancouver are expected to rise to in excess of US\$280 per tonne during 2019. These prices are higher than expected due to various supply constraints caused by unplanned production outages, delayed start-ups for new projects and strong demand. Softening of these price levels is not currently anticipated during 2019 (Figure 2).



**Figure 2: Current forecast of prices for Vancouver MOP (Standard grade, FOB) and Brazil (Granular grade, CFR). A marginal softening of price is forecast in 2021 when several new projects are due to be commissioned, however the overall trend is upwards. Source: Integer 2018**

## AUSTRALIA – Southern Cross Bore

Nothing to report for this period.

## Tenements

Tenements held by the Company are as follows:

Tenement Name/Number	Location	Beneficial Holding
Küllstedt	Thüringen, Germany	100%
Gräfentonna	Thüringen, Germany	100%
Mühlhausen-Nohra	Thüringen, Germany	100%
Ebeleben	Thüringen, Germany	100%
Ohmgebirge	Thüringen, Germany	100%
EL28045	NT, Australia	100%
EL30090	NT, Australia	100%

**INVESTOR & MEDIA ENQUIRIES**

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## 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 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		10
1.2 Payments for		
(a) exploration & evaluation	(52)	(228)
(b) development		
(c) production		
(d) staff costs	(254)	(481)
(e) administration and corporate costs	(248)	(511)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	6
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds	-	-
1.8 Other – occupancy make good costs	-	(56)
– release of security deposit		107
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(550)</b>	<b>(1,153)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		



## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
(c) investments		
(d) other non-current assets		
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) 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)		
<b>2.6 Net cash from / (used in) investing activities</b>	-	-

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	2,410
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	(30)	(199)
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 (Equity Raising Costs)		
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(30)</b>	<b>2,211</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	2,362	722
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(550)	(1,153)
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)	(30)	2,211

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	3	5
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,785</b>	<b>1,785</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	677	1,254
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (short term deposit)	1,108	1,108
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,785</b>	<b>2,362</b>

**6. Payments to directors of the entity and their associates**

6.1 Aggregate amount of payments to these parties included in item 1.2

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

**Current quarter  
\$A'000**

162

6.1 Director salaries and fees.

**7. Payments to related entities of the entity and their associates**

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

**Current quarter  
\$A'000**

## Mining exploration entity and oil and gas exploration entity quarterly report

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities		
8.2 Credit standby arrangements	10	-
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.		

8.2 Company Credit card facility, secured by term deposit.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Exploration and evaluation	200
9.2 Development	
9.3 Production	
9.4 Staff costs	250
9.5 Administration and corporate costs	220
9.6 Other (provide details if material)	
<b>9.7 Total estimated cash outflows</b>	<b>670</b>

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

### 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/~~Company secretary~~)

Date: 31 January 2019

Print name: Chris Gilchrist

### 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 December 2018:

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	444

#### GERMANY

East Exploration GmbH ("**EE GmbH**"), the company's 100% controlled entity, holds the South Harz Project located in the northern part of the Federal State of Thuringia. Details of the licences held are:

##### Perpetual Mining Licences

- Mühlhausen-Nohra mining licence covering an area of 141km<sup>2</sup>,
- Ebeleben mining licence covering an area of 37km<sup>2</sup>, and
- Ohmgebirge mining licence covering an area of 25km<sup>2</sup>,

##### Exploration Licences

- Küllstedt licence granted on 12 January 2015 covering an area of 241 km<sup>2</sup>
- Gräfentonna licence granted on 12 January 2015 covering an area of 216 km<sup>2</sup>

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.