

# **DAVENPORT RESOURCES LIMITED**

## **[ABN 64 153 414 852]**

### **NOTICE OF GENERAL MEETING**

### **EXPLANATORY MEMORANDUM**

### **PROXY FORM**

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**TIME:** 11.00 AM (AEST)

**DATE:** 10<sup>th</sup> April 2018

**PLACE:** Level 27  
Rialto South Tower  
525 Collins Street  
Melbourne VIC 3000

**DAVENPORT RESOURCES LIMITED**  
**ABN 64 153 414 852**

**NOTICE OF GENERAL MEETING**

Notice is given that the General Meeting (the **Meeting**) of Davenport Resources Limited (the **Company** or **Davenport**) will be held at Level 27, Rialto South Tower, 525 Collins Street, Melbourne, VIC, 3000 on 10<sup>th</sup> April 2018, at 11.00 AM (AEST).

Further details in respect of each of the Resolutions proposed in this Notice of General Meeting (**Notice**) are set out in the Explanatory Memorandum (the **Memorandum**) accompanying this Notice. The details of the resolutions contained in the Memorandum should be read together with, and form part of, this Notice.

**GENERAL BUSINESS**

**RESOLUTION 1: SELECTIVE CAPITAL REDUCTION – CANCELLATION OF SECOND PERFORMANCE MILESTONE SHARES**

To consider and, if thought fit, pass the following Resolution as a **special resolution**:

***"That, for the purposes of section 256C of the Corporations Act and for all other purposes, approval is given for the Company to selectively reduce its capital by cancelling 33,854,167 Second Performance Milestone Shares for no consideration on the terms and conditions set out in the Explanatory Memorandum which accompanied and formed part of this Notice."***

*Voting prohibition (Corporations Act)*

*The Company will disregard any votes cast in favour of this Resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amount unpaid on shares is to be reduced, or their associates.*

The Company notes no consideration is payable as part of the selective capital reduction and no amounts are unpaid on the Second Performance Milestone Shares, therefore no votes cast in favour of Resolution 1 are to be disregarded.

**RESOLUTION 2A: ISSUE OF PERFORMANCE RIGHTS – MR PATRICK MCMANUS**

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

**"That, for the purposes of ASX Listing Rule 10.14, and for all other purposes including sections 259B(2) and 260C(4) of the Corporations Act 2001 (Cth), shareholders approve the issue of a total of 1,000,000 Performance Rights pursuant to the Davenport Employee Security Ownership Plan (each entitling the holder, upon satisfaction of the applicable Hurdle), to one fully paid ordinary share in the capital of the Company) to Mr Patrick McManus (a Director of the Company), or his nominee, as set out in the table below:**

<b>Series</b>	<b>Hurdle</b>	<b>Vest</b>	<b># of performance rights</b>
A	The Company, within 12 months of the date of issue, completing drilling of one (1) hole intersecting the potash horizon of the South Harz project ( <b>First Hurdle</b> )	12 months from issue	500,000
B	The Company, within 24 months of the date of issue and subject to the satisfaction of the First Hurdle, completing drilling of two (2) holes	24 months from issue	500,000

	intersecting the potash horizon of the South Harz project ( <b>Second Hurdle</b> )		
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and as set out in the Explanatory Memorandum which accompanied and formed part of this Notice.”

*A voting exclusion statement as set out on page 4 of this Notice applies to this Resolution 2A.*

#### RESOLUTION 2B: ISSUE OF PERFORMANCE RIGHTS – MR CHRIS GILCHRIST

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 10.14, and for all other purposes including sections 259B(2) and 260C(4) of the Corporations Act 2001 (Cth), shareholders approve the issue of a total of 2,000,000 Performance Rights pursuant to the Davenport Employee Security Ownership Plan (each entitling the holder, upon satisfaction of the applicable Hurdle), to one fully paid ordinary share in the capital of the Company) to Mr Chris Gilchrist (a Director of the Company), or his nominee, as set out in the table below:**

Series	Hurdle	Vest	# of performance rights
A	The Company, within 12 months of the date of issue, completing drilling of one (1) hole intersecting the potash horizon of the South Harz project ( <b>First Hurdle</b> )	12 months from issue	1,000,000
B	The Company, within 24 months of the date of issue and subject to the satisfaction of the First Hurdle, completing drilling of two (2) holes intersecting the potash horizon of the South Harz project ( <b>Second Hurdle</b> )	24 months from issue	1,000,000

and as set out in the Explanatory Memorandum which accompanied and formed part of this Notice.”

*A voting exclusion statement as set out on page 4 of this Notice applies to this Resolution 2B.*

#### RESOLUTION 2C: ISSUE OF PERFORMANCE RIGHTS – MR RORY LUFF

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

**“That, for the purposes of ASX Listing Rule 10.14, and for all other purposes including sections 259B(2) and 260C(4) of the Corporations Act 2001 (Cth), shareholders approve the issue of a total of 750,000 Performance Rights pursuant to the Davenport Employee Security Ownership Plan (each entitling the holder, upon satisfaction of the applicable Hurdle, to one fully paid ordinary share in the capital of the Company) to Mr Rory Luff (a Director of the Company), or his nominee, as set out in the table below:**

Series	Hurdle	Vest	# of performance rights
A	The Company, within 12 months of the date of issue, completing drilling of one (1) hole intersecting the potash horizon of the South Harz project ( <b>First Hurdle</b> )	12 months from issue	375,000
B	The Company, within 24 months of the date of issue and subject to the satisfaction of the First	24 months from issue	375,000

	Hurdle, completing drilling of two (2) holes intersecting the potash horizon of the South Harz project ( <b>Second Hurdle</b> )		
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**and as set out in the Explanatory Memorandum which accompanied and formed part of this Notice.”**

*A voting exclusion statement as set out on page 4 of this Notice applies to this Resolution 2C.*

*ASX Voting Exclusion Statement – Resolutions 2A – 2C*

The Company will disregard any votes cast in favour of Resolutions 2A - 2C by or on behalf of:

- any director of the Company who is eligible to participate in the employee incentive scheme in respect of which the approval is sought and, if ASX has expressed an opinion under Listing Rule 10.14.3 that approval is required for participation in the employee incentive scheme by anyone else, that person; and
- any associate of that person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

*Corporations Act voting restrictions – key management personnel and their closely related parties*

In accordance with the Corporations Act 2001 (Cth), the Company will disregard any votes cast on Resolutions 2A – 2C by or on behalf of a member of the Company’s key management personnel within the meaning of the Corporations Act (including the Directors) or any of that person’s closely related parties within the meaning of the Corporations Act (such as close family members and any controlled companies of those persons) (collectively referred to as “Restricted Voters”). However, the Company need not disregard a vote if:

- it is a cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on this Resolution; and
- it is not cast on behalf of a Restricted Voter.

The Chair of the Meeting may cast vote on this Resolution as proxy where the written appointment of the Chair as proxy (which may include appointment of the Chair as proxy by default in the absence of another person) does not specify how the proxy is to vote on this Resolution but expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Company’s key management personnel.

Dated: 7 March 2018

By the order of the Board



Christopher Bain  
Director

The accompanying Memorandum and the Proxy and Voting Instructions form part of this Notice.



## PROXY AND VOTING INSTRUCTIONS

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### Proxy Instructions

A member who is entitled to vote at a meeting may appoint:

- one proxy if the member is only entitled to one vote; and
- one or two proxies if the member is entitled to more than one vote.

Where more than one proxy is appointed, each proxy may be appointed to represent a specific proportion of the member's voting rights. If the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes in which case any fraction of votes will be disregarded.

The proxy form (and the power of attorney or other authority, if any, under which the proxy form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the proxy form (and the power of attorney or other authority) must be lodged with the Company's share registry not less than 48 hours before the time for holding the Meeting, or adjourned meeting as the case may be, at which the individual named in the proxy form proposes to vote.

The proxy form must be signed by the member or his/her attorney duly authorised in writing or, if the member is a corporation, in a manner permitted by the Corporations Act. A proxy given by a foreign corporation must be executed in accordance with the laws of that corporation's place of incorporation.

The proxy may, but need not, be a member of the Company.

A proxy form is attached to this Notice.

If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the meeting as your proxy.

### Corporate Representatives

Any corporation which is a member of the Company may authorise (by certificate under common seal or other form of execution authorised by the laws of that corporation's place of incorporation, or in any other manner satisfactory to the chairperson of the Meeting) a natural person to act as its representative at any general meeting.

### Voting Entitlement

For the purposes of the Corporations Act and Corporations Regulations shareholders entered on the Company's Register of Members as at 7:00pm AEST on 8 April 2018 (Melbourne time) are, subject to any applicable voting prohibition, entitled to attend and vote at the Meeting.

On a poll, members have one vote for every fully paid ordinary share held (provided the member is not subject to a voting prohibition). Holders of options are not entitled to vote.

### How the Chair Will Vote Undirected Proxies

Subject to any applicable voting prohibition, the Chair of the meeting will vote undirected proxies in favour of all of the Resolutions. However, any undirected proxies held by the Chair of the meeting will not be voted on Resolutions 2A – 2C unless the express consent of the shareholder is given in the proxy appointment.

### Proxies that are undirected on Resolutions 2A – 2C

Directors of the Company, any other of the Company's key management personnel or any of their closely related parties will not be able to vote undirected proxies held by them on Resolutions 2A – 2C. Key management personnel of the Company comprise the directors of the Company and those other persons having authority and responsibility for planning, directing and controlling the activity of the Company, directly or indirectly.

### Special Resolution

Resolution 1 is proposed as a special resolution. For a special resolution to be passed, at least 75% of the votes validly cast on the resolution by shareholders (by number of shares) must be in favour of the resolution.

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**DAVENPORT RESOURCES LIMITED**  
**ABN 64 153 414 852**  
**(the Company or Davenport)**

**GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**

**PURPOSE OF INFORMATION**

This Explanatory Memorandum (**Memorandum**) accompanies and forms part of the Company's Notice of General Meeting (**Notice**) for the General Meeting (**Meeting**) to be held at Level 27, Rialto South Tower, 525 Collins Street, Melbourne, VIC, 3000 on 10<sup>th</sup> April 2018, at 11.00 AM (AEST). The Notice incorporates, and should be read together with, this Memorandum.

**BUSINESS**

**RESOLUTION 1 – SELECTIVE CAPITAL REDUCTION – CANCELLATION OF SECOND PERFORMANCE MILESTONE SHARES**

Resolution 1 seeks shareholder approval for the Company to undertake a selective capital reduction through the cancellation of 33,854,167 Second Performance Milestone Shares for no consideration (**Selective Capital Reduction**). Resolution 1 is a **special resolution** meaning at least 75% of the votes validly cast on the resolution (by number of shares) must approve Resolution 1 for it to be passed.

References to ordinary shareholders in this Memorandum are to holders of fully paid ordinary shares in the Company who do not also hold Second Performance Milestone Shares.

**1.1 Corporations Act**

Pursuant to Section 256C of the Corporations Act, a company may make a selective capital reduction if the selective capital reduction is approved by a special resolution passed at a general meeting of the company, with no votes cast in favour of the resolution by any person who is to receive consideration as part of the reduction or whose liability to pay amounts unpaid on shares is to be reduced. As set out in the Notice, no votes that are cast in favour of Resolution 1 are to be disregarded.

Section 256C further provides that, if the reduction involves the cancellation of shares, the reduction must be approved by a special resolution passed at a meeting of the shareholders whose shares are to be cancelled. In accordance with this Corporations Act requirement, a special meeting of the holders of Second Performance Milestone Shares (**Class Meeting**) will be held following this Meeting.

Section 257B of the Corporations Act requires that a company may only reduce its capital if:

- (a) it is fair and reasonable to the shareholders as a whole;
- (b) it does not materially prejudice the Company's ability to pay its creditors; and
- (c) it is approved by shareholders in accordance with Section 256C of the Corporations Act.

Section 256C(4) of the Corporations Act requires that a company must include in the notice of meeting sent to shareholders a statement setting out all information known to it that is material to the decision on how to vote on the resolution. However, the company does not have to disclose information if it would be unreasonable to require the company to do so because the company had previously disclosed the information to its shareholders.

As a disclosing entity under the Corporations Act, Davenport is subject to regular reporting and disclosure obligations. The Company from time to time makes announcements that are publicly available (including to shareholders) on the ASX's website at [www.asx.com.au](http://www.asx.com.au) ASX code: DAV. Copies of announcements can also be obtained from the Company. Shareholders are advised to refer to ASX's website for updated releases about events or matters affecting the Company, including in respect of events or matters arising between the date of this Notice and the Meeting.

As provided for in Section 256C(3) of the Corporations Act, in the event Resolution is passed, the Company must lodge with ASIC a copy of this Resolution 1 within 14 days' after it is passed. The Company must then not make the reduction until 14 days' after lodgement of Resolution 1 with ASIC.

## **1.2 Second Performance Milestone Shares**

The Company issued an aggregate 33,854,167 Second Performance Milestone Shares as part consideration to the vendors of East Exploration Pty Ltd. The vendors were additionally issued an aggregate of 36,458,333 fully paid ordinary shares at a deemed issue price of \$0.20 per share and 33,854,167 First Performance Milestone Shares.

The Selective Capital Reduction will not affect the fully paid ordinary shares and First Performance Milestone Shares issued to and held by the vendors of East Exploration Pty Ltd.

## **1.3 Second Performance Milestone Share Terms**

In accordance with the terms of issue, each Second Performance Milestone Share converts into one fully paid ordinary share in the capital of the Company upon and subject to the announcement to ASX by the Company within 5 years after completion of the Acquisition of East Exploration (being 9 January 2022) of satisfaction of all mining approvals and utility contracts required to construct and operate a minimum 500,000 tonnes per annum potash mine on South Harz Project (including all government approvals, water and energy contracts necessary to operate the mine). If the milestone is not achieved by 9 January 2022 all Second Performance Milestone Shares would lapse.

Second Performance Milestone Shares that have not lapsed automatically convert (without the achievement of the applicable milestone) to fully paid ordinary shares upon the occurrence of a takeover or change of control of the Company.

As set out in the Company's announcement "Pre-Quotation Disclosure Notice with Various Confirmation" announced 19 January 2017, ASX required the maximum period for achievement of the milestone to be reduced from 6 years to 5 years from completion of the acquisition of East Exploration.

Having regard to the maximum period for achievement of the milestone, the estimated timeline for receipt of all required approvals (including third-party and governmental approvals) and contracts and the progress made to date, it is not anticipated the milestone applicable to the Second Performance Milestone Shares will be satisfied by 9 January 2022.

For illustrative purposes only, if all Second Performance Milestone Shares converted to fully paid ordinary shares, they would represent \$3,080,729.20 at \$0.091 per share, being the closing price of the Company's shares on ASX on 6 March 2018, being the day before the date of Notice. The dilutive effect of conversion of Second Performance Milestone Shares is set out in 1.7.

Full terms of the Second Performance Milestone Shares are set out in the Company's announcement "Milestone Share Terms" announced 19 January 2017.

#### **1.4 Restrictions on Second Performance Milestone Shares and Waiver**

ASX required the Company to enter into restriction agreements with the vendors of East Exploration Pty Ltd for the restriction of all securities issued as consideration for the acquisition of East Exploration Pty Ltd (including the Second Performance Milestone Shares) for 24 months from the Company being admitted to the Official List of ASX. This restriction ends on 20 January 2019.

The Company has applied for and been granted a waiver of ASX Listing Rule 9.7 to the extent necessary to permit the Company to amend restriction agreements entered into with the holders of the Second Performance Milestone Shares such that the Company be permitted to cancel all Second Performance Milestone Shares. The waiver was granted on the conditions that:

- (a) Ordinary shareholders of the Company, and separately, holders of Second Performance Milestone Shares, approve cancellation by selective capital reduction in relation to the Second Performance Milestone Shares in accordance with section 256C of the Corporations Act; and
- (b) The Company makes an appropriate announcement to the market advising of the waiver and the terms upon which it was granted.

An announcement satisfying condition (b) will be released by the Company on or about the date of this Notice. This Meeting and the Class Meeting are connected with satisfaction of condition (a).

#### **1.5 Purpose**

Noting the above, the purpose of the Selective Capital Reduction is to:

- Streamline the Company's capital structure by removing a class of securities the conversion of which is contingent upon the occurrence of a specific event that may not occur;
- Provide the Company with capacity to issue additional convertible securities in accordance with the ASX Listing Rules; and
- Reduce the Company's costs and administrative burden.

#### **1.6 Financial effect of Selective Capital Reduction**

Second Performance Milestone Shares will be cancelled for no consideration if the Selective Capital Reduction proceeds and therefore there will be no effect on the Company's financial position or its ability to pay its creditors.

The Company's latest audited financial statement, being the audited financial statements for the financial year ended 30 June 2017, are available on the Company's website at [www.davenportresources.com.au/annual-reports/](http://www.davenportresources.com.au/annual-reports/).

## 1.7 Effect of Selective Capital Reduction on capital structure

The capital structure of the Company before and after the Selective Capital Reduction is set out below:

Type of security	Number on issue as at date of this Notice	Number on issue following Selective Capital Reduction
Fully paid ordinary shares	74,347,282	74,347,282
First Performance Milestone Shares	33,854,167	33,854,167
Second Performance Milestone Shares	33,854,167	Nil
Unlisted Options	6,158,000	6,158,000

*Note: the above table assumes no securities are issued by the Company between the date of this Notice and the date of the Meeting.*

As set out above, the only variation to the Company's capital structure following completion of the Selective Capital Reduction is the Company having no Second Performance Milestone Shares on issue.

### *Dilution*

As noted above, it is not anticipated the milestone applicable to the Second Performance Milestone Shares will be satisfied by 9 January 2022 and therefore the dilutive effect of conversion of Second Performance Milestone Shares set out below is provided for illustrative purposes only:

- if all Second Performance Milestone Shares convert and, the Company would have 108,201,449 ordinary shares on issue, with converted Second Performance Milestone Shares representing 31.29% of the ordinary shares on issue, assuming no First Performance Milestone Shares convert; and
- if the milestone applicable to the First Performance Milestone Shares is satisfied, all First Milestone Shares would convert to ordinary shares and the Company would have 108,201,449 ordinary shares on issue. If all Second Performance Milestone Shares subsequently convert, the Company would have 142,055,616 ordinary shares on issue, with converted Second Performance Milestone Shares representing 23.83% of the ordinary shares on issue.

The above illustrative examples of the dilutive effect of the Second Performance Milestone Shares assume no additional ordinary shares are issued and no options are exercised.

In the event the Company were to issue additional ordinary shares or if options were exercised the dilutive impact of conversion of the Second Performance Milestone Shares would be reduced.

### **1.8 Advantages of approving the Selective Capital Reduction**

The Directors are of the view the Selective Capital Reduction provides the following advantages:

- It streamlines the Company's capital structure by removing a form of security contingent upon the occurrence of a specific event that may not occur;
- Following cancellation of the Second Performance Milestone Shares, the Company will be able to issue additional convertible securities in accordance with the ASX Listing Rules;
- It reduces the Company's costs and administrative burden; and
- The Second Performance Milestone Shares are to be cancelled for no consideration, therefore there will be no effect on the Company's cash reserves or its ability to pay its creditors.

Further, the Directors are of the view the Selective Capital Reduction is specifically advantageous to ordinary shareholders as the cancellation means removal of the chance of shareholders being diluted as a result of conversion of Second Performance Milestone Shares into ordinary fully paid shares.

### **1.9 Disadvantages of approving the Selective Capital Reduction**

The Directors do not consider there to be any disadvantages associated with the Selective Capital Reduction for ordinary shareholders.

The Selective Capital Reduction will result in holders of Second Performance Milestone Shares having Second Performance Milestone Shares they hold being cancelled.

### **1.10 Interests of Directors**

Mr Rory Luff, a director of the Company, holds an interest in 5,557,487 Second Performance Milestone Shares. Mr Luff intends to vote in favour of the Selective Capital Reduction at the Class Meeting. Mr Luff will receive no consideration or other benefit for cancellation of the Second Performance Milestone Shares he holds, other than as a result of his interest as an ordinary shareholder of the Company. Mr Luff holds an interest in 6,149,986 ordinary shares in the Company.

Mr Patrick McManus, a director of the Company, is a director of Parkway Minerals NL, an ASX listed company which is the ultimate holding company of East Exploration Holdings Pty Ltd. East Exploration Holdings Pty Ltd holds 19,249,922 ordinary shares and 17,874,928 Second Performance Milestone Shares. Mr McManus does not control Parkway Minerals NL or East Exploration Holdings Pty Ltd and does not hold a relevant interest in the shares of either entity or in the ordinary shares or Second Performance Milestone Shares in the Company they hold.

Mr Christopher Bain, a director of the Company, has an interest in the outcome of Resolution 1 as a result of his interest as an ordinary shareholder. Mr Bain holds an interest in 25,000 ordinary shares in the Company.

Mr Chris Gilchrist, a director of the Company, does not hold or have any interest in any securities, including Second Performance Milestone Shares or ordinary shares, in the Company.

### 1.11 Other material information

There is no other information known to the Board which may be material to the decision on how to vote in relation to this Resolution 1 which the Company has not previously disclosed to shareholders.

### 1.12 Directors Recommendation

The Directors believe the Selective Capital Reduction will not materially prejudice the Company's ability to pay its creditors and that the Company has, and will have following completion of the Selective Capital Reduction given no consideration is payable for cancellation of the Second Performance Milestone Shares, sufficient cash reserves to meet its financial commitments.

The Board, with Mr Luff abstaining recommends shareholders vote in favour of Resolution 1 as they consider the Selective Capital Reduction to be fair and reasonable and in the best interests of shareholders.

### RESOLUTION 2A: ISSUE OF PERFORMANCE RIGHTS – MR PATRICK MCMANUS

Resolution 2A seeks shareholder approval for the issue under the Davenport Employee Security Ownership Plan (**Plan**) of 1,000,000 Performance Rights to Mr Patrick McManus, a Director of the Company (or his nominee). The Performance Rights, upon and subject to vesting, entitle the holder to one fully paid ordinary share upon achievement of the applicable hurdles. The Performance Rights are described as Series A and B and have the terms set out in the table below:

Series	Hurdle	Vest	# of performance rights
A	The Company, within 12 months of the date of issue, completing drilling of one (1) hole intersecting the potash horizon of the South Harz project ( <b>First Hurdle</b> )	12 months from issue	500,000
B	The Company, within 24 months of the date of issue and subject to the satisfaction of the First Hurdle, completing drilling of two (2) holes intersecting the potash horizon of the South Harz project ( <b>Second Hurdle</b> )	24 months from issue	500,000

*^ if a Hurdle is not achieved within the period stated, subject to any earlier automatic conversion on the occurrence of the events referred to below, the applicable Performance Rights cannot be converted and lapse and are cancelled automatically.*

The Performance Rights in each series above convert automatically upon achievement of the Hurdle applicable to that series without payment of any additional consideration. Other than the requirement for satisfaction of the relevant Hurdles by the relevant Expiry Date, the Performance Rights are not subject to vesting conditions. The performance rights lapse upon the recipient ceasing to be an officer or executive (or that of the applicable individual who nominated the participant) subject to the discretion of the Board.

In addition, the Performance Rights will convert automatically to shares upon the occurrence of:

- an offeror under a takeover offer in respect of the Company's shares announcing that it has achieved acceptances in respect of more than 50% of the Company's shares and that takeover bid becoming unconditional;
- a person (alone or in conjunction with their associates) acquiring voting power (within the meaning of section 610 of the Corporations Act) of more than 50% of the ordinary shares in the Company;
- the Company disposes of all or a substantial part of its assets or undertaking; or
- a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme or arrangement for the reconstruction of the Company or its amalgamation with any other company or companies.

No loan has or will be made for the issue, conversion or vesting of the Performance Rights.

The Plan was adopted with the approval of shareholders on 28 September 2016. The terms of the Plan are set out in the Company's Replacement Prospectus dated 28 October 2016 and released to ASX as an announcement on 19 January 2017.

ASX Listing Rule 10.14 provides that an entity must not permit a director or an associate of a director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders. Mr Patrick McManus is a Director of the Company and therefore approval is sought for the proposed issue of Performance Rights to him (or his nominee) under ASX Listing Rule 10.14. Shareholder approval is being sought under Listing Rule 10.14 for the issue of Performance Rights and as such approval is not required under ASX Listing Rule 7.1.

ASX Listing Rule 10.15 requires that a notice of meeting seeking approval under clause ASX Listing Rule 10.14 contain the information set out below.

- Mr Patrick McManus is a Director of the Company.
- The maximum number of securities that may be acquired by persons for whom approval under ASX Listing Rule 10.14 is required under this Resolution 2A is 1,000,000 performance rights. Any future proposed issues to Directors (or their associates) under the Plan would require a further shareholder approval at that time.
- Unless the committee established under the Plan determines otherwise, no payment of money is required for the issue of a performance right or the vesting or conversion of a performance right issued under the Plan. Each security issued under the Plan will be issued for no consideration upon achievement of the Hurdle to that security which are set out above.
- There have been no prior issues of securities under the Plan. Resolution 2B proposes for approval by shareholders an issue of 2,000,000 performance rights to Mr Chris Gilchrist and Resolution 2C proposes for approval by shareholders an issue of 750,000 performance rights to Mr Rory Luff.
- No other persons referred to in ASX Listing Rule 10.14 are entitled to participate the scheme without further shareholder approvals.
- Each of the Directors of the Company and their associates are entitled to participate in the scheme, subject to receipt of required shareholder approvals under the Listing Rules.



- A voting exclusion statement for Resolution 2A is contained in the Notice accompanying this Explanatory Memorandum.
- No loan has or will be made in respect of the issue, conversion or vesting of the Performance Rights.
- The Performance Rights will be issued and allotted no later than twelve (12) months after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission).
- If Resolution 1 is not passed then Resolution 2A will be withdrawn.

#### Corporations Act – Chapter 2E

Under Chapter 2E of the Corporations Act, a public company cannot give a “financial benefit” to a “related party” unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Section 211 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given to the related party as an officer of the Company and to give the remuneration would be reasonable given:

- the circumstances of the Company; and
- the related party’s circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue is reasonable remuneration and, as such, fall within the exception set out in section 211 of the Corporations Act.

In reaching this view, the Company has considered the position and responsibilities of Mr Patrick McManus and his overall remuneration package having regard for to remuneration packages offered by similar ASX-listed companies. The Company has also considered its reliance on a limited number of personnel and the need to retain that personnel, the need for the Company to effectively incentivise Mr Patrick McManus while aligning the incentive with increasing shareholder value, the desirability of preserving cash resources within the Company, and the terms of the Performance Rights. The Company considers that the issue of performance rights to directors is an effective tool which preserves the cash reserves of the Company and its group entities whilst providing valuable consideration for the Directors linked to the future success of the Company.

If the Performance Rights are approved and issued, Mr Patrick McManus would have a relevant interest (including direct and indirect interests) in 1,000,000 performance rights in the Company.

#### **RESOLUTION 2B: ISSUE OF PERFORMANCE RIGHTS – MR CHRIS GILCHRIST**

Resolution 2B seeks shareholder approval for the issue under the Davenport Employee Security Ownership Plan (**Plan**) of 2,000,000 Performance Rights to Mr Chris Gilchrist, a Director of the Company (or his nominee). The Performance Rights, upon and subject to vesting, entitle the holder to one fully paid ordinary share upon achievement of the applicable hurdles. The Performance Rights are described as Series A and B and have the terms set out in the table below:

Series	Hurdle	Vest	# of performance rights
A	The Company, within 12 months of the date of issue, completing drilling of one (1) hole intersecting the potash horizon of the South Harz project ( <b>First Hurdle</b> )	12 months from issue	1,000,000
B	The Company, within 24 months of the date of issue and subject to the satisfaction of the First Hurdle, completing drilling of two (2) holes intersecting the potash horizon of the South Harz project ( <b>Second Hurdle</b> )	24 months from issue	1,000,000

*^ if a Hurdle is not achieved within the period stated, subject to any earlier automatic conversion on the occurrence of the events referred to below, the applicable Performance Rights cannot be converted and lapse and are cancelled automatically.*

The Performance Rights in each series above convert automatically upon achievement of the Hurdle applicable to that series without payment of any additional consideration. Other than the requirement for satisfaction of the relevant Hurdles by the relevant Expiry Date, the Performance Rights are not subject to vesting conditions. The performance rights lapse upon the recipient ceasing to be an officer or executive (or that of the applicable individual who nominated the participant) subject to the discretion of the Board.

In addition, the Performance Rights will convert automatically to shares upon the occurrence of:

- an offeror under a takeover offer in respect of the Company's shares announcing that it has achieved acceptances in respect of more than 50% of the Company's shares and that takeover bid becoming unconditional;
- a person (alone or in conjunction with their associates) acquiring voting power (within the meaning of section 610 of the Corporations Act) of more than 50% of the ordinary shares in the Company;
- the Company disposes of all or a substantial part of its assets or undertaking; or
- a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme or arrangement for the reconstruction of the Company or its amalgamation with any other company or companies.

No loan has or will be made for the issue, conversion or vesting of the Performance Rights.

The Plan was adopted with the approval of shareholders on 28 September 2016. The terms of the Plan are set out in the Company's Replacement Prospectus dated 28 October 2016 and released to ASX as an announcement on 19 January 2017.

ASX Listing Rule 10.14 provides that an entity must not permit a director or an associate of a director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders. Mr Chris Gilchrist is a Director of the Company and therefore approval is sought for the proposed issue of Performance Rights to him (or his nominee) under ASX Listing Rule 10.14. Shareholder approval is being sought under Listing Rule 10.14 for the issue of Performance Rights and as such approval is not required under ASX Listing Rule 7.1.

ASX Listing Rule 10.15 requires that a notice of meeting seeking approval under clause ASX Listing Rule 10.14 contain the information set out below.

- Mr Chris Gilchrist is a Director of the Company.
- The maximum number of securities that may be acquired by persons for whom approval under ASX Listing Rule 10.14 is required under this Resolution 2B is 2,000,000 performance rights. Any future proposed issues to Directors (or their associates) under the Plan would require a further shareholder approval at that time.
- Unless the committee established under the Plan determines otherwise, no payment of money is required for the issue of a performance right or the vesting or conversion of a performance right issued under the Plan. Each security issued under the Plan will be issued for no consideration upon achievement of the Hurdle to that security which are set out above.
- There have been no prior issues of securities under the Plan. Resolution 2A proposes for approval by shareholders an issue of 1,000,000 performance rights to Mr Patrick McManus and Resolution 2C proposes for approval by shareholders an issue of 750,000 performance rights to Mr Rory Luff.
- No other persons referred to in ASX Listing Rule 10.14 are entitled to participate the scheme without further shareholder approvals.
- Each of the Directors of the Company and their associates are entitled to participate in the scheme, subject to receipt of required shareholder approvals under the Listing Rules.
- A voting exclusion statement for Resolution 2B is contained in the Notice accompanying this Explanatory Memorandum.
- No loan has or will be made in respect of the issue, conversion or vesting of the Performance Rights.
- The Performance Rights will be issued and allotted no later than twelve (12) months after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission).
- If Resolution 1 is not passed then Resolution 2B will be withdrawn.

#### Corporations Act – Chapter 2E

Under Chapter 2E of the Corporations Act, a public company cannot give a “financial benefit” to a “related party” unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Section 211 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given to the related party as an officer of the Company and to give the remuneration would be reasonable given:

- the circumstances of the Company; and
- the related party's circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue is reasonable remuneration and, as such, fall within the exception set out in section 211 of the Corporations Act.

In reaching this view, the Company has considered the position and responsibilities of Mr Chris Gilchrist and his overall remuneration package having regard for to remuneration packages offered by similar ASX-listed companies. The Company has also considered its reliance on a limited number of personnel and the need to retain that personnel, the need for the Company to effectively incentivise Mr Chris Gilchrist while aligning the incentive with increasing shareholder value, the desirability of preserving cash resources within the Company, and the terms of the Performance Rights. The Company considers that the issue of performance rights to directors is an effective tool which preserves the cash reserves of the Company and its group entities whilst providing valuable consideration for the Directors linked to the future success of the Company.

If the Performance Rights are approved and issued, Mr Chris Gilchrist would have a relevant interest (including direct and indirect interests) in 2,000,000 performance rights in the Company.

## RESOLUTION 2C: ISSUE OF PERFORMANCE RIGHTS – MR RORY LUFF

Resolution 2C seeks shareholder approval for the issue under the Davenport Employee Security Ownership Plan (**Plan**) of 750,000 Performance Rights to Mr Rory Luff, a Director of the Company (or his nominee). The Performance Rights, upon and subject to vesting, entitle the holder to one fully paid ordinary share upon achievement of the applicable hurdles. The Performance Rights are described as Series A and B and have the terms set out in the table below:

Series	Hurdle	Vest	# of performance rights
A	The Company, within 12 months of the date of issue, completing drilling of one (1) hole intersecting the potash horizon of the South Harz project ( <b>First Hurdle</b> )	12 months from issue	375,000
B	The Company, within 24 months of the date of issue and subject to the satisfaction of the First Hurdle, completing drilling of two (2) holes intersecting the potash horizon of the South Harz project ( <b>Second Hurdle</b> )	24 months from issue	375,000

*^ if a Hurdle is not achieved within the period stated, subject to any earlier automatic conversion on the occurrence of the events referred to below, the applicable Performance Rights cannot be converted and lapse and are cancelled automatically.*

The Performance Rights in each series above convert automatically upon achievement of the Hurdle applicable to that series without payment of any additional consideration. Other than the requirement for satisfaction of the relevant Hurdles by the relevant Expiry Date, the Performance Rights are not subject to vesting conditions. The performance rights lapse upon the recipient ceasing to be an officer or executive (or that of the applicable individual who nominated the participant) subject to the discretion of the Board.

In addition, the Performance Rights will convert automatically to shares upon the occurrence of:

- an offeror under a takeover offer in respect of the Company's shares announcing that it has achieved acceptances in respect of more than 50% of the Company's shares and that takeover bid becoming unconditional;
- a person (alone or in conjunction with their associates) acquiring voting power (within the meaning of section 610 of the Corporations Act) of more than 50% of the ordinary shares in the Company;
- the Company disposes of all or a substantial part of its assets or undertaking; or
- a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme or arrangement for the reconstruction of the Company or its amalgamation with any other company or companies.

No loan has or will be made for the issue, conversion or vesting of the Performance Rights.

The Plan was adopted with the approval of shareholders on 28 September 2016. The terms of the Plan are set out in the Company's Replacement Prospectus dated 28 October 2016 and released to ASX as an announcement on 19 January 2017.

ASX Listing Rule 10.14 provides that an entity must not permit a director or an associate of a director to acquire securities under an employee incentive scheme without the approval of ordinary shareholders. Mr Rory Luff is a Director of the Company and therefore approval is sought for the proposed issue of Performance Rights to him (or his nominee) under ASX Listing Rule 10.14. Shareholder approval is being sought under Listing Rule 10.14 for the issue of Performance Rights and as such approval is not required under ASX Listing Rule 7.1.

ASX Listing Rule 10.15 requires that a notice of meeting seeking approval under clause ASX Listing Rule 10.14 contain the information set out below.

- Mr Rory Luff is a Director of the Company.
- The maximum number of securities that may be acquired by persons for whom approval under ASX Listing Rule 10.14 is required under this Resolution 2C is 750,000 performance rights. Any future proposed issues to Directors (or their associates) under the Plan would require a further shareholder approval at that time.
- Unless the committee established under the Plan determines otherwise, no payment of money is required for the issue of a performance right or the vesting or conversion of a performance right issued under the Plan. Each security issued under the Plan will be issued for no consideration upon achievement of the Hurdle to that security which are set out above.
- There have been no prior issues of securities under the Plan. Resolution 2A proposes for approval by shareholders an issue of 1,000,000 performance rights to Mr Patrick McManus and Resolution 2B proposes for approval by shareholders an issue of 2,000,000 performance rights to Mr Chris Gilchrist.
- No other persons referred to in ASX Listing Rule 10.14 are entitled to participate the scheme without further shareholder approvals.
- Each of the Directors of the Company and their associates are entitled to participate in the scheme, subject to receipt of required shareholder approvals under the Listing Rules.

- A voting exclusion statement for Resolution 2C is contained in the Notice accompanying this Explanatory Memorandum.
- No loan has or will be made in respect of the issue, conversion or vesting of the Performance Rights.
- The Performance Rights will be issued and allotted no later than twelve (12) months after the date of the Meeting (or such later date as may be permitted by an ASX waiver of the Listing Rules, the Corporations Act 2001 and/or the Australian Securities and Investments Commission).
- If Resolution 1 is not passed then Resolution 2C will be withdrawn.

#### Corporations Act – Chapter 2E

Under Chapter 2E of the Corporations Act, a public company cannot give a “financial benefit” to a “related party” unless one of the exceptions to the section apply or shareholders have in a general meeting approved the giving of that financial benefit to the related party.

Section 211 of the Corporations Act provides that one of the exceptions to the requirement to obtain shareholder approval for giving a financial benefit to a related party is where the benefit is given to the related party as an officer of the Company and to give the remuneration would be reasonable given:

- the circumstances of the Company; and
- the related party’s circumstances (including the responsibilities involved in the office or employment).

The Company considers the proposed issue is reasonable remuneration and, as such, fall within the exception set out in section 211 of the Corporations Act.

In reaching this view, the Company has considered the position and responsibilities of Rory Luff and his overall remuneration package having regard for to remuneration packages offered by similar ASX-listed companies. The Company has also considered its reliance on a limited number of personnel and the need to retain that personnel, the need for the Company to effectively incentivise Rory Luff while aligning the incentive with increasing shareholder value, the desirability of preserving cash resources within the Company, and the terms of the Performance Rights. The Company considers that the issue of performance rights to directors is an effective tool which preserves the cash reserves of the Company and its group entities whilst providing valuable consideration for the Directors linked to the future success of the Company.

If the Performance Rights are approved and issued, Rory Luff would have a relevant interest (including direct and indirect interests) in 6,129,986 fully paid ordinary shares, 5,557,487 First Performance Milestone Shares, 5,557,487 Second Performance Milestone Shares and 750,000 performance rights in the Company.

**Note:** unless otherwise specified, all monetary amounts are in Australian dollars.

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DAVENPORT RESOURCES LIMITED

ACN: 153 414 852

REGISTERED OFFICE:

LEVEL 28,  
303 COLLINS STREET  
MELBOURNE VIC 3000

SHARE REGISTRY:

Security Transfer Australia Pty Ltd  
All Correspondence to:  
PO BOX 52  
Collins Street West VIC 8007  
Suite 913, Exchange Tower  
530 Little Collins Street  
Melbourne VIC 3000  
T: 1300 992 916 F: +61 8 9315 2233  
E: registrar@securitytransfer.com.au  
W: www.securitytransfer.com.au

«EFT\_REFERENCE\_NUMBER»

«Holder\_name»

«Address\_line\_1»

«Address\_line\_2»

«Address\_line\_3»

«Address\_line\_4»

«Address\_line\_5»

«Company\_code» «Sequence\_number»

Code:

DAV

Holder Number:

«HOLDER\_NUM

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

VOTE  
ONLINE

Lodge your proxy vote securely at [www.securitytransfer.com.au](http://www.securitytransfer.com.au)  
1. Log into the Investor Centre using your holding details.  
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

«ONLINE

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

☐ The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, subject to the relevant laws as the Proxy sees fit) at the General Meeting of the Company to be held at 11.00am AEST on Tuesday 10 April 2018 at Level 27, Rialto South Tower, 525 Collins Street, Melbourne VIC 3000 and at any adjournment of that meeting.

☐ If the Chairperson is appointed as your Proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy, please place a mark in the box. By marking this box, you acknowledge that the Chairperson may exercise your proxy even if he has an interest in the outcome of the resolution, or even if the resolution is connected directly or indirectly with the remuneration of a member of the Company's key management personnel, and votes cast by him other than as proxy holder will be disregarded because of that interest.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. If you do not instruct your proxy on how to vote on a resolution then, subject to relevant laws, your proxy may vote as he/she thinks fit or abstain from voting. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions.

In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION	For	Against	Abstain*
1. SELECTIVE CAPITAL REDUCTION - CANCELLATION OF SECOND PERFORMANCE MILESTONE SHARES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2A. ISSUE OF PERFORMANCE RIGHTS - MR PATRICK MCMANUS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2B. ISSUE OF PERFORMANCE RIGHTS - MR CHRIS GILCHRIST	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2C. ISSUE OF PERFORMANCE RIGHTS - MR RORY LUFF	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. \* If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Security Holder 2

Security Holder 3

Sole Director & Sole Company Secretary

Director

Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 11.00am AEST on Sunday 8 April 2018.

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My/Our contact details in case of enquiries are:

Name:

Number:

(   )

### 1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

### 2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

### 3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

### 4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- Return both forms in the same envelope.

### 5. SIGNING INSTRUCTIONS

**Individual:** where the holding is in one name, the Shareholder must sign.

**Joint Holding:** where the holding is in more than one name, all of the Shareholders must sign.

**Power of Attorney:** to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

### 6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

#### Security Transfer Australia Pty Ltd

Online	<a href="http://www.securitytransfer.com.au">www.securitytransfer.com.au</a>
Postal Address	PO BOX 52 Collins Street West VIC 8007
Street Address	Suite 913, Exchange Tower 530 Little Collins Street Melbourne VIC 3000
Telephone	1300 992 916
Facsimile	+61 8 9315 2233
Email	<a href="mailto:registrar@securitytransfer.com.au">registrar@securitytransfer.com.au</a>

### PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

