

Davenport Resources Ltd

Kieserite Resource

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 but increasing to 20% in places. The resource area contains approximately 72 million tonnes of Kieserite ($MgSO_4 \cdot H_2O$), a fertiliser nutrient. Nohra-Elende offers a diversified basket of pure and value-added fertiliser products well-suited to the European market and favourably located.

- The kieserite resource is present within the Carnallite and Sylvinitic potash seams that were evaluated by Micon in late 2018. In addition to the 72Mt kieserite resource, the entire Nohra-Elende potash deposit comprises Sylvinitic and Carnallite, containing more than 165 million tonnes of potentially exploitable K_2O resources.
- Natural kieserite is currently mined in Germany, however ore reserves are depleting and a replacement source is required. The only other significant source is China, where magnesium sulphate is manufactured synthetically in a process using hot acids. 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).
- **Davenport has JORC Resources of over 5.3 billion tonnes @ 10.8% K_2O .** Ohmgebirge has an Inferred Resource of 325 million metric tonnes grading 13.1% K_2O containing 261 million tonnes of high-grade sylvinitic (Hartsalz) grading 14.0% K_2O .
- Davenport intends to continue with its strategy to sink two 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 during next year. 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.
- We maintain our base-case NPV¹⁰ for the three main assets is US\$468m (8%: \$736m). **Our sum-of-the-parts valuation gives a fair value of cA\$0.16/share**, based on conservative modelling (US\$250/t MOP) inputs and a 0.25x NAV multiple to account for the current stage of development. This implies that Davenport is trading at 0.16x NAV, with an implied return of 3.3 x to the current share price. We see significant potential for value accretion as the Company meets development milestones.

Forecast and Ratios

Y/E June (A\$m)	2018A	2019A	2020E	2021E
Revenue	0.0	0.0	0.0	0.0
EBITDA	-1.4	-1.9	-2.1	-3.6
Adj PBT	-1.4	-1.9	-2.0	-3.6
Adj EPS (c)	0.0	0.0	0.0	0.0

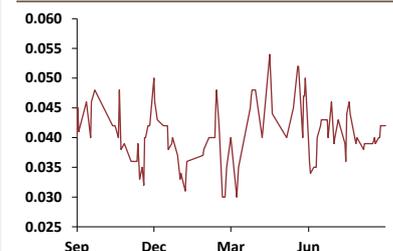
Source: Cenkos Securities estimates, Company data

Brokership Company

BUY

Price at COB 22 Sep 20 A\$0.049
52-week range A\$0.03-0.054
Ticker DAV

Share Price Performance



Source: Morningstar

Performance	1m	3m	12m
Absolute	5.0	7.7	2.4

Stock Data

Market cap (A\$m)	8.3
Shares outstanding (m)	197.1

Activities

Davenport Resources Ltd is a potash mining and production company. The company is focused on the South Harz potash project in Germany and Southern Cross Bore project in the Northern Territory.

Directors

Ian Farmer	NE Chairman
Dr Chris Gilchrist	Managing Director
Dr Reinout Koopmans	NED
Patrick McManus	NED
Rory Luff	NED
Hansjorg Plaggemars	NED

Significant Shareholders

Parkway Minerals NL	17.4%
Directors & Management	10.3%
DELPHI Unternehmensberatung	7.7%
Lions Bay Capital Inc.	5.1%

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Mühlhausen-Nohra

The Mühlhausen-Nohra Project is located in the north-western part of Thuringia, approximately 30km northwest of Erfurt in the west of Davenport's portfolio area, sharing a border with the Kullstedt exploration licence to the west. The mining licence split into three potash fields, Nohra-Elende, Mühlhausen-Keula and Mühlhausen. It was acquired from the Bodenverwertungs und Verwaltungs GmbH (BVVG) in August 2017. The licence carries no rent or royalty and was granted in perpetuity with no commitments required regarding development plans or timescales.

Nohra-Elende

The Nohra-Elende sub-area covers an area of 54.4km² with an Inferred Resource of more than 1.7 billion tonnes grading 9.7% K₂O of which the predominant mineral is carnallite (1.6 billion tonnes at 9.4% K₂O), with substantial high-grade sylvinite (101 million tonnes at 14.2% K₂O).

Table 1: Nohra-Elende JORC Resources

Seam	JORC Category	ρ g/cm ³	Geol Loss (%)	Tonnage (Mt)	K ₂ O (%)	K ₂ O (Mt)	Insols (%)	Mg (%)	Na (%)	SO ₄ (%)
Upper Sylvinite	Inferred	2.17	20	87	14.75	13	0.59	23.83	3.5	15.99
Lower Sylvinite	Inferred	2.3	20	14	10.67	1	0.36	16.84	1.81	23.21
Sub-Total Sylvinite				101	14.19	14	0.56	22.87	3.27	16.98
Carnallitite	Inferred	1.9	20	1,597	9.41	150	0.55	14.8	6.01	12.98
Sub-Total Carnallitite					1,597	150	0.55	14.8	6.01	12.98
Total Nohra-Elende Sub-Area	Inferred			1,698	9.69	1.65	0.55	15.28	5.85	13.22

Source: Davenport Resources

The total mineral resource area for the Kieserite Project within the Nohra-Elende sub-area is approximately 18.7 km² and the total Inferred Mineral Resources tonnage is 768 Mt including 72 Mt of kieserite at a grade of 9.45% K₂O and 8.1% MgSO₄. This mineral resource estimate does not include the previously estimated Lower Sylvinite Seam, which adds an additional 14 Mt to the total resources on Nohra-Elende at an average grade of 10.67% K₂O.

Table 2: Inferred Mineral Resource Estimate for the Kieserite Area of the Nohra-Elende Sub-Area (Micon, 31st August 2020)

Seam	Bulk Density (t/m ³)	Tonnage (Mt)	Geol Loss (%)	Inferred (Mt)	K ₂ O (%)	K ₂ O (Mt)	MgSO ₄ (%)	Kieserite (Mt)	Anhydrite (Mt)	Polyhalite (Mt)	Carnallite (Mt)	Sylvite (Mt)
Total Main Seam	1.9	960	20	768	9.45	73	8.1	72	27	1	384	11

Source: Davenport Resources

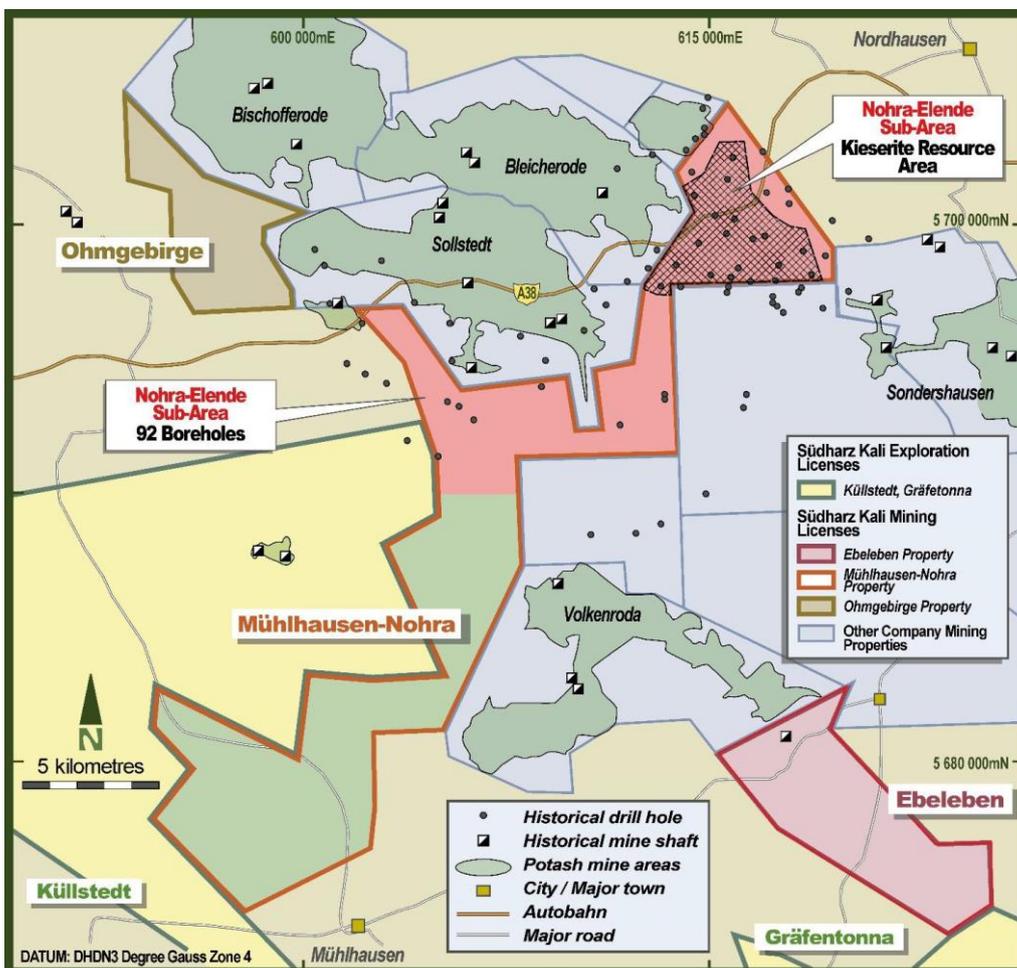
When Micon modelled the Nohra-Elende sub-area in 2018 the focus was on the carnallite and sylvinite resources. However, during modelling it became apparent that there were significant amounts of sulphate minerals present as well as carnallite and sylvite. The most prominent of the sulphate minerals is kieserite, which can be sold as magnesium sulphate in various hydration states. Therefore the 2018 Nohra-Elende model has been updated to produce a block model that contains data concerning the broader mineralogy of the potash seams, with a specific focus on the kieserite content. With the exception of a zone of halite in the north-east of Nohra-Elende, the 2018 resource work confirmed that the economic potash deposit extends across the whole of the sub-area and is known from additional drill holes to extend beyond the Davenport mining licence boundary. However, kieserite mineralisation does not occur across the whole of Nohra-Elende and the extents of kieserite mineralisation were defined based on a > 2% mineral content.

Kieserite fertiliser can be applied directly or can be used as a component in chloride-free compound fertilisers. Depending on the refining route, it can contain up to 25% water-soluble MgO and 50% water-soluble sulphur trioxide. The soluble magnesium and sulphur nutrients are

immediately available to the crop and can be used in all soil types regardless of soil pH. It is also certified for use in organic farming. The highest-grade Kieserite products currently command prices in excess of US\$400 per tonne.

The total mineral resource area for the Kieserite Project within the Nohra-Elende sub-area is approximately 18.7 km² and the total Inferred Mineral Resources tonnage is 768 Mt including 72 Mt of kieserite at a grade of 9.45% K₂O and 8.1% MgSO₄. This mineral resource estimate does not include the previously estimated Lower Sylvinitic Seam, which adds an additional 14 Mt to the total resources on Nohra-Elende at an average grade of 10.67% K₂O.

Fig 1: Nohra-Elende sub-area showing extent of kieserite resource area (hatched red).



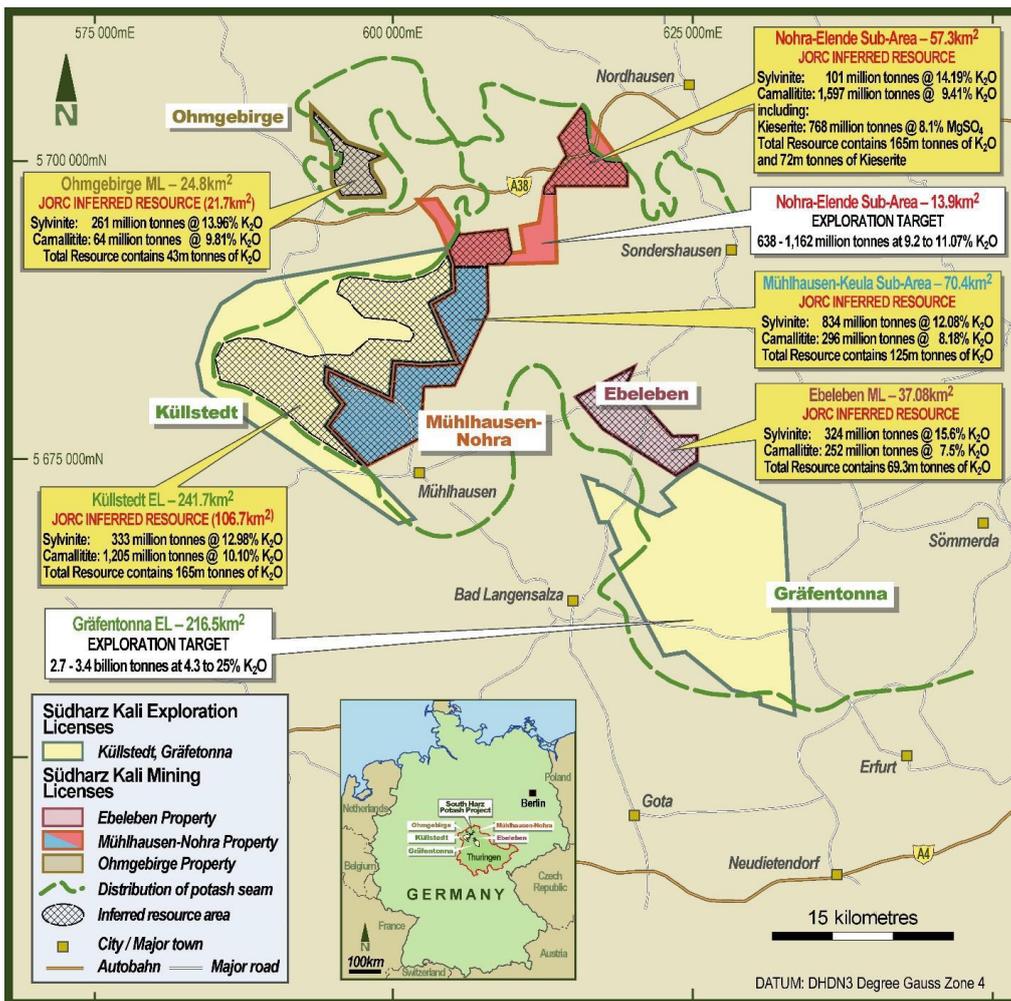
Source: Davenport Resources

The Nohra-Elende resources area is shallow, between 400-820m below surface with an average carnallite thickness of 26m. K-Utec Salt Technologies AG, completed a preliminary technical and economic study on the Nohra-Elende resource. K-Utec recommended one new 750m vertical shaft to be used for raw-ore haulage, the rehabilitation of one nearby shaft located in the adjacent Söllstedt mine for ventilation, and an industry standard room and pillar mining method using continuous miners, shuttle cars and road headers. The preliminary scoping study was based on a 34-year mine life. Davenport believes there are sufficient resources to the south which could double the mine life of any future operation.

Processing was modelled using two-stage cold leaching to separate the chloridic and sulphatic components, followed by a hot leach of the potassium chloride stream with subsequent cooling crystallisation. This process route would yield 575,000 tonnes of high-grade Muriate of Potash (MOP), 640,000 tonnes per annum of Kieserite monohydrate (a valuable magnesium sulphate fertiliser), and 1,280,000 tonnes of Industrial grade (95%+) sodium chloride per annum. Waste, comprising solid clay and anhydrite together with the magnesium chloride brine, would be backfilled into voids within the underground mine.

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Fig 2: All JORC resource areas under Davenport’s control in the South Harz Potash District.



Source: Davenport Resources

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	Corporate No.	Corporate %	No.	%
Buy	47	69	63	73
Hold	3	4	5	5
Sell	0	0	0	0
Under review	18	26	18	20

Temporary movements by stocks across the boundaries of these categories due to share price volatility will not necessarily trigger a recommendation change. All recommendations are based on 12 month time horizon unless otherwise stated.

Recommendation History

Company	Disclosures	Date	Rec	Price
Davenport Resources Ltd	2,6,9,10	01 Jul 20	Buy	A\$0

Source: Cenkos Securities

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