ASX Announcement

31 January 2018

COMPANY DETAILS
Davenport Resources Limited
ABN: 64 153 414 852
ASX CODE: DAV

PRINCIPAL AND REGISTERED OFFICE (& Postal Address)
Davenport Resources Limited
Level 28,
303 Collins Street
Melbourne VIC 3000

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Capital Structure
74.3M Ordinary shares
33.85M First milestone shares
33.85M Second milestone shares
6.2M Unlisted options

Exploration activities report for December quarter 2017

HIGHLIGHTS:

- **Historic Resources announced for Ebeleben and Mühlhausen-Nohra mining licences Germany**
- **Independent review commenced to determine if data can support a JORC 2012 resource estimate.**
- **Dr Chris Gilchrist appointed Managing Director**
- **Low cost exploration continued at Southern Cross Bore (NT) to assess geological potential**

Germany
South Harz Potash project

Following formal approval by the Thüringen State Mining Authority to transfer title of the recently purchased Ebeleben, Mühlhausen-Nohra and Ohmgebirge mining licences to East Exploration GmbH, work commenced on reviewing historic exploration data. Analysis of the data found that for both the Ebeleben and Mühlhausen-Nohra licences, historic resources had been estimated in accordance with the Russian Federation System applicable at that time in the former German Democratic Republic (GDR) system.

The historic sylvinite resource at Ebeleben, is **356 million tonnes at 16.1% K_2O (57.4 million tonnes of contained K_2O)**, equivalent to 91 million tonnes of potassium chloride (KCl) (*ASX announcement 15 November 2017*).

At Mühlhausen-Nohra, the Mühlhausen sub-area contains an historic resource of **234 million tonnes at 14.4% K_2O (33.8 million tonnes of contained K_2O)** in hartsalz and **54.4 million tonnes at 10.6% K_2O (5.8 million tonnes of contained K_2O)** in carnallitite. (*ASX announcement 16 November 2017*).

All three new licences, which adjoin Davenport's existing Exploration Licences in the South Harz region, (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.

The licences have been extensively drilled. In total, more than 100 deep drill holes were sunk leading to the creation of an extensive exploration database that would cost in excess of €100 million to replicate based on current industry costs

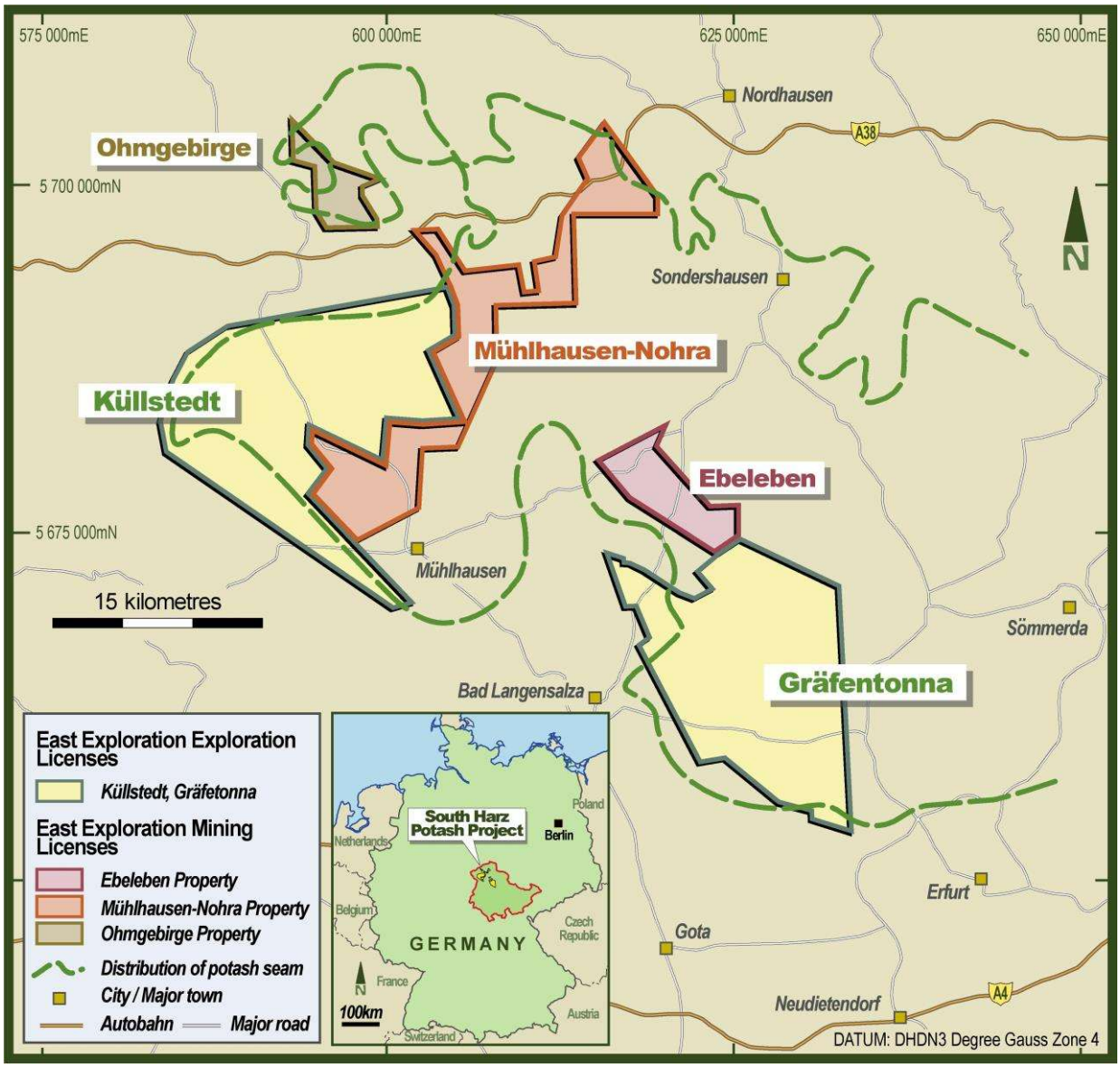


Figure 1 Location of Davenport Resources South Harz Project exploration and mining licences

Davenport has engaged leading mineral industry consultancy Micon International to undertake an in-depth review of historic exploration data from the Ebeleben and Mühlhausen-Nohra potash Mining Licences in Germany's South Harz Basin. *(ASX Announcement 18 January 2018)*

The primary objective of the review, and subsequent geological modelling, will be to establish resource estimates for both projects that comply with the 2012 edition of the Joint Ore Reserves Committee (JORC) Code, which governs the reporting of mineral resources to the Australian Securities Exchange.

Micon has expertise in reviewing historic resources estimated under the former GDR system and using the original data to model the resource and where possible compile a resource estimate compliant with the JORC 2012 Code. (Ref: Micon and Highland Gold)

Davenport now holds three perpetual mining licences and two potash exploration licences in Germany's Thüringen State. The licences cover a combined total area exceeding 650 km2 across the South Harz potash basin. Historic drilling and mining in the basin demonstrate that the licences are underlain by a continuous potash horizon.

Küllstedt

Application for drilling approval has been temporarily suspended while the data analysis of the adjoining new mining licences is underway. Historic drilling programs exist across the boundary between Küllstedt and the new Mühlhausen sub-area and, given the historic resource on the Mühlhausen sub area is in part influenced by holes within Küllstedt, the optimum twin drill hole locations may be different.

Davenport is maintaining contact with all levels of authority to pioneer the pathway within the legislative framework. The Company continues to receive strong local and state government support for the exploration plans in the South Harz region.

Gräfentonna

No work during the quarter.

Australia

Southern Cross Bore Project

The comprehensive aeromagnetic survey over the full Southern Cross Bore tenement area of 7,291line km flown at 100m line spacing was completed in the September quarter by MagSpec Airborne Surveys

The area is extraordinarily complex due to high grade metamorphism and multiple complex deformation events. The controls on mineralisation are not well understood in the area due to that complexity and relatively limited past exploration. Calc-silicate lithologies and magnetic alteration are common and potentially important for exploration.

A number of discreet targets were highlighted, including three high priority targets that were considered potentially analogous to the Johnnies Reward deposit.

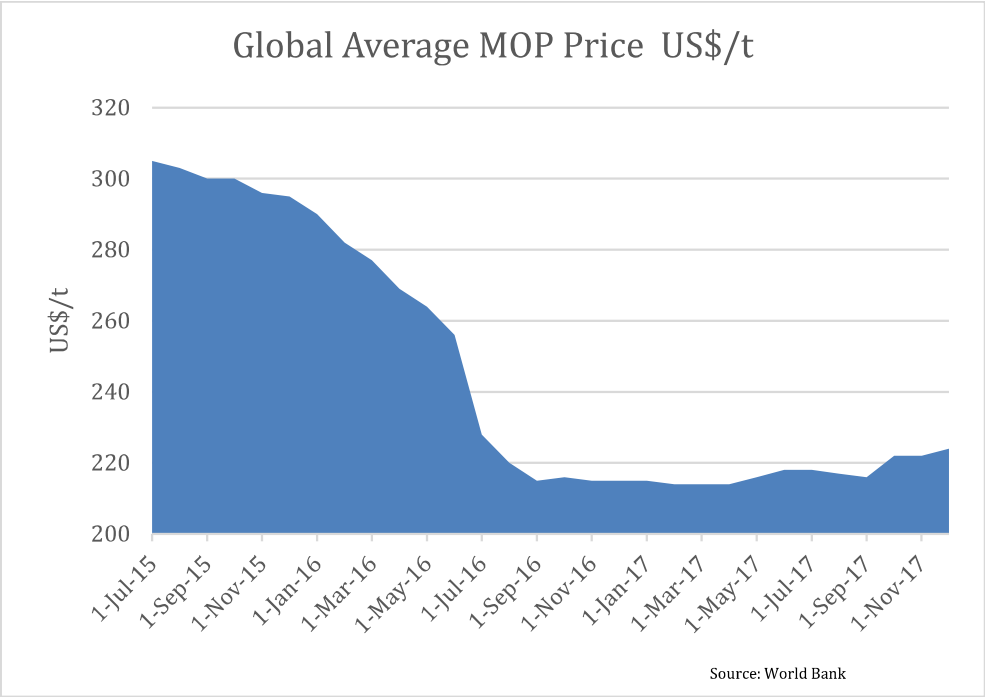
Results from the field investigation of the targets were received early in the quarter. Most of the magnetic highs are likely caused by banded magnetite bearing schists / gneisses. These often form topographical highs than can be traced on a regional scale. In some of the high priority areas significant coincidental magnetite was observed often associated with areas of garnet and chlorite alteration. Assays of the rock chip sampling did not highlight any areas of notable anomalism. The exception being the Two Amigos gossan, the only area outside Johnnies Reward where there was known copper staining in outcrop. (Samples DAV16-DAV18), the outcrop was anomalous Cu, Pb and Zn. The results are shown in Appendix 1.

Corporate

During the quarter, Davenport announced it had appointed Dr Chris Gilchrist as Managing Director to commence on 1 March 2018. Dr. Gilchrist is a highly experienced international mining executive with over 35 years mining management and director level experience. He is based in Europe and has successfully built and managed large mining operations in Europe and Africa. Importantly, he has significant experience in potash mining, processing and marketing.

Potash Market

The year 2017 has been a record year for global Muriate of Potash (MOP) demand. Strong buying in USA, China, Brazil and India as well as many of the smaller markets has contributed to overall demand exceeding 63 million tonnes.



Spot prices in Brazil and SE Asia have continued their upward trajectory of the last twelve months and have now firmed across all markets. New supply coming from K+S in Canada and EuroChem in Russia will impact the market later in 2018 and 2019. However, at this stage, all of the planned brownfield expansion projects from current producers has reached full operating capacity. Continued demand growth at around 2.5% per annum should see the market remain reasonably balanced over the medium term with prices forecast to steadily improve.

Tenements

The acquisition of the mining tenements from BVVG became unconditional early in the quarter with the final payment due in May 2018. No tenement was disposed of during the quarter. Current tenements are:

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%
EL28045	NT, Australia	100%
EL30090	NT, Australia	100%

Competent Person Statement

The Southern Cross Bore Project data in this report is based on information reviewed by Mr Chris Bain, a Member of the Australian Institute of Metals & Mining (AusIMM) and an employee of Davenport Resources Limited. Mr Bain has sufficient experience that is relevant to the style of the mineralisation and the type of deposit under consideration and to the activity to which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bain has consented to the inclusion of this information in the form and context in which it appears in this report.

INVESTOR & MEDIA ENQUIRIES

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APPENDIX 1 Southern Cross Bore Rock Chip Samples

		Sample Number	DAV0001	DAV0002	DAV0003	DAV0004	DAV0005	DAV0006	DAV0008	DAV0009	DAV0010	DAV0011
	LOCATION	MGA_E	419630	419475	419195	419138	419283	418430	408892	408898	408895	409635
		MGA_N	7440374	7440233.1	7440957	7440155.5	7439896.5	7442725.8	7446109	7446097	7446071	7446796
		Tenement	EL28045	EL28045	EL28045	EL28045	EL28045	EL28045	EL30090	EL30090	EL30090	EL30090
UNIT	LIMIT		Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip
kg	0.02	Recvd Wt.	1.27	0.51	1.08	1.42	1.22	1.39	1.13	0.94	1.05	1.33
ppm	0.001	Au	0.001	0.003	0.001	<0.001	0.001	<0.001	0.001	0.002	<0.001	0.001
ppm	0.01	Ag	0.04	0.11	0.08	0.06	0.03	0.04	0.04	0.03	0.02	0.02
ppm	0.1	Co	13.6	0.8	8.7	21.2	5.3	12.7	5.8	38.8	18.2	21.2
ppm	0.2	Cu	81.4	3.9	3	24.1	6	12.6	4	2.8	3.4	1.9
%	0.01	Fe	5.48	0.81	2.1	5.55	2.48	4.09	17.7	8.5	10.85	7.5
ppm	.02	Ni	17.3	2	11.7	39.5	11.6	16.7	2.4	9.2	15.2	17.6
ppm	0.5	Pb	13.3	4.7	23.2	19.4	15.5	11.3	1.8	3.7	4.4	1.9
ppm	2	Zn	52	3	65	99	36	86	14	127	62	81
%	0.001	Zn	*	*	*	*	*	*	*	*	*	*
		Sample Number	DAV0012	DAV0013	DAV0014	DAV0015	DAV0016	DAV0017	DAV0018	DAV0019	DAV0021	DAV0022
		MGA_E	409629	409699	407971	405765	399034	399060	399052	398527	417443	422998
		MGA_N	7446785.9	7446376	7444893	7441585	7439466	7439452	7439460	7440026	7434154	7439662
		Tenement	EL30090	EL30090	EL30090	EL30090	EL30090	EL30090	EL30090	EL30090	EL30090	EL28045
			Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip	Rock Chip
kg	0.02	Recvd Wt.	1.08	0.62	1.21	1.57	0.9	1.22	0.58	0.78	1.38	0.67
ppm	0.001	Au	0.002	0.001	0.001	<0.001	0.005	0.011	0.005	<0.001	<0.001	0.001
ppm	0.01	Ag	0.01	0.03	0.02	0.02	0.54	0.28	0.38	0.03	0.01	0.03
ppm	0.1	Co	20.9	17.6	48.3	16.4	16.1	4.7	59.1	27.6	34.8	3.5
ppm	0.2	Cu	2.8	3.5	43.8	5.8	2950	1515	5670	61.2	11.3	84.7
%	0.01	Fe	9.59	18.1	9.38	5.72	10.65	10.9	21.3	8.12	7.19	1.2
ppm	0.2	Ni	19.5	16.1	51.7	26.4	6.2	3.7	11.6	60.9	79.8	2.2
ppm	0.5	Pb	3.8	2.7	2.9	14.1	529	1385	268	34.6	12.2	103.5
ppm	2	Zn	93	44	108	61	4840	3710	>10000	212	40	190
%	0.001	Zn	*	*	*	*	*	*	1.365	*	*	*

APPENDIX 1 (continued) Southern Cross Bore Stream Sediment Samples

		Sample No	DAV0007	DAV0020	DAV0023
		MGA_E	408760	417567	423011
		MGA_N	7445870	7434222	7439868
		Tenement	EL30090	EL30090	EL28045
			Stream Sed	Stream Sed	Stream Sed
Recvd Wt.	kg	0.02	0.55	0.64	2.21
Au	ppm	0.001	<0.001	0.001	0.001
Ag	ppm	0.1	<0.1	<0.1	<0.1
Co	ppm	0.5	12.3	41.8	9
Cu	ppm	0.2	11.8	5	11.6
Fe	%	0.01	8.3	>20.0	3.07
Ni	ppm	0.5	16.5	128	17.8
Pb	ppm	0.5	3.6	16	5.8
Zn	ppm	1	18	12	43
Fe	%	0.01	*	39	*

Criteria	*JORC Code explanation*	Commentary
Sampling techniques	*Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.*	Rock chips samples were collected from outcrop as close as possibly to interpreted aeromagnetic anomalies.
	Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.	Samples are not necessarily representative of the interpreted anomaly. They provide a possible indication of geochemical anomalisim that may be related to the aeromag anomaly to suggest further work may be required.
	Aspects of the determination of mineralisation that are Material to the Public Report. In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases, more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.	At each site the location was recorded by GPS, a short description of the site and material collected was recorded. A separate sample collected for later rock type cross-reference with the analytical result. All samples were submitted to ALS Agent in Alice Springs for shipping to Adelaide for analysis.
Drilling techniques	*Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	N/A.
Drill sample recovery	*Method of recording and assessing core and chip sample recoveries and results assessed.*	N/A
	Measures taken to maximise sample recovery and ensure representative nature of the samples.	N/A
	Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.	N/A
Logging	*Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	N/A
	Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.	N/A
	The total length and percentage of the relevant intersections logged.	N/A
Sub-sampling techniques and sample preparation	*If core, whether cut or sawn and whether quarter, half or all core taken.*	N/A
	If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.	N/A
	For all sample types, the nature, quality and appropriateness of the sample preparation technique.	N/A.
	Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.	The samples were random rock chip over an area of up to about one square metre where there was sufficient outcrop coinciding with the central part of the aearomag anomaly. This is considered appropriate for the style of mineralization and the purpose of the sampling.
	Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.	N/A
	Whether sample sizes are appropriate to the grain size of the material being sampled.	Sample size is considered appropriate for the style of mineralisation.
Quality of assay data and laboratory tests	*The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.*	Analysis was 33 element four acid ICP-AES This is considered appropriate for the style of mineralization and the nature of the samples. The use of blanks and standards have not been used and not considered necessary for this level of reconnaissance sampling.
	For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.	No geophysical tools were used in the sampling.
	Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.	Blanks and standards were not used.
Verification of sampling and assaying	*The verification of significant intersections by either independent or alternative company personnel.*	N/A
	The use of twinned holes.	
	Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.	
	Discuss any adjustment to assay data.	There has been no adjustment or consolidation of the assay data. The assay receipts from ALS laboratories are available

Criteria	*JORC Code explanation*	Commentary
Location of data points	*Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation*	**Rock chip samples** Samples sites were located by hand held GPS at the time of collection.
	Specification of the grid system used.	The grid system that is used is UTM zone 53S.
	Quality and adequacy of topographic control.	Each sample is located onto the Digital Terrain Model of the tenements.
Data spacing and distribution	*Data spacing for reporting of Exploration Results.*	The data is appropriate for reporting Exploration Results.
	Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.	N/A
	Whether sample compositing has been applied.	All samples have been reported individually.
Orientation of data in relation to geological structure	*Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.*	N/A
	If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.	
Sample security	*The measures taken to ensure sample security.*	Samples were delivered from Davenport to the custody of the ALS Agent in Alice Springs for transport to Adelaide, Additional security was not required due to the reconnaissance nature of the sampling.
Audits or reviews	*The results of any audits or reviews of sampling techniques and data.*	N/A

+Rule 5.5

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Davenport Resources Limited

ABN	**Quarter ended ("current quarter")**
64 153 414 852	31 December 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers – sub-tenants rent	32	34
1.2	Payments for		
	(a) exploration & evaluation	(35)	(278)
	(b) development		
	(c) production		
	(d) staff costs	(81)	(159)
	(e) administration and corporate costs	(136)	(370)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	11
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Research and development refunds		
1.8	Other -		
1.9	**Net cash from / (used in) operating activities**	**(219)**	**(762)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
	(d) other non-current assets		
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other – Progress payments for acquisition of German mining licences	(1,070)	(1,145)
	- security deposits paid		(6)
2.6	**Net cash from / (used in) investing activities**	**(1,070)**	**(1,151)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
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)		
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,690	4,318
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(219)	(762)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,070)	(1,151)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
4.5	Effect of movement in exchange rates on cash held	28	24
4.6	**Cash and cash equivalents at end of period**	**2,429**	**2,429**

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	1,229	2,490
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (short term deposit)	1,200	1,200
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,429**	**3,690**

The above cash flow information includes East Exploration Pty Ltd and its controlled subsidiary acquired by Davenport with an effective date of 9 January 2017.

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	70
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director salaries and fees.

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities		
8.2	Credit standby arrangements	10	1
8.3	Other (please specify)		

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

8..2 – Company credit card facility, secured by term deposit

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Exploration and evaluation	**130**
9.2	Development	
9.3	Production	
9.4	Staff costs	**250**
9.5	Administration and corporate costs	**200**
9.6	Other	
9.7	**Total estimated cash outflows**	**580**

10.	**Changes in tenements (items 2.1(b) and 2.2(b) above)**	**Tenement reference and location**	**Nature of interest**	**Interest at beginning of quarter**	**Interest at end of quarter**
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Refer to the attached tenement schedule.		
10.2	Interests in mining tenements and petroleum tenements acquired or increased		Refer to the attached tenement schedule.		

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.

Sign here: ..... Date: .....31 January 2018.....
(Director)

Print name: .....Chris Bain.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

DAVENPORT RESOURCES LIMITED

TENEMENT SCHEDULE

NORTHERN TERRITORY

The following tenement interests were held during the quarter ended 31 December 2017:

Title Number	Interest held at start of quarter	Change in interest during the quarter	Interest held at end of quarter	Status (G - Grant, A – Appl'n	Area sq kms
EL28045	100	-	100	G	73
EL30090	100	-	100	G	557

GERMANY

A) East Exploration GmbH (**"EE GmbH"**), the Company's 100% controlled entity, holds the South Harz Project located in the northern part of the Federal State of Thuringia, situated approximately halfway between Frankfurt and Berlin. Details of the two licences held are:

- Küllstedt licence granted on 12 January 2015 covering an area of 241 km²
- Gräfentonna licence granted on 12 January 2015 covering an area of 216 km²

Under the German Mining Law the exploration licences are granted for a term of 5 years with an option to renew for a further 3 years.

B) During the quarter, EE GmbH received final approval for the acquisition of three potash mining licences in the South Harz region, largely adjoining the Company's Küllstedt and Gräfentonna exploration licences. The licences are in the administrative process of being transferred into the Company's ownership (100%) and comprise:

- the Mühlhausen-Nohra mining licence covering an area of 141 km²,

- the Ebeleben mining licence covering an area of 37 km², and

- the Ohmgebirge mining licence covering an area of 25 km²,

A final progress payment of €450K for the acquisition is due payable in May 2018

DAVENPORT RESOURCES LIMITED

PERFORMANCE SHARES - MILESTONES

It is a condition of the ASX listing that the Company discloses in each quarterly report details of the Performance shares that remain on issue.

As part consideration for the acquisition of East Exploration Pty Ltd effective 9 January 2017, the Company issued two tranches of 33,854,167 Non-voting Performance shares (67,708,334 in total). These remain on issue and no milestones have been met.

The following are the common terms of the first Performance shares and the second Performance shares.

(a) (**Performance Shares**): A Performance share is a share in the capital of the Company (being Davenport Resources Limited) (**Performance Shares**).

(b) (**General Meetings**): A Performance share shall confer on the holder (a **Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. The Holder of a Performance share has the right to attend general meetings of shareholders of the Company.

(c) (**No Voting Rights**): A Performance share does not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.

(d) (**No Dividend Rights**): A Performance share does not entitle the Holder to any dividends.

(e) (**Rights on Winding Up**): The Holder of a Performance share is not entitled to participate in the surplus assets or profits of the Company in a winding up.

(f) (**Not Transferable**): A Performance share is not transferable.

(g) (**Issues and Reorganisation of Capital**): A Performance share does not entitle the Holder to participate in any bonus issue, pro rata issue or any other issue or rights to subscribe for fully paid ordinary shares or any other securities issued by the Company. Further, if at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed as if each Performance share held by the Holder was a fully paid ordinary share, to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.

(h) (**No Other Rights**): A Performance share gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(i) (**Conversion**): Subject to paragraph (m) below, a Performance share will convert into one fully paid ordinary share in the Company (a **Share**) upon the achievement of the milestone applicable to that Performance Share (the **Applicable Milestone**). The Applicable Milestone for a Performance share will be specified in the terms of issue of or invitation to apply for the Performance share. Performance shares which have not lapsed will convert automatically (without the achievement of the Applicable Milestone) in the event of a takeover or change of control of the Company.

(j) (**Conversion Procedure**): The Company will issue the Holder with a new holding statement for the Shares as soon as practicable following the conversion of Performance Shares into Shares under paragraph (i).

(k) (**Lapse**): If the Applicable Milestone for a Performance share is not achieved within the time or by the event specified for and as part of the Applicable Milestone, all Performance shares for which that milestone is the Applicable Milestone will lapse and be deemed to have been cancelled without payment or other compensation to the Holder.

(l) (**Quotation – Application to ASX**): Performance shares will not be quoted on the ASX. If Performance shares convert into Shares the Company must within seven (7) days of the date of conversion apply for official quotation on ASX of the Shares.

(m) (**Compliance with Law**): The conversion of Performance shares is subject to compliance at all times with the Corporations Act and the Listing Rules of ASX.

(n) (**Ranking of Shares**): The Shares into which the Performance share will convert will rank pari passu in all respects with existing Shares.

The Applicable Milestone for the first Performance shares is Milestone 1. The Applicable Milestone for the second Performance shares is Milestone 2. The Milestones are set out below.

Milestone 1

The Milestones for the first performance shares are as follows:

The announcement to ASX by Davenport within four (4) years after 9 January 2017 of the first JORC Code compliant inferred resources of one of the following:

(a) 250 million tonnes of potash at or above 11.0% K2O by content, or
(b) 150 million tonnes of potash at or above 12.0% K2O by content, or
(c) 100 million tonnes of potash at or above 13.0% K2O by content, or
(d) 75 million tonnes of potash at or above 15.0% K2O by content, or
(e) 50 million tonnes of potash at or above 18.0% K2O by content.

Milestone 2

The Milestone for the second performance shares are as follows:

The announcement to ASX by Davenport within five (5) years after 9 January 2017 of satisfaction of all mining approvals and utility contracts required to construct and operate a minimum 500,000 tonnes per annum potash mine on the South Harz Project (including all government approvals, water and energy contracts necessary to operate the mine).

"South Harz Project" means the mineral exploration project targeting potash in central Germany including the Küllstedt and Gräfentonna exploration licences and all ground within 50 kilometres of the Küllstedt and Gräfentonna tenements.