

8<sup>th</sup> May 2018

Ms Kate Kidson  
Principal Adviser,  
Listings Compliance (Melbourne)  
ASX Limited

Dear Ms Kidson

**Davenport Resources Limited (“DAV” or “Company”): Appendix 5B Query**

We refer to your letter dated 04 May 2018.

The Company’s response to the questions in your letter is provided below, in the same order as in your letter.

1. Does DAV expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

The Company’s principal activity remains exploration for mineral resources, and in particular for potash on the Company’s licences in Germany. As such, the Company expects that it will continue to have negative operating cash flows for the time being.

It is noted in your letter that DAV has estimated cash outflows of \$1,340,000 for the June 2018 quarter. For clarity, it should also be noted that the estimated outflow includes a non-recurring amount of \$720,000 (€450,000) for the final instalment in the purchase of three mining licences in the South Harz potash region of Germany, subsequently paid for in April (ASX release: 30<sup>th</sup> April 2018).

2. Has DAV taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

DAV is currently in discussions with several parties to raise sufficient working capital to meet its commitments. In light of recent positive developments regarding the development of our potash assets in Germany, the Board is highly confident that this will be successful.

At this time, the Board of Directors has not yet determined the structure of the capital raising.

3. Does DAV expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, on the basis that the Company has recently announced a large JORC resource in Germany and expect to follow with another by mid-year. The Board anticipates that the levels of investor interest will increase and, allied with the positive price and volume forecasts for potash which have been announced by various sources, the Board is confident to be able to raise the required funding to continue to develop its assets.

4. Please provide any other information that DAV considers may be relevant to ASX forming an opinion on whether DAV is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).

Other than described in question 2 above, the Company does not at this stage have any further information.

5. Please confirm that DAV is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.

The Company is in compliance with Listing Rule 3.1.

6. Please confirm that DAV's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of DAV with delegated authority from the board to respond to ASX on disclosure matters.

The response to your questions above have been approved by the Board.

Yours Sincerely



Dr Chris Gilchrist  
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Davenport Resources Limited  
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4 May 2018

**Mr Rajan Narayanasamy**

Company Secretary  
Davenport Resources Limited  
Level 14  
31 Queen Street  
Melbourne VIC 3000

By email: [rajan@davenportresources.com.au](mailto:rajan@davenportresources.com.au)

Dear Mr Narayanasamy

**Davenport Resources Limited ("DAV"): Appendix 5B Query**

I refer to DAV's Appendix 5B quarterly report for the period ended 31 March 2018 lodged with ASX Market Announcements Platform on 24 April 2018 (the "Appendix 5B").

ASX notes that DAV has reported:

- negative net operating cash flows for the quarter of (\$476,000);
- cash at the end of the quarter of \$1,936,000; and
- estimated cash outflows for the next quarter of \$1,340,000.

It is possible to conclude, based on the information in the Appendix 5B that if DAV were to continue to expend cash at the rate indicated by the Appendix 5B, DAV may not have sufficient cash to continue funding its operations. In view of that, ASX asks DAV to respond separately to each of the following questions and requests for information:

1. Does DAV expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has DAV taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
3. Does DAV expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please provide any other information that DAV considers may be relevant to ASX forming an opinion on whether DAV is in compliance with Listing Rule 12.2 (a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing).
5. Please confirm that DAV is in compliance with Listing Rule 3.1 and that there is no information about its financial condition that should be given to ASX in accordance with that Rule that has not already been released to the market.
6. Please confirm that DAV's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of DAV with delegated authority from the board to respond to ASX on disclosure matters.

**When and where to send your response**

This request is made under, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9.30 am AEST on Wednesday, 9 May 2018. If we do not have your response by then, ASX will have no choice but to consider suspending trading in DAV's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, DAV's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at [kate.kidson@asx.com.au](mailto:kate.kidson@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rule 3.1**

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

In responding to this letter, you should have regard to DAV's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that DAV's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Trading halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in DAV's securities under Listing Rule 17.1.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Kind regards

*[Sent electronically without signature]*

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**Kate Kidson**

Principal Adviser, Listings Compliance (Melbourne)