

Davenport Resources Limited
(formerly Davenport Resources Pty Ltd)
ABN 64 153 414 852

Annual Report - 30 June 2016

Davenport Resources Limited
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30 June 2016

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Davenport Resources Limited
Directors' report
30 June 2016

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2016.

Directors

The following persons were directors of Davenport Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Angus Edgar
Mr Chris Bain (appointed 12 November 2015)
Mr Rory Luff (appointed 3 June 2016)
Mr Adrien Wing (appointed 12 August 2015) (resigned 12 November 2015)
Mr Francis Galbally (appointed 12 August 2015) (resigned 3 June 2016)
Mr Neil Biddle (resigned 12 August 2015)

Principal activities

During the financial year the principal continuing activities of the Company consisted of:

- investment in and development of mineral exploration assets
- investment in other business growth opportunities

Dividends

There were no dividends paid or declared during the current or previous financial year.

Review of operations

The profit for the Company after providing for income tax amounted to \$2,775,235 (2015 loss: \$2,776,540).

Significant changes in the state of affairs

During the year additional share issues raised a total of \$480,000.

There were no other significant changes in the state of affairs of the Company during the financial year.

Matters subsequent to the end of the financial year

Post balance date the Company completed the sale of the Hatches Creek Tungsten Project in the Northern Territory for \$500,000.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation

The Company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Davenport Resources Limited
Directors' report
30 June 2016

Information on directors

Mr Angus Edgar

Mr Edgar is a current Non-Executive Director. He has been employed in the finance/stockbroking industry since 1985. During that time he has provided corporate advisory services to private and ASX listed companies and has been instrumental in the listing of several new companies onto the ASX. Mr Edgar has agreed to a six-month engagement as a Director following ASX listing of Davenport.

Mr Rory Luff

Mr Luff is a current Non-Executive Director. He is the founder of BW Equities, a specialist Melbourne equities advisory firm and has over 15 years experience in the financial services industry. Rory has spent most of his career in the financial markets advising resources companies on capital raisings and financial markets strategy.

Mr Christopher Bain

Mr Bain is a current Non-Executive Director. Mr Bain is a geologist and mineral economist, with over 35 years experience including underground mining and exploration throughout Australia. He has lead mining research teams on both the buy and sell side and successfully managed a boutique resource equity investment fund. As a corporate advisor he has been instrumental in mining project divestitures and acquisitions, valuations, capital raisings and managed several initial public offers (IPOs) and ASX listings. Mr Bain is a non-executive director of ASX listed KGL Resources Ltd and Metalicity Ltd.

Meeting Attendances

	Full Board	
	Attended	Held
Mr Angus Edgar	4	4
Mr Neil Biddle	-	-
Mr Adrien Wing	-	-
Mr Chris Bain	4	4
Mr Francis Galbally	4	4
Mr Rory Luff	-	-

Held: represents the number of meetings held (including circular resolutions) during the time the director held office.

Shares under option

There are no unissued ordinary shares of Davenport Resources Limited under option at the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors of the Company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Davenport Resources Limited
Directors' report
30 June 2016

Officers of the company who are former audit partners of Advantage Advisors

There are no officers of the company who are former audit partners of Advantage Advisors.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Advantage Advisors continues in office in accordance with section 327 of the Corporations Act 2001.

This report is in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors:



Chris Bain
Director

7 October 2016
Melbourne

Advantage Advisors Audit Partnership

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**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF DAVENPORT RESOURCES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



**ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS**



**KEN GLYNN
PARTNER**

Dated in Melbourne on this 4th day of October, 2016

Davenport Resources Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	2016	2015
		\$	\$
Revenue from continuing operations	4	48,599	-
Other income	5	3,138,726	-
Expenses			
Administration and corporate expenses		(44,552)	(19,667)
Legal and professional fees		(177,546)	-
Depreciation and amortisation expense		(622)	-
Impairment of assets		(52,502)	(2,756,873)
Director fees		(25,000)	-
Occupancy costs		(104,458)	-
Profit/(Loss) before income tax expense		2,782,645	(2,776,540)
Income tax expense	6	(7,410)	-
Profit/(Loss) after income tax expense for the year		2,775,235	(2,776,540)
Other comprehensive income / (loss) for the year, net of tax		-	-
Total comprehensive loss for the year		2,775,235	(2,776,540)

The financial statements should be read in conjunction with the accompanying notes.

Davenport Resources Limited
Statement of financial position
As at 30 June 2016

	Note	2016	2015
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	7	395,005	3,328
Trade and other receivables	8	25,809	134
Other	9	14,157	-
Total current assets		<u>434,971</u>	<u>3,462</u>
Non-current assets			
Trade and other receivables	10	141,981	-
Other financial assets		250,000	-
Property, plant and equipment	11	11,817	-
Exploration and evaluation	12	261,245	245,320
Total non-current assets		<u>665,043</u>	<u>245,320</u>
Total assets		<u>1,100,014</u>	<u>248,782</u>
Liabilities			
Current liabilities			
Trade and other payables	13	232,599	18,748
Loan – related entity		-	2,665,582
Provisions	14	28,318	-
Total current liabilities		<u>260,917</u>	<u>2,684,330</u>
Non-current liabilities			
Provisions	15	12,000	-
Deferred tax liabilities	6	7,410	-
Total non-current liabilities		<u>19,410</u>	<u>-</u>
Total liabilities		<u>280,327</u>	<u>2,684,330</u>
Net assets		<u>819,687</u>	<u>(2,435,548)</u>
Equity			
Issued capital	16	917,054	437,054
Accumulated losses		<u>(97,367)</u>	<u>(2,872,602)</u>
Total equity		<u>819,687</u>	<u>(2,435,548)</u>

The financial statements should be read in conjunction with the accompanying notes.

Davenport Resources Limited
Statement of changes in equity
For the year ended 30 June 2016

	Issued equity \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	437,054	(96,062)	340,992
Loss after income tax expense for the year	-	(2,776,540)	(2,776,540)
Other comprehensive income / (loss) for the year, net of tax	-	-	-
Total comprehensive income / (loss) for the year	-	(2,776,540)	(2,776,540)
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs	-	-	-
Balance at 30 June 2015	<u>437,054</u>	<u>(2,872,602)</u>	<u>(2,435,548)</u>
	Issued equity \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	437,054	(2,872,602)	(2,435,548)
Loss after income tax expense for the year	-	2,775,235	2,775,235
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income / (loss) for the year	-	2,775,235	2,775,235
<i>Transactions with owners in their capacity as owners:</i>			
Contributions of equity, net of transaction costs	<u>480,000</u>	-	<u>480,000</u>
Balance at 30 June 2016	<u>917,054</u>	<u>(97,367)</u>	<u>819,687</u>

The financial statements should be read in conjunction with the accompanying notes.

Davenport Resources Limited
Statement of cash flows
For the year ended 30 June 2016

	Note	2016	2015
		\$	\$
Cash flows from operating activities			
Interest received		2,042	-
Receipts from customers		36,865	-
Payments to suppliers and employees		<u>(117,795)</u>	<u>(8,899)</u>
Net cash used in operating activities	23	<u>(78,888)</u>	<u>(8,899)</u>
Cash flows from investing activities			
Proceeds on sale of investments		156,490	-
Payments for exploration and evaluation		(15,925)	(9,131)
Payments for other financial assets		(150,000)	-
Loans from related and other parties		<u>-</u>	<u>20,000</u>
Net cash used in investing activities		<u>(9,435)</u>	<u>10,869</u>
Cash flows from financing activities			
Proceeds from issue of shares		<u>480,000</u>	<u>-</u>
Net cash from financing activities		<u>480,000</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		391,677	1,970
Cash and cash equivalents at the beginning of the financial year		<u>3,328</u>	<u>1,358</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>395,005</u></u>	<u><u>3,328</u></u>

The financial statements should be read in conjunction with the accompanying notes.

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

On 21 August 2015, the company converted to a public company to be named Davenport Resources Limited (formerly Davenport Resources Pty Ltd).

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Going concern

For the year ended 30 June 2016, the Company recorded a total comprehensive income of \$2,775,235 after a gain on debt forgiveness of \$3,138,726 (2015: loss of \$2,776,540) but incurred negative cash flows from operations of \$78,888 (2015: \$8,899).

Whilst the company has net assets at 30 June 2016 of \$819,687, the directors of the Company consider further capital raisings will be necessary in the financial year ending 30 June 2017 to fund operational cash flow requirements.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the Company's ability to effectively manage its operations and working capital requirements, the directors believe that the Company will continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis which assumes the realisation of assets and the extinguishment of liabilities in the normal course of business at the amounts stated in the financial statements.

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Note 1. Significant accounting policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised directly in the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Significant accounting policies (continued)

Impairment of financial assets

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised directly in the available-for-sale reserve.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a diminishing value basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	10 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 1. Significant accounting policies (continued)

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 1. Significant accounting policies (continued)

Comparative figures

When required by Accounting Standards, comparative figures have been restated to conform to changes in presentation for the current period.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. Any significant impact on the accounting policies of the Company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2016. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 9 Financial Instruments, 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) and 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement requirements for financial assets and liabilities, requirements for the impairment of financial assets and a new expected loss impairment model. The impact of the adoption is yet to be assessed by the Company.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Fair value and hierarchy of financial instruments

The Company is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Income tax

The Company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Exploration and evaluation assets

The Company has recognised an asset for exploration and evaluation work conducted on projects in the Northern Territory. The directors have determined that the activities of the projects have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. The expenditure incurred has therefore been carried forward as an asset in accordance with the Company's accounting policy.

Davenport Resources Limited
Notes to the financial statements
30 June 2016

Note 3. Operating segments

Identification of reportable operating segments

The Company is organised into one operating segment being exploration operations. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 4. Revenue

	2016 \$	2015 \$
From continuing operations		
<i>Other revenue</i>		
Rental income	46,557	-
Interest received - other persons	2,042	-
Revenue from continuing operations	<u>48,599</u>	<u>-</u>

Note 5. Other income

	2016 \$	2015 \$
Loan forgiven – Arunta Resources (former parent entity)	<u>3,138,726</u>	<u>-</u>

Davenport Resources Limited
Notes to the financial statements
30 June 2016

Note 6. Income tax expense

	2016 \$	2015 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
(Profit)/Loss before income tax expense from continuing operations	(2,782,645)	2,776,540
Tax at the statutory tax rate of 28.5% (2015: 30%)	(793,054)	832,962
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	(23,679)	(150)
Non-assessable – loan forgiveness	894,537	-
Tax losses transferred to former parent entity	(22,250)	(832,812)
Deferred tax liability recognised upon demerger	(62,964)	-
Income tax expense	(7,410)	-
Current tax expense	24,949	-
Deferred tax expense	(32,359)	-
Income tax expense	(7,410)	-
<i>Deferred tax assets and liabilities recognised at 28.5% (2015: 30%)</i>		
Unused tax losses	24,949	-
Exploration assets	(74,455)	-
Other temporary differences	42,096	-
Deferred tax liability recorded	(7,410)	-

The above potential tax benefit for tax losses has been recognised in the statement of financial position. Tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 7. Current assets - cash and cash equivalents

	2016 \$	2015 \$
Cash at bank	395,005	3,328

Davenport Resources Limited
Notes to the financial statements
30 June 2016

Note 8. Current assets - trade and other receivables

	2016 \$	2015 \$
Trade receivables	8,702	-
Other receivables	990	-
GST receivable	16,117	134
	<hr/> 25,809	<hr/> 134

Impairment of receivables

The Company has recognised a loss of nil (2015: \$nil) in respect of impairment of receivables for the year.

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$5,931 as at 30 June 2016 (\$nil as at 30 June 2015).

The Company did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	2016 \$	2015 \$
0 to 3 months overdue	5,931	-
3 to 6 months overdue	-	-
	<hr/> 5,931	<hr/> -

Note 9. Current assets - other

	2016 \$	2015 \$
Prepayments	14,157	-

Davenport Resources Limited
Notes to the financial statements
30 June 2016

Note 10. Non-current assets - receivables

	2016 \$	2015 \$
Mining bonds	40,182	-
Rental bond	101,799	-
	<u>141,981</u>	<u>-</u>

Note 11. Non-current assets - property, plant and equipment

	2016 \$	2015 \$
Leasehold improvements - at cost	12,439	-
Less: Accumulated depreciation	<u>(622)</u>	<u>-</u>
	<u>11,817</u>	<u>-</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold \$	Total \$
Consolidated		
Balance at 1 July 2014	-	-
Depreciation expense	-	-
Balance at 30 June 2015	<u>-</u>	<u>-</u>
Transfer from Arunta	12,439	12,439
Depreciation expense	<u>(622)</u>	<u>(622)</u>
Balance at 30 June 2016	<u>11,817</u>	<u>11,817</u>

Davenport Resources Limited
Notes to the financial statements
30 June 2016

Note 12. Non-current assets - exploration and evaluation

	2016	2015
	\$	\$
Exploration and evaluation - at cost	<u>261,245</u>	<u>245,320</u>

Reconciliations

Reconciliations at the beginning and end of the current and previous financial year are set out below:

	Exploration	Total
	\$	\$
Balance at 1 July 2014	910,950	910,950
Additions	2,091,243	2,091,243
Impairment	<u>(2,756,873)</u>	<u>(2,756,873)</u>
Balance at 30 June 2015	245,320	245,320
Additions	<u>15,925</u>	<u>15,925</u>
Balance at 30 June 2016 (i)	<u>261,245</u>	<u>261,245</u>

- (i) These costs as at 30 June 2016 relate to the Hatches Creek Tungsten Project in the Northern Territory. During the 2015 year GWR Group Limited (ASX: GWR) entered into an agreement to solely fund up to \$1.5 million of exploration expenditure. Upon funding this exploration, GWR will acquire a 50% interest in the project.

Note 13. Current liabilities - trade and other payables

	2016	2015
	\$	\$
Trade payables and accruals	<u>232,599</u>	<u>18,748</u>

Note 14. Current liabilities - provisions

	2016	2015
	\$	\$
Rehabilitation obligations	<u>28,318</u>	<u>-</u>

Note 15. Non-current liabilities - provisions

	2016	2015
	\$	\$
Lease make good	<u>12,000</u>	<u>-</u>

Davenport Resources Limited
Notes to the financial statements
30 June 2016

Note 16. Equity - issued capital

	2016 Shares	2015 Shares	2016 \$	2015 \$
Ordinary shares - fully paid	12,000,262	60,000,001	917,054	437,054

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2014	60,000,001		437,054
Balance	30 June 2015	60,000,001		437,054
Share capital reduction	20 August 2015	(59,999,989)		-
Issue of shares - demerger	26 February 2016	6,000,250		-
Issue of shares	4 May 2016	6,000,000	\$0.08	480,000
Balance	30 June 2016	12,000,262		917,054

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The Company is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 17. Financial instruments

Financial risk management objectives

The Company's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Derivatives are not used as trading or other speculative instruments. The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Company obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Company does not hold any collateral.

No impairment charge has been recognised in relation to trade receivables for the current financial year (2015: \$nil).

Liquidity risk

Vigilant liquidity risk management requires the Company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Davenport Resources Limited
Notes to the financial statements
30 June 2016

Note 18. Key management personnel disclosures

Directors

The following persons were directors of Davenport Resources Limited during the financial year:

Mr Angus Edgar
Mr Chris Bain (appointed 12 November 2015)
Mr Rory Luff (appointed 3 June 2016)

Mr Adrien Wing (appointed 12 August 2015) (resigned 12 November 2015)
Mr Francis Galbally (appointed 12 August 2015) (resigned 3 June 2016)
Mr Neil Biddle (resigned 12 August 2015)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	2016 \$	2015 \$
Short-term employee benefits	25,000	-
Post-employment benefits	-	-
	<hr/> 25,000	<hr/> -

Related party transactions

Related party transactions are set out in note 21.

Note 19. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the company:

	2016 \$	2015 \$
Audit or review of the financial statements	12,500	-

Davenport Resources Limited
Notes to the financial statements
30 June 2016

Note 20. Commitments

	2016 \$	2015 \$
<i>Exploration expenditure</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	178,250	196,750
One to five years	-	201,729
Over 5 years	-	15,000
	<u>178,250</u>	<u>413,479</u>
<i>Operating leases</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	99,406	-
One to five years	112,025	-
	<u>211,431</u>	<u>-</u>

If the Company decides to relinquish certain exploration leases and/or does not meet its obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of the carrying values. The sale, transfer and/or farm-out of explorations rights to third parties will reduce or extinguish these obligations.

Operating lease commitments are the non-cancellable operating lease on office space at Level 14, 31 Queen Street, Melbourne. This lease was negotiated on 1 August 2015 for a three year term.

Note 21. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 18.

Transactions with related parties

	2016 \$	2015 \$
Other income:		
Rent charged to Melbourne Capital Limited, an associated entity of Mr Angus Edgar	15,103	-

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Davenport Resources Limited
Notes to the financial statements
30 June 2016

Note 22. Events after the reporting period

Post balance date the Company completed the sale of the Hatches Creek Tungsten Project in the Northern Territory for \$500,000.

No other matters or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Note 23. Reconciliation of loss after income tax to net cash used in operating activities

	2016 \$	2015 \$
Profit/(loss) after income tax expense for the year	2,775,235	(2,776,540)
Adjustments for:		
Depreciation and amortisation	622	-
Loan forgiven	(3,138,726)	-
Impairment of exploration and evaluation	-	2,756,873
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(25,675)	607
(Increase) in prepayments	(14,157)	-
Increase in provisions	28,318	-
Increase/(decrease) in trade and other payables	288,085	10,161
Increase in deferred tax liabilities	7,410	-
Net cash used in operating activities	<u>(78,888)</u>	<u>(8,899)</u>

Note 24. Contingent liabilities

A bank guarantee of \$101,186 (2015: \$nil) is present in respect to the rental bond for the office lease.

Davenport Resources Limited
Directors' declaration
30 June 2016

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors



Chris Bain
Director

7 October 2016
Melbourne

Advantage Advisors Audit Partnership

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAVENPORT RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Davenport Resources Limited, which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DAVENPORT RESOURCES LIMITED (Continued)**

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Davenport Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Davenport Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1: Going Concern in the financial report which indicates that the company has continued to incur negative cash flows. This, along with other matters as set forth in Note 1: Going Concern, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business.



**ADVANTAGE ADVISORS AUDIT PARTNERSHIP
CHARTERED ACCOUNTANTS**


**KEN GLYNN
PARTNER**

Dated in Melbourne on this 7th day of October, 2016