

DAVENPORT RESOURCES LIMITED

[ABN 64 153 414 852]

NOTICE OF CLASS MEETING OF HOLDERS OF SECOND PERFORMANCE MILESTONE SHARES

EXPLANATORY MEMORANDUM

PROXY FORM

TIME: 10:45am (AEST)

DATE: 10th April 2018

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

DAVENPORT RESOURCES LIMITED
ABN 64 153 414 852

NOTICE OF CLASS MEETING

Notice is given that the Meeting of holders of Second Performance Milestone Shares (the **Meeting**) in Davenport Resources Limited (the **Company** or **Davenport**) will be held at Level 27, Rialto South Tower, 525 Collins Street, Melbourne, VIC, 3000 on 10th April 2018, at 10:45am (AEST).

Further details in respect of the Resolution proposed in this Notice of Class Meeting (**Notice**) are set out in the Explanatory Memorandum (the **Memorandum**) accompanying this Notice. The details of the Resolution 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.

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

Proxy Instructions

A holder of Second Performance Milestone Shares entitled to attend and vote at the Meeting will be entitled to appoint:

- one proxy if the holder is only entitled to one vote; and
- one or two proxies if the holder 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 and/or a holder of Second Performance Milestones Shares.

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 holds Second Performance Milestone Shares 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 the Meeting.

Voting Entitlement

For the purposes of the Corporations Act and Corporations Regulations holders of Second Performance Milestone Shares 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, holders have one vote for every Second Performance Milestone Share held (provided the holder 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 Resolution 1.

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 holders (by number of Second Performance Milestone Shares) must be in favour of the resolution.

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

NOTICE OF CLASS MEETING
EXPLANATORY MEMORANDUM

PURPOSE OF INFORMATION

This Explanatory Memorandum (**Memorandum**) accompanies and forms part of the Company's Notice of Class Meeting (**Notice**) for the Class Meeting of holders of Second Performance Milestone Shares (**Meeting**) to be held at Level 27, Rialto South Tower, 525 Collins Street, Melbourne, VIC, 3000 on 10th April 2018, at 10:45am (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 the approval of holders of Second Performance Milestone Shares 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 Second Performance Milestone Shares) must approve Resolution 1 for it to be passed.

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

1.1 Corporations Act

Section 256C of the Corporations Act provides that, if a selective capital 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 proposed to be cancelled. This Resolution 1 seeks the approval of holders of Second Performance Milestone Shares for the cancellation of those shares.

Section 256C of the Corporations Act further provides that 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 ordinary shareholders 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.

A general meeting of the ordinary shareholders of the Company will be held following this Meeting.

Each holder of Second Performance Milestone Shares is also a holder of fully paid ordinary shares and will therefore also receive the notice of meeting for the general meeting of ordinary shareholders (**Ordinary Shareholder Notice**).

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 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 meeting of holders of fully paid ordinary shares following this 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/.

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 to the Company:

- 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.

The advantages of the Selective Capital Reduction to the ordinary shareholders of the Company are as described in the Ordinary Shareholder Notice.

1.9 Disadvantages of approving the Selective Capital Reduction

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

As described in the Ordinary Shareholder Notice, the Directors do not consider that the Selective Capital Reduction will result in any disadvantages to ordinary shareholders.

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 Statement

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.

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

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My/Our contact details in case of enquiries are:

Name:

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Number:

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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	www.securitytransfer.com.au
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	registrar@securitytransfer.com.au

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.

