

ASX Announcement

16 August 2017



COMPANY DETAILS

Davenport Resources Limited

ABN: 64 153 414 852

ASX CODE: DAV

PRINCIPAL AND REGISTERED OFFICE (& Postal Address)

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Capital Structure

74.0M Ordinary shares
33.85M First milestone shares
33.85M Second milestone shares
6.2M Unlisted options

BOARD OF DIRECTORS

Patrick McManus

(Non-Executive Chairman)

Chris Bain

(Managing Director)

Rory Luff

(Non-Executive Director)

Chris Gilchrist

(Non-Executive Director)

Davenport to acquire highly prospective potash mining licences from German government

Highlights

- Acquisition of three extensively drilled Mining Licences containing historic potash resources in the South Harz region of Germany
- Extends Davenport's strategic landholding in one of the world's most prolific potash basins to more than 650km²
- New Mining Licences features extensive drilling, equating to €100m in sunk exploration costs at today's value
- All three licences are perpetual as granted under the former GDR system
- Licences contain well understood areas of high grade sylvinite potential
- Results from previous exploration will allow Davenport to fast track evaluation of new areas for potash extraction
- Comprehensive and staged work program to review historic drilling and resource information to commence shortly

Davenport Resources (ASX: DAV) ("Davenport", "the Company"), through its fully owned German subsidiary East Exploration GmbH, is pleased to announce it has signed an agreement with Bodenverwertungs-und-verwaltungs GMBH (BVVG), a German government agency charged with divesting former German Democratic Republic (GDR) assets, to acquire three highly prospective potash Mining Licences in the South Harz region of Germany.

The three licences – Mühlhausen-Nohra, Ebeleben and Ohmgebirge (Figure 1) – are unique and valuable, being perpetual mining licences granted under the former GDR system. They are not subject to expiry, rent, royalties or reporting requirements of the current German tenure system. They are however subject to the usual environmental laws and mine development regulations that apply in Germany.

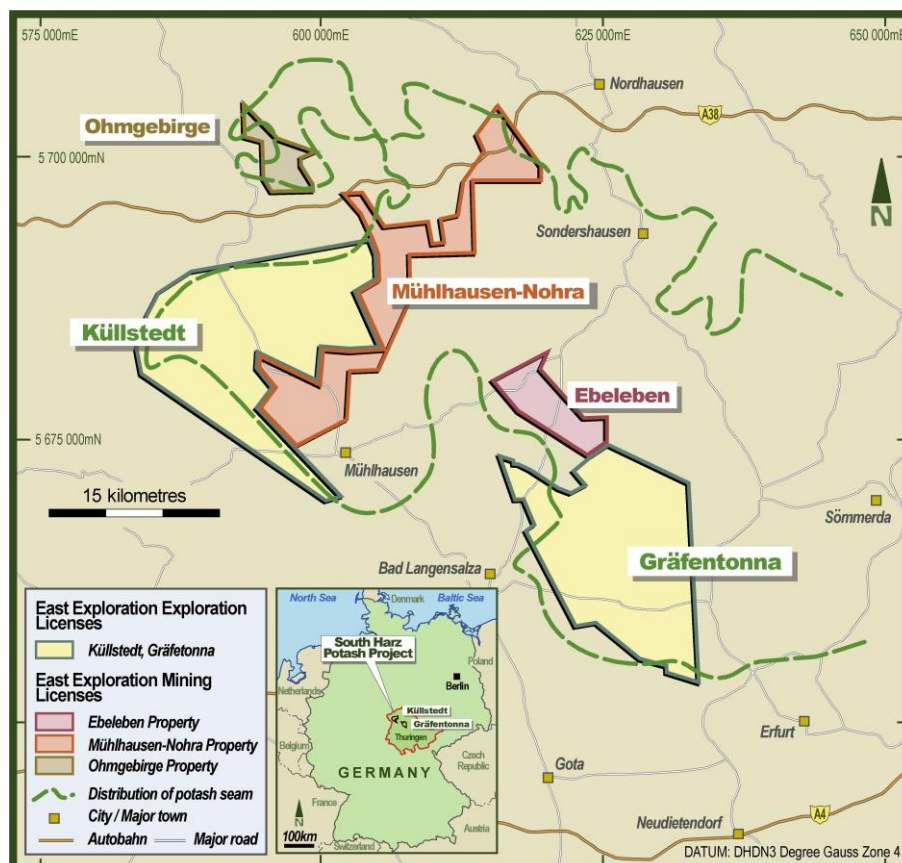


Figure 1 Newly acquired mining licences in the South Harz close to existing Davenport Exploration Licences

Adjoining Davenport's existing Exploration Licences in the South Harz region all three licences have been extensively drilled with historic resource estimates that date back to the GDR era when potash was actively mined in the South Harz region. Davenport understands that mine development plans were in progress on key areas of these newly acquired licences prior to the industry shutdown in 1991-1993 following German reunification.

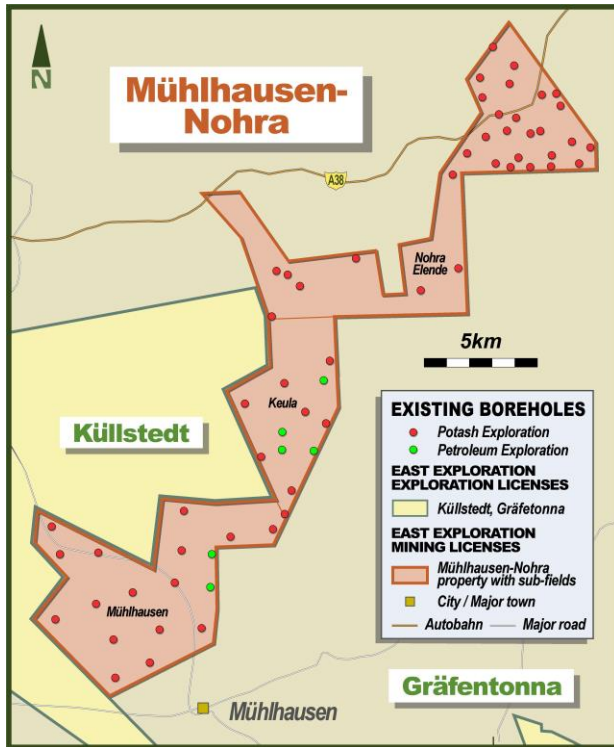
In total, more than 100 deep drill holes were sunk on the licences in the GDR era, leading to the creation of an extensive exploration database that would cost in excess of €100M to replicate based on current industry costs. This information will allow Davenport to fast track cost-effective brownfields evaluation of the area with the aim of reinvigorating the South Harz as a globally significant potash producing region.

Following the acquisition, Davenport now holds exploration licences and perpetual mining leases covering well in excess of 650km² in the South Harz. The Company has prioritised areas for systematic data analysis and results will be released to the market at each stage.

Davenport Managing Director Chris Bain said: "Up until the reunification of Germany in the early 1990s, more than 180 million tonnes of potash was produced from mines in the South Harz region, making it a globally significant source of the commodity. Based on that history and the obvious prospectivity that remains, we are very pleased to have consolidated our landholding in the basin through this acquisition and we look forward to progressing the projects towards production."

The Licences

Mühlhausen-Nohra (141km²) adjoins Davenport's existing Küllstedt licence. (Figure 2) Across the licence 54 holes have been drilled for potash exploration and six for hydrocarbons. The licence has three subfields:

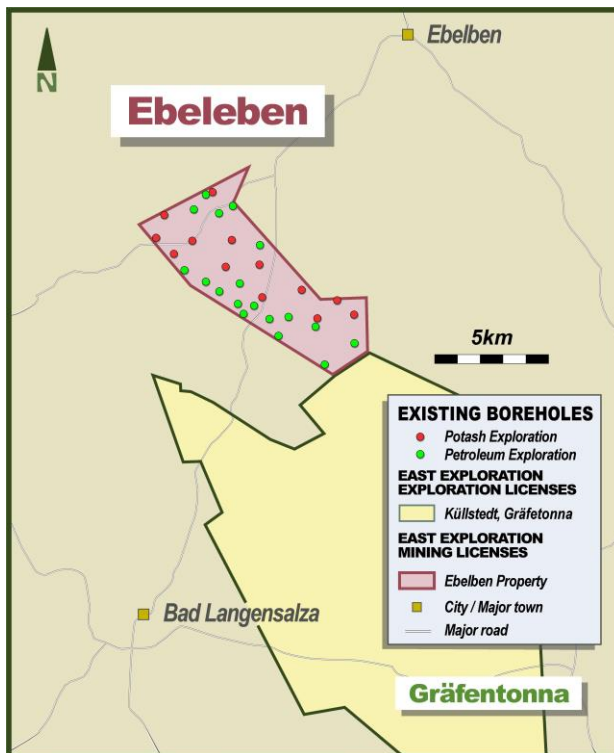


- **Sub-Field Mühlhausen** (area 47.98km²) 16 drill holes, 14 of which were drilled in the period 1961 to 1978. For these, detailed exploration results are available. In addition, two drill holes for hydrocarbon exploration have limited data (simplified bore logs, summarized content data).

- **Sub-Field Keula** (area 61.37km²) 20 drill holes, of which nine were drilled in the period 1957 to 1984 testing for potash mineralisation. For these, detailed exploration results are available. In addition, four drill holes were drilled testing for hydrocarbons during the 1960s. Seven older potash drill holes (between 1890 and 1910) provided limited data (simplified bore logs, summarized K₂O-grade data).

- **Sub-Field Nohra-Elende** (26.41 km²) 24 drill holes, of which 15 were drilled in the period 1960 to 1980 testing for potash mineralisation. For these, detailed exploration results are available. In addition, nine older potash exploration drill holes have limited data

Figure 2 Mühlhausen/Nohra mining licence



Ebeleben (37km²) covers the sylvinite area extending north-east from Davenport's Gräfenonna licence (Figure 3) toward the now closed Volkenroda mine. There is a total of 31 drill holes, of which 13 were drilled in the period 1961 to 1984 testing for potash mineralisation. For these drill holes, detailed exploration results are available. For the remaining drill holes, for petroleum exploration, only the results of the geophysical exploration are available.

Figure 3 Ebeleben Mining licence

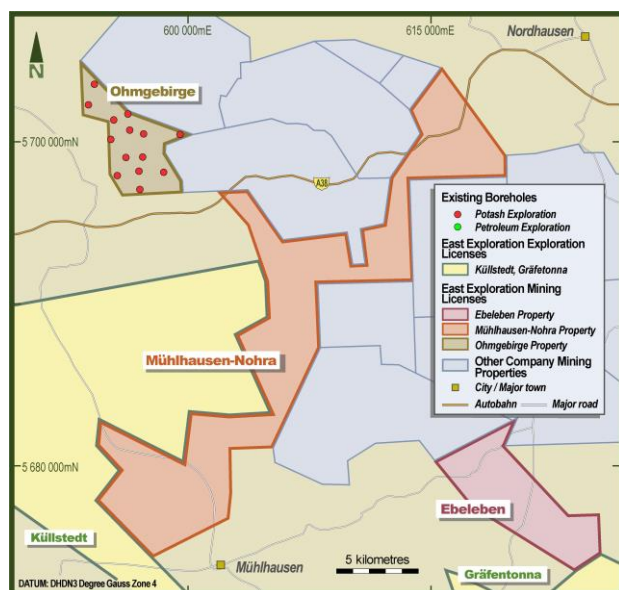


Figure 4 Ohmgebirge mining licence

Ohmgebirge (24.8km²) is a small licence to the north of Küllstedt. (Figure 4) A total of 13 drill holes have been drilled on the licence, all testing for potash mineralisation. For nine of these holes, drilled during the period from 1960 to 1980, it is presumed that detailed exploration results are available.

The Transaction

Total cost is €1.2 million on the following terms:

- a €50,000 non-refundable deposit payable on signing of a sale and purchase agreement. At this point Davenport receives immediate access to all historic exploration data.
- Subject to final formal approval of the transaction by Government agencies including the mining authorities (up to two months after signing of the agreement), Davenport pays €700k second instalment.
- Six months after registration of ownership of the licences to East Exploration GmbH (100% owned by Davenport), Davenport will pay the final instalment of €450,000.

Next Steps

Davenport has agreed a comprehensive and staged work program of data evaluation with our consultants ERCOSPLAN. Work will commence as soon as the Company gains access to the historic exploration data and be prioritized by area with reporting milestones over coming months. First results are expected within weeks and will be reported as work progresses.

This program will cover all three new licences, however, the immediate priority will be the subfield Mühlhausen as it contains areas of sylvinitic mineralisation that extend into Davenport's adjacent Küllstedt licence. Drilling conducted within the subfield Mühlhausen and the Küllstedt exploration licence was completed during the same 1970s drill program. Davenport anticipates that once the existing data has been analysed, carefully located confirmation drill holes can validate the entire 1970s drill program and bring it into a JORC 2012 resource.

The initial data review for the subfield Mühlhausen will be carried out concurrently with ongoing drillhole permitting for the Küllstedt exploration licence. Davenport continues to work with the regional mining authority to fulfil all regulatory requirements for drilling approval. Final drillhole locations will be determined after taking into account all information from previous drilling programs carried out on both Küllstedt and the adjoining Mühlhausen subfield.

INVESTOR & MEDIA ENQUIRIES

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