

ASX ANNOUNCEMENT

30 April 2020

DAVENPORT MARCH 2020 QUARTERLY ACTIVITY REPORT

- Positive results achieved for Nohra-Elende Sub-Area technical and preliminary economic study
- K-Utec Salt Technologies AG (“K-Utec”) study concluded project is technically feasible and economic at current and forecast potash and specialist fertilizer prices
- Study based on Nohra-Elende’s previously announced JORC-compliant Inferred resource of 1.7 billion tonnes at 9.7% K₂O
- Study envisages annual production of:
 - 575kt of MOP (muriate of potash, potassium chloride)
 - 640kt of Kieserite monohydrate (a high-value magnesium sulphate used in specialty fertilizers) and
 - 1,280kt of industrial grade sodium chloride per year
- Positive technical scoping studies completed for three of Davenport’s four potential potash projects
- Davenport completes Share Placement to sophisticated investors at ~33% premium on DAV’s last traded price to raise \$420,000 before costs
- Funds allow Davenport to continue project development discussions for its large inventory of European potash deposits.
- Responding to Impacts of COVID-19 • Implementation of cost-reductions as well as range of risk mitigation strategies. Full participation by the board and CFO in the Davenport Resources Salary Sacrifice Share Plan (SSSP) to be implemented from 1 May 2020 and after shareholder approval has been obtained at a general meeting to be held shortly. The plan involves electing to accept 30% of remuneration by way of issuance of Davenport Resources shares based on the VWAP during the relevant period. Effective commencement date 1 May 2020.

Next steps

- Continuing discussions with potential project partners and other stakeholders for development of Ohmgebirge licence.

CONTACT DETAILS

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

GERMANY – SOUTH HARZ PROJECTS

Positive technical study for Nohra-Elende sub-licence

Davenport’s wholly-owned German subsidiary, East Exploration Pty Ltd, owns the Mühlhausen-Nohra perpetual mining licence in central Germany, incorporating the Nohra-Elende Sub-Area, which was acquired from the Bodenverwertungs und Verwaltungs GmbH (“BVVG”) in August 2017. The licence is extremely valuable as it carries no rent or royalty and was granted in perpetuity with no commitments required with regard to development plans.

A geological resource model completed by Micon in November 2018, based upon the results from 92 historic drillholes which Davenport acquired as part of the mining licence purchases, delivered 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 sylvinitite (101 million tonnes at 14.2% K₂O). The Nohra-Elende resources area is shallow, starting at 401m below surface with an average thickness of 26m.

Davenport then commissioned K-Utec Salt Technologies AG, a highly respected consultancy specialised in potash and other salt mining and processing, to conduct a preliminary technical and economic study to assess the potential of developing the Nohra-Elende resource. In particular, the K-Utec study aimed to identify the optimal mining and processing methods and indicate target capex and opex values for a potential subsequent feasibility study.

For mining, the majority of the resource lies at a depth of approximately 400m-820m below surface, for which K-Utec recommended one new 750m vertical shaft to be used for raw-ore haulage, the rehabilitation of an existing shaft for ventilation, and an industry standard room and pillar mining method using continuous miners, shuttle cars and road headers.

K-Utec recommended processing 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 crystallization. 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 fertilizer), and 1,280,000 tonnes of Industrial grade (95%+) sodium chloride per annum.

Kieserite fertilizer can be applied directly or can be used as a component in chloride-free compound fertilizers. 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.

Waste streams, comprising solid clay and anhydrite together with the magnesium chloride brine, would be backfilled into voids within the underground mine.

K-Utec indicated favourable capex and opex estimates which are well below the industry-standard for developments of this size.

The study was based on the northern part of the Nohra-Elende Sub-Area. Target locations for the processing plant were identified as part of the study. These comprise redundant areas that have been used for potash processing and are already designated for industrial activities, hence the permitting process for these areas is anticipated to be straightforward. Furthermore, various meetings have been held in the region with elected officials and the community at large who are supportive of the renewal of mining in order to create employment opportunities.

K-Utec concluded the project was technically feasible and economic at current and realistic forecast potash and specialist fertilizer prices. K-Utec further concluded that any future work should review the production of a high-value K-Mg-fertilizer based on MOP and Kieserite as one possible option. Another option would be the production of Epsom salts or water-free magnesium sulphate. This would require further process steps which have not been considered in the study at this stage but would be the subject of a future, marketing trade-off study within a DFS.

CONTACT DETAILS

The positive results for Nohra-Elende follow similar studies for the Ohmgebirge and Mühlhausen-Nohra licences. Davenport is progressing development of Ohmgebirge, and the Company is in discussions with potential project partners regarding the licence. Davenport plans to commence work to upgrade the Ohmgebirge Scoping Study to a Feasibility Study commencing this year.

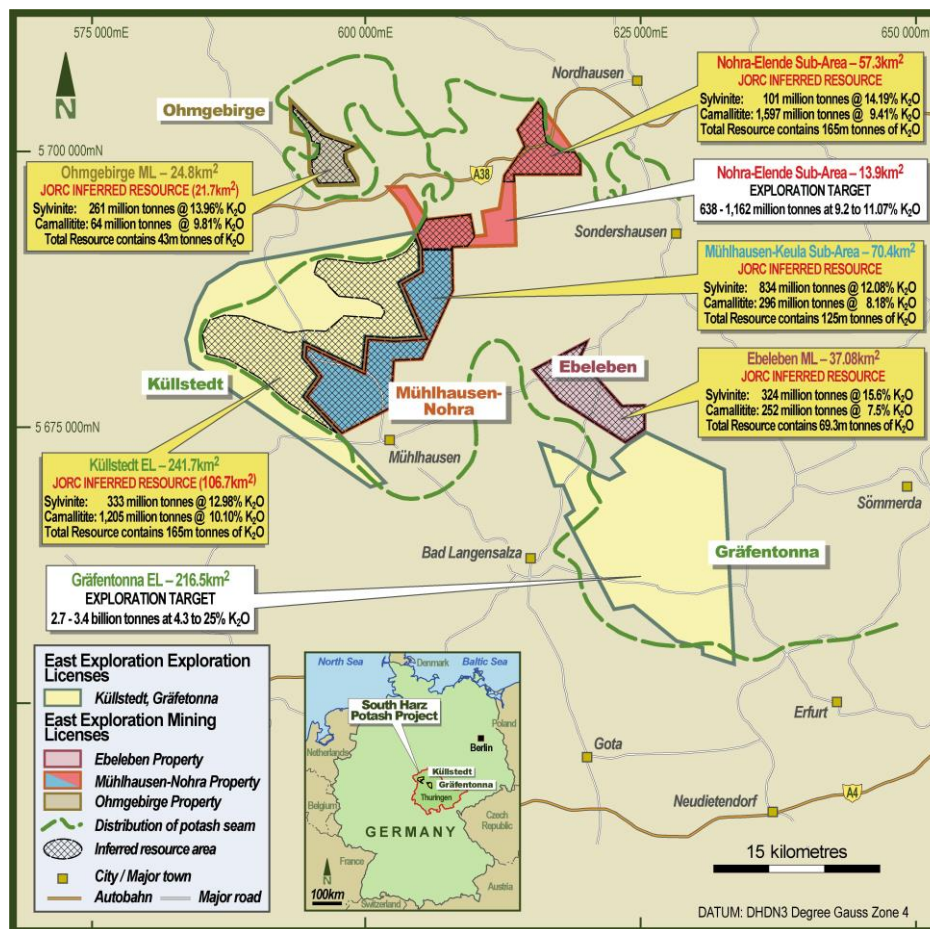


Figure 1: Nohra-Elende Sub-Area (red) comprises the northern part of the Mühlhausen-Nohra Mining Licence. Inferred resource areas shown in red hatching.

Ongoing & Future Work

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.

Davenport has signed non-disclosure agreements with several parties for this endeavour and continues discussions with potential partners and advisors remotely due to COVID-19 travel restrictions. Davenport will provide updates on these discussions when announceable outcomes are reached.

CONTACT DETAILS

CORPORATE

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.

The placement raised \$420,000 before costs. 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 were issued on 23 April 2020 under the Company's ASX LR 7.1 capacity. Directors plan to participate, subject to shareholder approval. Davenport will seek this at a meeting expected to be held shortly.

Funds raised through the placement will allow Davenport to continue engagement with potential partners to develop its world-class potash deposits.

In response to the COVID-19 and the uncertain economic and market conditions, the Company has implemented a number of cost reduction strategies. These include reductions in administration costs, such as corporate office overheads, and salaries, incorporating a salary sacrifice arrangement where Directors, employees and contractors receive part of their fees and salaries in shares, subject to shareholder approval, to be sought at the above meeting.

TENEMENT SUMMARY

Tenement Name	Location	Interest held at 31 December 2019	Interest acquired/disposal of during quarter	Interest Held at 31 March 2020
Küllstedt	Thüringen, Germany	100%	N/A	100%
Gräfentonna	Thüringen, Germany	100%	N/A	100%
Mühlhausen-Nohra	Thüringen, Germany	100%	N/A	100%
Ebeleben	Thüringen, Germany	100%	N/A	100%
Ohmgebirge	Thüringen, Germany	100%	N/A	100%

On behalf of Davenport Resources Limited, Chris Gilchrist, Managing Director.

The attached Appendix 5B has been authorized by Dr Chris Gilchrist, Chief Executive Officer and Robert Van der Laan, Chief Financial Officer.

Investor & Media Enquiries

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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")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (09months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(12)	(265)
(b) development	-	-
(c) production	-	-
(d) staff costs	(123)	(492)
(e) administration and corporate costs	(179)	(766)
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 - release of security deposit	-	26
- GST/VAT refund	40	80
1.9 Net cash from / (used in) operating activities	(274)	(1,417)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)		
(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 (09months) \$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)	-	968
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 – Equity Raising costs	-	(38)
3.10	Net cash from / (used in) financing activities	-	930
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	481	694
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(274)	(1,417)
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)	-	930

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 (09months) \$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	209	209

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	209	481
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)	209	481

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1 (i)
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

70

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) 6.1 Director salaries and fees.

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 (i)	419	-
7.4 Total financing facilities	419	-

7.5 **Unused financing facilities available at quarter end** 419

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.

(i) Firm commitments received, net of costs relating to capital raising as announced 14 April 2020.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(274)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(274)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	209
8.5 Unused finance facilities available at quarter end (Item 7.5)	419
8.6 Total available funding (Item 8.4 + Item 8.5)	628
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.29

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

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:

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:

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:

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: 30 April 2020

Authorised by: By the Board of Davenport Resources Limited
(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.