

ASX ANNOUNCEMENT
20 July 2020

JUNE 2020 QUARTERLY ACTIVITY REPORT

- Deloitte Corporate Finance Inc. (“Deloitte”) appointed as financial advisor
- UK-based firm Cenkos Securities plc appointed as Davenport’s UK corporate broker
- Share Purchase Plan (“SPP”) raises \$547,000 with an additional \$325,000 raised through a Placement in July
- Funds allow Davenport to continue to engage with potential strategic partners to continue project development of its large inventory of European potash resources
- Dr Reinout Koopmans appointed as interim Non-Executive Chairman as part of Board restructuring to advance company plans. Patrick McManus remains as a non-Executive Director

Next steps

- Continue preparation at Ohmgebirge, to establish the project as drill-ready.
- Establish a JORC resource for Kieserite (magnesium sulphate) at Nohra-Elende
- Intensify the positioning of the company with European investors through Cenkos and other channels
- Continue discussions with potential project partners through Deloitte and other stakeholders
- Recruit and appoint a new Chairman

Davenport Resources Ltd (ASX: DAV, “Davenport”, “The Company”) is pleased to report on its activities for the June 2020 quarter as follows:

APPOINTMENT OF DELOITTE

Davenport announced the appointment of Deloitte Corporate Finance Inc. (“Deloitte”) as its financial advisor in June (ASX announcement 9 June 2020).

Davenport executed an agreement with Deloitte to act as its financial advisor for a six-month term, during which Deloitte will provide support in partnership discussions with assessment, planning and strategy; marketing; and negotiation, due diligence and closing of any transaction.

Deloitte has identified three tiers of potential partners which comprises a range of sophisticated investors, potash production companies and potash consumers. Companies within all three tiers have now been contacted by Deloitte and a significant level of follow-up has been conducted. To date, as a result of these approaches, Davenport has signed Non-Disclosure Agreements (NDA’s) with several parties with whom more detailed project information may be shared in the coming weeks.

CONTACT DETAILS

BOARD CHANGES

In May, Davenport announced it had appointed Dr Reinout Koopmans as interim Non-Executive Chairman as part of a Board restructuring to ensure the Company has the necessary skills and experience to attract a development partner for its projects (ASX announcement 5 May 2020). Dr Koopmans, who is based in London, will assist Davenport as it continues discussions with potential project partners.

Dr Koopmans has extensive experience in investment banking, including a role at Deutsche Bank, where he was responsible globally for public equity raising for natural resource companies, and the European equity capital markets team at Jefferies International. Prior to that, he was a management consultant with McKinsey & Co in Germany and South-East Asia.

He replaces Patrick McManus, who remains on the Board as a Non-Executive Director.

Davenport is commencing a global search for a permanent Chairman and expects to make other changes to its Board composition in the coming months to ensure the progression of the South Harz projects.

GERMANY – SOUTH HARZ PROJECTS

Davenport owns 3 perpetual mining licences and 2 exploration licences, containing a JORC 2012 compliant inferred resource of 5.3 Billion tonnes (refer ASX release 23 December 2019).

Davenport is continuing discussions with potential partners regarding the development of its Ohmgebirge, Ebeleben and Nohra-Elende licence areas. An upgrade of selected scoping studies to the feasibility study level is intended for 2021, subject to financing. Davenport has identified two potential drill sites at its Ohmgebirge mining licence area and has engaged with the landowners who have been supportive. Davenport's intention is to upgrade this resource to the JORC Indicated category by twinning two historic drillholes, thus confirming the validity of the data from the remaining historic drillholes in this licence area. This work is being conducted under the supervision of the Independent Competent Person from Micon International Co. Ltd ("**Micon**").

Subject to partner discussions, Davenport expects to drill two twin holes at the Ohmgebirge mining licence area close to two corresponding historic holes. The results from these holes and the physical demonstration of the existence of potash (from core inspection) should then allow the Competent Person, Micon, to confirm an Indicated Resource within Ohmgebirge. In turn, under ASX rules, the Company will be able to announce the results of its recent scoping studies.

The Nohra-Elende technical study highlighted the potential production of magnesium sulphate (**MgSO₄**) as a significant co-product to potassium chloride (**MOP**). The Nohra-Elende deposit contains a significant amount of Kieserite, which is rich in MgSO₄. MgSO₄ has a range of applications, including fertilisers, plastics, and pharmaceuticals. Micon have been engaged to bring the Kieserite content to a JORC 2012 resource.

POTASH MARKET

The potash market was disappointing during the first half of 2020 due the combined effects of poor weather conditions in both North and South America as well as the effects of the COVID-19 pandemic and the various lockdowns and temporary business closures which resulted. There are however (Argus Media Inc.) reports that there are signs of market recovery in China, SE Asia and Europe and that potash prices and volumes are expected to recover back to the rising, long-term trends previously forecast.

CORPORATE

Placement and Share Purchase Plan

In April, Davenport announced it had received firm commitments from sophisticated investors for a placement of 8.4 million shares at 5 cents per share – representing a 33% premium to Davenport's last traded price of 3.5 cents per share on 6 April 2020 and a 22% premium to the 10-day VWAP.

CONTACT DETAILS

The placement raised \$420,000 before costs of which \$287,500 was issued on 23 April 2020, \$50,000 will be issued shortly and \$82,500 will be issued following shareholder approval at the General Meeting to be held on 20 July 2020. As part of the Placement, Davenport issued one option for every two shares issued. The options have an exercise price of 7.5 cents and an expiry date of 31 July 2023.

The shares and options will be issued under a combination of the Company's ASX LR 7.1 capacity and shareholder pre-approvals. Shareholders were duly notified that the meeting would be held in Perth on 20 July at 1600h AWST. The meeting will be held by video conferencing and telephonically to comply with COVID-19 guidelines.

In June, the Company announced a Share Purchase Plan ("SPP"). The SPP gave eligible shareholders the opportunity to acquire up to \$30,000 worth of Davenport shares at A\$0.04 per share, representing an 18% discount to the volume weighted average market price ("VWAP") of DAV's Shares quoted on the ASX during the five trading days immediately prior to announcement of the SPP.

While the SPP was due to close on 29 June 2020, coinciding with the end of the financial year, the Directors extended the deadline to the close of business on 1 July 2020. Funds raised totalled \$547,000. The new shares issued under the SPP were allotted on 3 July 2020, with holding statements dispatched to participating shareholders.

The Company received additional interest from AFSL and sophisticated investors, both on a firm and best endeavours basis. Following up on this interest, Davenport raised a further \$325,000 through a placement in July, allotted within Davenport's entitlement under ASX Listing Rule 7.1.

The new shares under the Placement will be issued shortly with holding statements dispatched to participants.

The Company successfully raised \$872,000 between the Placement and the SPP, substantially above the original target of \$750,000 for the SPP. The Company thanked shareholders for their participation in the successful SPP and also those who participated in the Placement.

Davenport is using the funds raised towards advisory services, investor relations and working capital costs whilst it seeks to engage a strategic partner to develop its attractive potash projects in Germany.

Davenport looks forward to providing further details about the exciting opportunities for the Company in 2020.

A total of \$94,000 was paid to related parties, and their associates, in the quarter, consisting solely of directors fees.

Appointment of UK Broker

During the quarter, Davenport appointed Cenkos Securities plc, a leading, independent securities firm in the UK focused on small and mid-cap companies, as its UK corporate broker, as it progresses development of its European potash projects (ASX announcement 22nd May 2020). Davenport appointed Cenkos to assist in broadening its investor base, in particular to increase its exposure to the UK and continental European institutional investors.

Tenements

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%

This announcement is authorised for market release by the Board of Directors of Davenport Resources Limited. The attached Appendix 5B has been authorized by Dr Chris Gilchrist, Chief Executive Officer and Robert Van der Laan, Chief Financial Officer.

CONTACT DETAILS

Investor & Media Enquiries

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ASX Code: DAV
ASX Code (Options): DAVO
Frankfurt Code: A2DWXX

186.2 M Ordinary Shares
13.4 M Unlisted Options
46.2 M Listed Options
5.9M 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 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(30)	(295)
(b) development	-	-
(c) production	-	-
(d) staff costs	(153)	(645)
(e) administration and corporate costs	(162)	(928)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	26
1.8 Other (provide details if material)	3	83
1.9 Net cash from / (used in) operating activities	(341)	(1,758)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(4)	(4)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

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 (12months) \$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	(4)	(4)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	388	1,356
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	-	-
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)	(6)	(44)
3.10	Net cash from / (used in) financing activities	382	1,312

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	209	694
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(341)	(1,785)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	382	1,312

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 (12months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(4)	25
4.6	Cash and cash equivalents at end of period	242	242

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	242	209
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)	242	209

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	94
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(341)
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)	(341)
8.4 Cash and cash equivalents at quarter end (item 4.6)	242
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	242
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.71
<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: Yes, during July 2020 the Company has raised \$837,000 in capital from a share purchase plan and placement. It has also raised an additional \$35,000 which is subject to shareholders approval. This will increase the estimated quarters of funding available to 3.27.	

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

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: Yes, on the basis of having raised capital of \$872,000 in July 2020.

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: 20 July 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.