

ASX Announcement

17 July 2018



COMPANY DETAILS

Davenport Resources Limited

ABN: 64 153 414 852

ASX CODE: DAV

PRINCIPAL AND REGISTERED OFFICE (& Postal Address)

Davenport Resources Limited
Level 28,
303 Collins Street
Melbourne VIC 3000

W: www.davenportresources.com.au

E: info@davenportresources.com.au

P: +61 (0) 415 065 280

Capital Structure

135.2 Ordinary shares
6.2M Unlisted options
6.2M Performance Rights

BOARD OF DIRECTORS

Patrick McManus
(Non-Executive Chairman)

Dr Chris Gilchrist
(Managing Director)

Chris Bain
(Executive Director)

Rory Luff
(Non-Executive Director)

Davenport lodges Prospectus for Option issue

Davenport Resources ("Davenport" or "the Company") announces that it has today lodged a Prospectus with ASIC for a conditional offer of free Options to be issued to eligible participants in the first tranche of a recently-announced Placement, proposed investors in the proposed second tranche of the Placement, and Shareholders who participate in the recently-announced Share Purchase Plan (SPP), as well as to a related party, and to the Lead Manager. That Prospectus (copy attached) is intended to be dispatched to eligible participants on 3 August 2018.

On 21 June 2018 Davenport announced a Placement that raised \$2.1 million in two tranches, the second tranche being subject to shareholder approval. In that announcement Davenport also announced an SPP open to shareholders who were registered as holders at 5:00pm AWST on 20 June 2018, and whose registered address is in Australia or New Zealand. The SPP offer documents were dispatched to eligible shareholders on 9 July 2018.

Participants in both tranches of the Placement and the SPP (and the related party) will, subject to shareholder approval, be eligible to apply for one free attaching Option for every share subscribed. The Options will have an exercise price of \$0.20 and expire on 31 July 2023.

Subject to obtaining requisite Shareholder approval at a General Meeting to be held on 30 August 2018, and subject to compliance with the requirements of ASX Listing Rules for Official Quotation of an additional class of securities, it is intended that the Options to be issued to eligible participants (and the related party) will be quoted on the ASX. The Company will not apply for quotation of the options proposed to be issued to the Lead Manager. The Prospectus contains full details of the Offers of options proposed to be granted and should be read in its entirety.

Enquiries: If you have any enquiries in relation to the Prospectus, please contact Rajan Narayanasamy, Company Secretary, on +61 415 065 280 or email: rajan@davenportresources.com.au

INVESTOR & MEDIA ENQUIRIES

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DAVENPORT RESOURCES LIMITED

ABN 64 153 414 852

PROSPECTUS

This Prospectus is being issued for the offer of:

- up to 7,142,857 Quoted Options to SPP Subscribers on the basis of 1 free attaching Option for every 1 Share subscribed for under the SPP or the SPP Shortfall Offer (**SPP Options Offer**); and
- up to 28,921,700 Quoted Options to Placement Subscribers on the basis of 1 free attaching Option for every 1 Share subscribed for under the Placements (**Placement Options Offer**);
- 1,428,571 Quoted Options to Mr Rory Luff, a Director of the Company (or his nominee) (**Related Party Offer**); and
- 7,500,000 free (unlisted) Lead Manager Options to subscribe for Shares to the Lead Manager (or its nominees) (**Lead Manager Offer**)
(together, the **Offers**).

Timing

The Offers are currently scheduled to close at 5.00pm AWST on 23 August 2018. Valid Application Forms must be received before that time.

Conditionality of Offers

First, the grant of the Quoted Options under the Offers is subject to Shareholder approval being provided at the Company's General Meeting to be held on 30 August 2018; and

Secondly, Official Quotation on ASX of the Quoted Options is subject to the Company satisfying the ASX Listing Rules relating to quotation of the Quoted Options offered under the Offers.

In relation to the Lead Manager Offer, whilst shareholder approval in the Company's General Meeting will be sought, the grant of the Lead Manager Options is not subject to shareholder approval but will be granted if and when the Company has sufficient capacity under ASX Listing Rules 7.1 and/or 7.1A (as the case may be).

Please refer to Section 1.3 for further information.

The Offers are not underwritten.

Important Notice

This is an important document and requires your immediate attention. It should be read in its entirety. If you are in doubt about what to do, you should consult your professional adviser without delay.

An investment in the Quoted Options and the Lead Manager Options offered in connection with this Prospectus should be considered of a speculative nature.

IMPORTANT INFORMATION

This Prospectus is dated 17 July 2018 and was lodged with ASIC on that date. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Quoted Options or Lead Manager Options will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

The Company will, within 7 days after the date of this Prospectus, apply for Official Quotation by ASX of the Quoted Options offered by this Prospectus. No application for Official Quotation will be made in respect of the Lead Manager Options.

The Quoted Options and Lead Manager Options offered by this Prospectus should be considered speculative. Please refer to Section 3 for details relating to investment risks.

A copy of this Prospectus is available for inspection (free of charge) at the registered office of the Company at Level 28, 303 Collins Street, Melbourne, Victoria, by appointment during normal business hours or may be obtained (free of charge) by contacting the Company. The Offers contemplated by this Prospectus are only available to persons receiving a paper copy of this Prospectus within Australia or New Zealand.

Applications for Quoted Options or Lead Manager Options under the Offers will only be accepted on an original Application Form which accompanies this Prospectus. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is accompanied by a complete and unaltered copy of this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offers in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offers.

No action has been taken to permit the offer of Quoted Options and Lead Manager Options under this Prospectus in any jurisdiction other than Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Quoted Options or Lead Manager Options in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

This document is important and should be read in its entirety before deciding to participate in the Offers. This document does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his/her particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult his/her stockbroker, solicitor, accountant or other professional adviser without delay.

This Prospectus includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in the forward-looking statements. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

This Prospectus is a transaction specific prospectus for an offer of options to acquire continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Definitions of certain terms used in this Prospectus are contained in Section 7. All references to currency are to Australian dollars and all references to time are to AWST, unless otherwise indicated. Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

CORPORATE DIRECTORY

Directors

Mr Patrick McManus, Non-Executive Chairman

Dr Chris Gilchrist, Managing Director

Mr Rory Luff, Non-Executive Director

Mr Chris Bain, Executive Director

Company Secretary

Mr Rajan Narayanasamy

Registered Office

Davenport Resources Limited

Level 28, 303 Collins Street

Melbourne VIC 3000

Telephone: +61 (0) 415 065 280

Web: www.davenportresources.com.au

E-mail: info@davenportresources.com.au

ASX Codes:

DAV (Shares)

DAVO (Options Proposed)

Share Registry*

Security Transfer Australia Pty Ltd

Suite 913, Exchange Tower

530 Little Collins Street

Melbourne VIC 3000

Telephone: 1300 992 916

Facsimile: +61 8 9315 223

* This entity is included for information purposes only and has not been involved in the preparation of this Prospectus.

PROPOSED TIMETABLE FOR OFFERS

Event	Date*
SPP Record Date	20 June 2018
Announcement of Placement and SPP	21 June 2018
Lodgement of Prospectus with ASIC and Appendix 3B with ASX	17 July 2018
Dispatch of Share Purchase Plan Offer Documents to Eligible Shareholders	9 July 2018
Share Purchase Plan closing date	24 July 2018
Dispatch of notice of General Meeting to Shareholders	27 July 2018
Dispatch of Prospectus to Eligible Shareholders who participate in the SPP	3 August 2018
Opening Date of Offers	6 August 2018
Closing Date of Offers (5.00pm AWST)	23 August 2018
General Meeting	30 August 2018
Anticipated date for issue of the Quoted Options and Lead Manager Options and dispatch of holding statements	3 September 2018
Anticipated date of Official Quotation of the Quoted Options	5 September 2018

* These dates are indicative only and subject to change. Subject to the Corporations Act, the Listing Rules and the terms and conditions of the SPP, the Directors reserve the right to vary these dates, including the Closing Date, or withdraw the Offers without prior notice. Accordingly, Applicants are encouraged to submit their Application Form as early as possible.

INVESTMENT OVERVIEW

This Section is intended to highlight key information for potential investors. It is an overview only, and is not intended to replace the Prospectus. Potential investors should read the Prospectus in full before deciding to invest in Quoted Options or Lead Manager Options (as the case may be).

Key Information	Further Information
<p>What are the Offers being made under the Prospectus?</p> <p>By this Prospectus, the Company is offering:</p> <ul style="list-style-type: none"> • up to 7,142,857 Quoted Options to SPP Subscribers on the basis of 1 free attaching Quoted Option for every Share subscribed for under the SPP, or the SPP Shortfall Offer, as applicable (SPP Options Offer); and • up to 28,921,700 Quoted Options to Placement Subscribers on the basis of 1 free attaching Quoted Option for every Share subscribed for under the Placements (Placement Options Offer); • 1,428,571 Quoted Options to Mr Rory Luff, a Director of the Company (or his nominee) (Related Party Offer); and • 7,500,000 free (unlisted) Lead Manager Options to subscribe for Shares to the Lead Manager (Lead Manager Offer), <p>(together, the Offers).</p>	Section 1.2
<p>What is the purpose of the Offers?</p> <p>The purpose of the SPP Options Offer and the Placement Options Offer is to issue the free attaching Quoted Options in respect of SPP Shares and Placement Shares that have been and are proposed to be issued and thereby complete the SPP in respect of Eligible Shareholders who have participated in the SPP and in respect of any investors under the SPP Shortfall Offer, and the Placements (to the Placement Subscribers). The purpose of the Related Party Offer is to issue the free attaching Quoted Options to Mr Rory Luff (or his nominee) as part of a placement of Shares to him, further details of which are set out in Sections 1.1 and 1.17. The purpose of the Lead Manager Offer is to issue unlisted options to the Lead Manager as part consideration for services provided in relation to the Company's capital raising activities.</p> <p>This Prospectus has also been issued to facilitate secondary trading of the Shares to be issued upon exercise of the Quoted Options and the Lead Manager Options to be issued under the Offers.</p>	Sections 1. 1 and 1.4
<p>What is the issue price of the Offers?</p> <p>The Quoted Options are being issued under the SPP Options Offer, the Placement Options Offer and the Related Party Offer for no additional consideration as they are being issued on a free attaching basis to participants in the Placements and the SPP, and to Mr Luff (or his nominee) as part of a proposed placement of Shares to him. The Lead Manager Options are being issued under Lead Manager Offer for no additional consideration as they are being issued as part consideration for services provided by the Lead Manager to the Company in relation to its capital raising activities.</p>	Section 1.2

Key Information	Further Information
<p>Who is eligible to subscribe under the Offers?</p> <p>Applications pursuant to the SPP Options Offer must only be made by Eligible Shareholders (being a Shareholder with a registered address in Australia or New Zealand as at the SPP Record Date and who subscribe for SPP Shares) and investors who subscribe for Shares under the SPP Shortfall Offer (together, SPP Subscribers).</p> <p>Applications pursuant to the Placement Options Offer must only be made by investors who have participated in the Placements (Placement Subscribers).</p> <p>Applications pursuant to the Related Party Offer must only be made by Mr Rory Luff (Director) (or his nominee).</p> <p>Applications pursuant to the Lead Manager Offer must only be made by the Lead Manager (or its nominees).</p>	<p>Sections 1. 1 and 1.2</p>
<p>What are the terms of the Quoted Options?</p> <p>The terms of the Quoted Options to be issued under the Offers are the same. The Quoted Options will be exercisable at 20 cents each and will expire on 31 July 2023. Application for Official Quotation will be made for the Quoted Options to be quoted on ASX. The full terms of the Quoted Options are set out in Section 4.2.</p>	<p>Sections 1.2 and 4.2</p>
<p>What are the terms of the Lead Manager Options?</p> <p>The Lead Manager Options to be issued under the Lead Manager Offer will not be transferable, will be exercisable at 20 cents each and will expire on the date which is 5 years after the date of issue. Application will not be made for the Lead Manager Options to be quoted on ASX. The full terms of the Lead Manager Options are set out in Section 4.3.</p>	<p>Sections 1.2 and 4.3</p>
<p>Are the Offers conditional?</p> <p>Each Offer (except the Lead Manager Offer) is conditional on Shareholder approval at the General Meeting to be held on 30 August 2018. In relation to the Lead Manager Offer, whilst shareholder approval in the Company's General Meeting will be sought, the grant of the Lead Manager Options is not subject to shareholder approval but will be granted if and when the Company has sufficient capacity under ASX Listing Rules 7.1 and/or 7.1A (as the case may be).</p> <p>Additionally, as referred to on the cover of this Prospectus, even if Shareholder approval is obtained to the grant of the Quoted Options at the General Meeting to be held on 30 August 2018, the listing of the Quoted Options on the stock market conducted by ASX is conditional on compliance with the requirements of ASX Listing Rules for their quotation. If that Shareholder approval is obtained, but the ASX Listing Rules for their Official Quotation are not satisfied, the Quoted Options will still be granted but will remain unquoted.</p>	<p>Section 1.3</p>
<p>Are the Offers underwritten?</p> <p>The Offers are not underwritten.</p>	<p>Section 1.8</p>

Key Information			Further Information
What is the effect of the Offers? The effect of the Offers on the capital structure is set out below (assuming no other Securities are issued and no other existing Securities are exercised):			Sections 2.1, 2.2 and 2.3
	Shares	Options	
Balance at the date of this Prospectus	135,198,149 ¹	6,158,000 ²	
Maximum Second Placement Shares to be issued	2,425,000		
Maximum SPP Shares to be issued	7,142,857		
Placement Shares to Director (Mr Luff) (Subject to shareholder approval)	1,428,571		
Maximum options to be issued under the Placement Options Offer		28,921,700	
Maximum to be issued under the SPP Options Offer		7,142,857	
Options to be issued the Related Party Offer (Subject to shareholder approval)		1,428,571	
Options to be issued under the Lead Manager Offer		7,500,000	
TOTAL	146,194,577	51,151,128	
Notes: 1. 71,767,857 shares are escrowed until 20 January 2019 2. Unlisted (Ex. Price: \$0.25; expiry: 20/1/2020) 3. The Company also has 6,250,000 Performance Rights on issue. It is not expected that the Offers will have any effect on the control of the Company. 4. The indicative pro-forma balance sheet showing the effect of the Placements, the SPP and the Offers is in Section 2.3.			

<p>How do I apply under the Offers?</p> <p>SPP Subscribers may apply for Quoted Options under the SPP Options Offer by completing the SPP Application Form.</p> <p>Placement Subscribers may apply for Quoted Options under the Placement Options Offer by completing the Placement Offer Application Form.</p> <p>Mr Luff (or his nominee) may apply for Quoted Options under the Related Party Offer by completing the Related Party Application Form.</p> <p>The Lead Manager (or its nominees) may apply for Lead Manager Options under the Lead Manager Offer by completing the Lead Manager Application Form.</p>	Sections 1.10 and 1.20																				
<p>Are the Directors participating in the Offers?</p> <p>The relevant interest of each of the Directors in Securities as at the date of this Prospectus is set out in the table below:</p> <table><tr><th>Director</th><th>Shares</th><th>Options</th><th>Performance Rights</th></tr><tr><td>Patrick McManus[#]</td><td>-</td><td>-</td><td>1,000,000</td></tr><tr><td>Chris Gilchrist</td><td>-</td><td>-</td><td>2,000,000</td></tr><tr><td>Rory Luff[^]</td><td>11,707,473</td><td>-</td><td>750,000</td></tr><tr><td>Chris Bain</td><td>25,000</td><td>-</td><td>-</td></tr></table> <p>[#] Mr McManus is a director of Parkway Minerals NL, an ASX listed company that is the beneficial owner of 44,267,700 shares in Davenport. Mr McManus does not control Parkway Minerals NL and has no relevant interest in the shares held by Parkway Minerals NL.</p> <p>As at the date of this Prospectus, each of Mr Luff and Mr Bain (Directors) (or their associates) each intend to participate in the SPP up to \$15,000 worth of SPP Shares (being 214,285 Shares), including up to 214,285 free attaching Quoted Options.</p> <p>The Directors did not, and will not, participate in the Placements and are not entitled to subscribe for Quoted Options under the Placement Options Offer.</p> <p>[^]Additionally, and subject to shareholder approval, it is intended that the Company also make a placement of shares to Mr Rory Luff, Director (or his nominee). In terms of that placement, Mr Luff (or his nominee) will subscribe for \$100,000 worth of Shares, being 1,428,571 Shares (each at \$0.07), each Share having one (1) free attaching Quoted Option exercisable at twenty cents (\$0.20) and expiring on 31 July 2023.</p>	Director	Shares	Options	Performance Rights	Patrick McManus [#]	-	-	1,000,000	Chris Gilchrist	-	-	2,000,000	Rory Luff [^]	11,707,473	-	750,000	Chris Bain	25,000	-	-	Section 5.8(a)
Director	Shares	Options	Performance Rights																		
Patrick McManus [#]	-	-	1,000,000																		
Chris Gilchrist	-	-	2,000,000																		
Rory Luff [^]	11,707,473	-	750,000																		
Chris Bain	25,000	-	-																		
<p>What is the SPP Shortfall Offer?</p> <p>Any SPP Shares and free attaching Quoted Options to those SPP Shares not taken up pursuant to the SPP and under this Prospectus will form the SPP Shortfall Offer which may be offered by the Company to any sophisticated or professional investors as a separate placement at the discretion of the Directors. The offer of Quoted Options under the SPP Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open after the Closing Date. The SPP Shortfall Offer is conditional on Shareholder approval at the General Meeting to be held on 30 August 2018.</p>	Section 1.15																				

WHAT ARE THE RISKS OF A FURTHER INVESTMENT IN THE COMPANY? <p>Mineral exploration and development is an inherently speculative activity subject to many risks and uncertainties.</p> <p>Section 3 describes and refers to some of the potential risks associated with an investment in the Company which may have a material adverse impact on the viability and financial performance of the Company and the market price of its shares, should they arise.</p> <p>This summary should not be relied on. Further detail is provided in Section 3. Shareholders and prospective investors are encouraged to consider the risk factors set out in Section 3 of this Prospectus prior to making an investment decision.</p> <p>Some of the key specific risks to which the Company is exposed include:</p>		Section 3
A. Risks – South Harz Potash Project (Germany)	Summary description	
Geological and Technical Risk	Including technical challenges and other risks specific to the Company's German perpetual mining licence areas or to the region. Local geological and technical risks may include variations in the thickness and grade of the potash seam, structural disruption of the potash by faulting and/or folding, issues relating to depth of the potash below surface, quality of the potash mineralisation and integrity of overlying rock formations, together with unforeseen technical risks.	
Additional Capital Requirements	Including that exploration costs and pursuit of Davenport's business plan will require further financing and may seek additional capital. If additional funding is not obtained the scope of operations may be reduced or business plans scaled back.	
Exploration Resource Definition Stage	The Company has a JORC 2012 Inferred Resources on one of the German perpetual mining licence areas and historical resources determined under the former German Democratic Republic classification system in two perpetual mining licence areas. Additional exploration drilling is required to upgrade the resources at the South Harz Project. There can be no assurance that exploration at the South Harz Project will result in resources that can be economically exploited. Regulatory requirements, weather, mechanical difficulties, shortages or delays may affect drilling and other exploration activities.	
Accidents	Including unexpected events. These risks may result in legal proceedings, substantial losses, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations.	
Risks associated with operating in Germany	Including that the tenements located in Germany will be subject to the various political, economic and other risks and uncertainties associated with operating in that country such as economic, social or political change, changes of law, taxation, working conditions, rates of exchange,	

	exploration licensing, environmental protection, mine safety, labour relations as well as differing Federal and State government regulations over mineral properties.	
Tenement title	Davenport has five tenements included as part of the South Harz Project. Three of these licences are perpetual and not subject to renewal, work requirements, reporting or royalties. Two licences are for specific terms and are subject to periodic renewal and carry a work program and reporting commitments, as well as other conditions requiring compliance. Davenport could lose title to or its interest in these two tenements if not renewed, if the licence conditions are not met or new obligations are imposed, or if insufficient funds are available to meet expenditure commitments as and when they arise, in line with the German legislation.	
Environmental and Other Regulatory Risks	Including strict environmental laws in Germany. Environmental laws are dynamic and can change over time. There are certain risks inherent to the Company's activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to environmental liability or prevent the Company from undertaking exploration or future mining.	
Competition Risk	Including that the potash industry globally is competitive and may make it difficult for the Company to attract additional funding for the further exploration of the Projects or to grow or maintain revenues if production were to commence.	
Reliance on Key Management	Including that the Company will depend substantially on the ability of its executives, senior management and key consultants to operate effectively.	
Delays in Exploration	Including additional costs such as administration overheads before commencing exploration which will reduce the cash reserves of the Company. Delays and additional costs may result in some or all of the Projects not proceeding or defaults in licences or permits which, if not remedied, could result in forfeiture.	
B. Risks – Southern Cross Bore Project (Australia)	Summary description	
Risks Associated with Operating in Australia	Including that changes in government regulations and policies may adversely affect the financial performance of the operations of the Company.	

Exploration and Evaluation Risk	Including that exploration contains risks by its very nature. There can be no assurance that exploration of the Southern Cross Bore Project will result in the discovery of an economic resource. Even if an apparently viable deposit or economic resource is identified, there is no guarantee that it can be viably or commercially exploited. Weather, mechanical difficulties, shortages or delays may affect drilling and other activities.	
C. Risks - Other	Summary description	
Liquidity and realisation risk	Including that there being no guarantee of an active market in shares or that the price of the shares will increase. Restriction obligations (escrow) will reduce the “free float” which may increase volatility of the market price of the Company’s shares. Once escrow periods end there may be a significant sell down by the holders of those shares. The potential limited free float (tradeable shares during any restriction period) and potential sell down may affect the prevailing market price at which shareholders are able to sell their shares.	
General risks	<p>Risks that apply to companies generally may affect the performance of the Company or value its securities, include those set out in Section 3.4 including:</p> <ul style="list-style-type: none"> • Share Market Conditions • Occupational Health and Safety • Economic Risks • The speculative nature of the investment. <p>The above is not intended to be an exhaustive list of the risk factors to which the Company or investors in the Company are or may be exposed. The factors not specifically referred to above may in the future materially affect the viability, or performance of the Company and the value of its securities.</p>	

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1 DETAILS OF THE OFFERS

1.1 Background

On 21 June 2018, the Company announced:

- (a) a capital raising comprising a placement in two tranches, namely, a placement to raise up to approximately \$1.9 million before costs by the issue of a total of up to approximately 26.9M Shares at 7 cents each, and a second placement of approximately 3.9M Shares each of 7 cents to raise \$0.27M (all such Shares each having one free attaching Option); and
- (b) an offer to Eligible Shareholders under a share purchase plan (**SPP**) to raise up to a further \$500,000 before costs by the issue of up to 7,142,857 Shares at 7 cents each (**SPP Shares**).

On 5 July 2018, the Company issued 26,496,700 Shares (**Initial Placement Shares**) to sophisticated, professional and institutional investors using the Company's placement capacity under Listing Rules 7.1 and 7.1A to raise \$1,854,769 (before costs) (**Initial Placement**). The Company will be seeking, at the General Meeting to be held on 30 August 2018, Shareholder approval for the ratification of the issue of those Initial Placement Shares. In addition, and subject to Shareholder approval, each Initial Placement Share will be entitled to one (1) free attaching Quoted Option.

It is also proposed, subject to Shareholder approval being given at the General Meeting referred to above, to complete a second placement (**Second Placement**) to certain sophisticated and professional investors of 2,425,000 Shares each at 7 cents (**Second Placement Shares**) and, subject to Shareholder approval, the grant of one (1) free attaching Quoted Option per Second Placement Share, to raise \$169,750 (before costs).

In accordance with ASIC Class Order [CO 09/425] the offer of SPP Shares under the SPP did not include an offer for Quoted Options or Lead Manager Options, and therefore, the offer of SPP Shares did not require a prospectus for the purposes of Chapter 6D of the Corporations Act. However, this Prospectus is required for the purpose of making the offers for Quoted Options and Lead Manager Options.

The SPP is not underwritten. Any SPP Shares not subscribed for by Eligible Shareholders under the SPP will comprise the shortfall and may be offered to sophisticated or professional investors as a separate placement at the discretion of the Directors (**SPP Shortfall Offer**). See Section 1.15 for further information.

Eligible Shareholders who subscribe for SPP Shares under the SPP, and investors who subscribe for Shares under the SPP Shortfall Offer (together, **SPP Subscribers**), are also being offered one free attaching Quoted Option for every Share subscribed for.

Similarly, Placement Subscribers are being offered one free attaching Quoted Option for every Placement Share subscribed for.

It is also proposed that, subject to shareholder approval, the Company also make a placement of Shares to Mr Rory Luff, Director (or his nominee). In terms of that placement, Mr Luff (or his nominee) will subscribe for \$100,000 worth of Shares, being 1,428,571 Shares, each Share having one (1) free attaching Quoted Option.

The Company has engaged the Lead Manager to assist the Company with its capital raising activities and the Company has agreed to issue 7,500,000 Lead Manager Options to the Lead Manager (or its nominees) for its services provided to the Company. Please refer to Section 5.11 for a summary of the terms of the engagement of the Lead Manager.

1.2 Offers

Pursuant to this Prospectus, the Company is offering:

- (a) up to 7,142,857 Quoted Options to SPP Subscribers on the basis of one (1) free attaching Quoted Option for every Share subscribed for by the SPP Subscribers under the SPP, or under the SPP Shortfall Offer, as applicable (**SPP Options Offer**); and
- (b) up to 28,921,700 Quoted Options to Placement Subscribers on the basis of one (1) free attaching Quoted Option for every Share subscribed for by the Placement Subscribers under the Placements (**Placement Options Offer**);

- (c) 1,428,571 Quoted Options to Mr Rory Luff, a Director of the Company (or his nominee) (**Related Party Offer**); and
 - (d) 7,500,000 free (unlisted) Lead Manager Options to subscribe for Shares to Lead Manager (**Lead Manager Offer**),
- (together, the **Offers**).

As the Quoted Options are issued under the SPP Options Offer and Placement Options Offer as free attaching to the SPP Shares and Placement Shares respectively, no cash consideration is payable for the issue of the Quoted Options.

Subject to obtaining requisite Shareholder approval and to compliance with the requirements of ASX Listing Rules for Official Quotation of an additional class of securities, it is intended that the Quoted Options will be quoted on the ASX, and will be exercisable at twenty cents (\$0.20) each on or before 31 July 2023. Full terms and conditions of the Quoted Options proposed to be granted under the Offers are contained in Section 4.2.

The Lead Manager Options to be issued under the Lead Manager Offer will not be transferable, will be exercisable at 20 cents each and will expire on the date which is 5 years after the date of issue. Application for Official Quotation will not be made for the Lead Manager Options to be quoted on ASX. Full terms and conditions of the Lead Manager Options are set out in Section 4.3. While Shareholder approval will be sought, the issue of the Lead Manager Options will not be subject to Shareholder approval, but will be issued if and when the Company has sufficient capacity under ASX Listing Rules 7.1 and/or 7.1A (as the case may be).

All Shares issued upon the future exercise of the Quoted Options will rank equally with the Shares on issue at the date of this Prospectus. Similarly, all Shares issued upon the future exercise of the Lead Manager Options will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 4.1 for further information regarding the rights and liabilities attaching to the Shares.

1.3 Conditional Offers

Each of the Offers (except the Lead Manager Offer) is conditional upon the Company obtaining Shareholder approval to issue the relevant Quoted Options at the General Meeting to be held on 30 August 2018. The approvals sought in respect of the Offers are not inter-conditional and if Shareholder approval is not obtained in respect of an Offer, it will not preclude the Company from proceeding with the other Offers.

In relation to the Lead Manager Offer, whilst shareholder approval in the Company's General Meeting will be sought, the grant of the Lead Manager Options is not subject to Shareholder approval but will be issued if and when the Company has sufficient capacity under ASX Listing Rules 7.1 and/or 7.1A (as the case may be).

Even if Shareholder approval is obtained to the grant of the Quoted Options at the General Meeting to be held on 30 August 2018, Official Quotation on ASX of the Quoted Options is subject to the Company satisfying the ASX Listing Rules relating to quotation of the Quoted Options offered under the Offers. If that Shareholder approval is obtained, but the ASX Listing Rules for their quotation are not satisfied, the Quoted Options will still be granted but will remain unquoted.

If Shareholder approval is not obtained for the issue of the Quoted Options to SPP Subscribers, the SPP Options Offer will be withdrawn and SPP Subscribers will still be issued Shares but will not be entitled to receive Quoted Options or any refund of application moneys paid under the SPP or the SPP Shortfall Offer.

For the avoidance of doubt, if Shareholder approval is not obtained for the issue of Shares under the SPP Shortfall Offer, no Quoted Options will be issued under the SPP Options Offer to investors who subscribe for Shares under the SPP Shortfall Offer.

If Shareholder approval is not obtained for the issue of the Quoted Options to the Placement Subscribers, the Placement Options Offer will be withdrawn and the Placement Subscribers will not be entitled to receive Quoted Options or, in the case of Placement Subscribers in the Initial Placement, any refund of subscription moneys paid under the Initial Placement.

If Shareholder approval is not obtained for the issue of the Quoted Options (and Shares) to the Related Party, the Company will not proceed with the Related Party Offer, which will be deemed to have been withdrawn (and the Related Party will not be entitled to receive Quoted Options).

1.4 Purpose of the Prospectus

Section 707(3) of the Corporations Act generally requires that a prospectus is issued in order for a person to whom securities were issued without disclosure under Part 6D of the Corporations Act to on-sell those securities within 12 months of the date of their issue.

The Corporations Act provides an exception to section 707(3) where an entity issues a 'cleansing' notice under section 708A(5). However, the Company is precluded from issuing a 'cleansing' notice in respect of the Quoted Options as they are not in a class of securities that were quoted securities at all times in the last 3 months. The Company is also unable to rely on disclosure relief provided by ASIC Class Order [CO 09/425] as it does not extend to the offer of options under a share purchase plan.

Consequently, the Company has issued this Prospectus for the offers of the Quoted Options to the SPP Subscribers, the Placement Subscribers and the Related Party, and the offer of (unlisted) Lead Manager Options to the Lead Manager.

This Prospectus has also been issued to facilitate secondary trading of the Shares to be issued upon exercise of the Quoted Options, and the Lead Manager Options, to be issued under the Offers. Issuing the Quoted Options, and the Lead Manager Options, under this Prospectus will enable persons who are issued the Quoted Options and the Lead Manager Options to on-sell the Shares issued on exercise of the Quoted Options and the Lead Manager Options pursuant to *ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80*.

Accordingly, the purpose of this Prospectus is to:

- (a) make the offers of Quoted Options under the SPP Options Offer, the Placement Options Offer and the Related Party Offer;
- (b) make the offer of Lead Manager Options under the Lead Manager Offer; and
- (c) ensure that the on-sale of the Shares issued on conversion of the Quoted Options and the Lead Manager Options do not breach section 707(3) of the Corporations Act.

1.5 Opening and Closing Date

As set out in the indicative timetable, the Offers will open on 6 August 2018 (**Opening Date**) and are anticipated to close on 23 August 2018 (**Closing Date**). The Opening Date and Closing Date for the Offers are indicative only and subject to change without notice. The Company may vary these dates, including to close the Offers early, extend the Closing Date or to withdraw the Offers at any time prior to issue of the Options. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application Form as soon as possible after the Opening Date.

The Company will accept Application Forms for the Offers from the Opening Date until 5.00pm AWST on the Closing Date or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules.

1.6 Minimum and maximum subscriptions

There is no minimum subscription under any of the Offers.

The amount to be raised under the SPP is capped at \$500,000 (before costs). This means that the SPP Options Offer is capped at a total of 7,142,857 Quoted Options. If applications are received in respect of more than 7,142,857 Quoted Options, acceptances will be scaled back in accordance with the mechanisms described in the SPP Offer Documents.

A total of 26,496,700 Shares have been issued under the Initial Placement. It is also proposed, subject to shareholder approval, to issue up to 2,425,000 Shares under the Second Placement. Following on from that, it is proposed to issue 26,496,700 Quoted Options to participants in the Initial Placement and up to 2,425,000 Quoted Options to participants in the Second Placement. Accordingly, the Placement Options Offer is capped at a total of 28,921,700 Quoted Options.

1.7 Proposed use of funds

No funds will be raised from the issue of the Quoted Options pursuant to this Prospectus as the Quoted Options are to be granted under the SPP Options Offer, the Placement Options Offer and the Related Party Offer as free attaching to the SPP Shares, the Placement Shares and the Shares proposed to be issued to the Related Party, respectively. In addition, no funds will be raised from the issue of the Lead Manager Options pursuant to this Prospectus as they will be issued free under the Lead Manager Offer as part consideration for services provided by the Lead Manager.

The Company intends to apply the funds raised from the SPP, and the Placements and the placement to the Related Party, in accordance with the table below:

Expenditure item	Amount (\$ x 000)	%
Administration ¹	600	22.8
South Harz	800	30.5
Southern Cross Bore	25	1.0
Working capital requirements ²	971	37.0
Expenses of the Offers, SPP and Placements ³	228	8.7
Total ⁴	2,624	100.0

Notes:

1. Administration is allocated towards, amongst other things, corporate overheads (including pay roll, consultants, advisors and Directors' fees), insurance, compliance, administration costs and travel expenses for the next six months.
2. Working Capital is expected to be allocated towards exploration (including drilling) at the South Harz Project if and when approval to drill is received from regulatory authorities.
3. See Section 5.12 for further details.
4. The above table assumes the maximum amount is raised under the SPP. If a lesser amount is raised, the amounts attributed to working capital will be scaled back.

The above is a statement of current intentions at the date of this Prospectus. Intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.

1.8 No underwriting

The Offers are not underwritten.

1.9 No rights trading

The rights to Quoted Options and to Lead Manager Options under the Offers are non-renounceable. There will be no trading of rights on ASX and you may not dispose of your right to receive some or all of the Quoted Options or Lead Manager Options (as the case may be) to any other party. If you do not take up your right to receive the relevant Options by the Closing Date, the offer to you will lapse.

1.10 Application Forms

An Eligible Shareholder may only accept the SPP Options Offer on the basis of one (1) Quoted Option for every Share subscribed for pursuant to the SPP by completing the SPP Application Form.

A Placement Participant may only accept the Placement Options Offer on the basis of one (1) Quoted Option for every Placement Share subscribed for pursuant to the Placements by completing the Placement Offer Application Form.

The Related party (or his nominee) may only accept the Related Party Offer by completing the Related Party Application Form.

The Lead Manager (or its nominees) may only accept the Lead Manager Offer by completing the Lead Manager Application Form.

Applications must be made using the relevant Application Form provided with a copy of this Prospectus. The Application Form must be completed in accordance with the instructions set out on the form. To the maximum extent permitted by law, the Directors will have discretion over which Applications to accept.

Completed Application Forms must be received by the Company prior to the Closing Date. Application Forms should be delivered in accordance with the instructions contained in the Application Form.

If the number of Quoted Options subscribed for under the SPP Options Offer is more than the number of Quoted Options to which the Applicant is entitled under the SPP Option Offer (including because of a scale-back of SPP Shares to be issued under the SPP - see section 10 in the SPP offer booklet included in the SPP Offer Documents), the Company reserves the right to return the SPP Application Form and not issue any Quoted Options to the Applicant or to accept it in respect of a lesser number of Quoted Options.

If you are in doubt as to the course of action, you should consult your professional advisor.

Acceptance of a completed Application Form by the Company creates a legally binding contract between the Applicant and the Company for the number of Quoted Options or Lead Manager Options (as the case may be) accepted by the Company. The Application Form does not need to be signed to be a binding acceptance of Quoted Options or Lead Manager Options (as the case may be) under an Offer. If the Application Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Application Form, is final.

By completing and returning an Application Form, Applicants will be deemed to have represented and warranted on behalf of themselves or each person on whose account they are acting, that the law in their place of residence and/or where they have been given the Prospectus does not prohibit them from being given the Prospectus and that they:

- (a) agree to be bound by the terms of the relevant Offer;
- (b) declare that all details and statements in the Application Form are complete and accurate;
- (c) declare that they are over 18 years of age and have full legal capacity and power to perform all their rights and obligations under the Application Form;
- (d) authorise the Company and its respective officers or agents, to do anything on their behalf necessary for the Quoted Options or Lead Manager Options (as the case may be) to be issued to them, including to act on instructions of the Company's Share Registry upon using the contact details set out in the Application Form;
- (e) acknowledge that the information contained in, or accompanying, the Prospectus is not investment or financial product advice or a recommendation that Quoted Options or Lead Manager Options (as the case may be) are suitable for them given their investment objectives, financial situation or particular needs; and
- (f) acknowledge that the Quoted Options and the Lead Manager Options have not, and will not be, registered under the securities laws in any other jurisdictions outside Australia.

1.11 Issue date and dispatch

Subject to Shareholder approval, all Quoted Options under the Offers are expected to be issued on or about the

date specified in the proposed timetable in this Prospectus.

Security holder statements in relation to those Quoted Options are expected to be dispatched by 3 September 2018.

It is the responsibility of Applicants to determine their allocation prior to any trading in the Quoted Options. Applicants who sell Quoted Options before they receive their holding statements do so at their own risk.

In relation to the Lead Manager Options, they will be issued either upon shareholder approval being obtained or if approval is not given, then if and when the Company has sufficient capacity under Listing Rules 7.1 and 7.1A (as the case may be).

1.12 ASX quotation

Application will, within 7 days after the date of this Prospectus, be made to the ASX for Official Quotation of the Quoted Options under the Offers.

The Quoted Options will only be admitted to Official Quotation by ASX if the conditions for quotation of a new class of securities are satisfied (which include, amongst other things, there being a minimum of 100,000 Quoted Options on issue, with at least 50 holders with a marketable parcel (within the meaning of the Listing Rules)).

The fact that ASX may agree to grant official quotation of those Quoted Options is not to be taken in any way as an indication of the merits of the Company or the Quoted Options. ASX takes no responsibility for the contents of this Prospectus.

If Shareholder approval to the issue of the Quoted Options is obtained at the General Meeting of the Company due to be held on 30 August 2018 but Official Quotation of those Quoted Options is not granted by ASX within three months of the date of this Prospectus, the Quoted Options will be granted but remain unquoted.

No application for Official Quotation will be made in respect of the Lead Manager Options.

1.13 CHESS

The Company participates in the Clearing House Electronic Sub-register System known as CHESS. ASX Settlement Pty Limited, a wholly-owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, Applicants will receive a statement of their holding (**Holding Statement**) of Securities pursuant to their acceptance of an Offer.

The Holding Statement will specify the number of Quoted Options and Lead Manager Options, as the case may be, issued under this Prospectus, provide details of your Holder Identification Number (HIN) or Security holder Reference Number (SRN) and the terms and conditions applicable to the Quoted Options and the Lead Manager Options, as the case may be.

A Holding Statement will routinely be sent to Security holders at the end of any calendar month during which the balance of their Security holding changes. Security holders may request a statement at any other time; however, a charge may be made for additional statements.

1.14 Residents outside Australia

This Prospectus, and any accompanying Application Form, do not, and are not intended to, constitute an offer of Quoted Options or Lead Manager Options (as the case may be) in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

1.15 SPP Shortfall Offer

Any SPP Shares and Quoted Options not subscribed for by Eligible Shareholders under the SPP and under this Prospectus will comprise the shortfall and may be offered to sophisticated or professional investors as a separate placement at the discretion of the Directors pursuant to the SPP Shortfall Offer.

The offer of Quoted Options under the SPP Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open after the Closing Date. Subscribers under the SPP Shortfall Offer will be offered Shares at the same issue price at which the Eligible Shareholders were offered Shares under the SPP, together with a free attaching Quoted Option for every Share subscribed for, pursuant to this Prospectus. The issue of Securities under the SPP Shortfall Offer is conditional upon the Company obtaining Shareholder approval at the General Meeting.

The Directors do not represent that any application to participate in the SPP Shortfall Offer will be successful. The Company reserves the right to issue to an applicant for Securities under the SPP Shortfall Offer a lesser number of Securities than the number applied for or reject an application or not proceed with the issuing of the Securities pursuant to the SPP Shortfall Offer or part thereof. If the number of Securities issued to an applicant is less than the number applied for by the applicant, surplus application moneys will be refunded to the applicant in full. Interest will not be paid on any application moneys refunded.

If you are invited to subscribe for Securities pursuant to the SPP Shortfall Offer, and you wish to subscribe, please complete an SPP Shortfall Application Form. The SPP Shortfall Application Form allows you to apply for both Shares offered under the SPP Shortfall Offer and Quoted Options offered under this Prospectus.

1.16 Taxation implications

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Quoted Options or Lead Manager Options (as the case may be).

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Quoted Options or Lead Manager Options (as the case may be).

1.17 Issue of Shares and Options to Director

In addition, and subject to Shareholder approval, it is intended that the Company also make a placement of Shares to Mr Rory Luff, Director (or his nominee). In terms of that placement, Mr Luff (or his nominee) will subscribe for \$100,000 worth of Shares, being 1,428,571 Shares at \$0.07 each Share having one (1) free attaching Quoted Option (that is, each Quoted Option being exercisable at twenty cents (\$0.20) and expiring on 31 July 2023).

The issue of Shares and Quoted Options to Mr Luff (or his nominee) is conditional upon the Company obtaining Shareholder approval at the General Meeting. Such Shareholder approval is required in terms of ASX Listing Rule 10.11.

1.18 Issue of Lead Manager Options

It is also proposed to grant 7,500,000 free unlisted Lead Manager Options as part consideration for services provided by Hartleys, as the Lead Manager, in relation to the Company's capital raising activities. Each Lead Manager Option will not be transferable, and will be exercisable at twenty cents (\$0.20) and expiring 5 years from the date of grant. See section 4.3 for the terms and conditions attaching to the Lead Manager Options.

In relation to the Lead Manager Offer, whilst shareholder approval in the Company's General Meeting will be sought, the grant of the Lead Manager Options is not subject to shareholder approval but will be granted if and when the Company has sufficient capacity under ASX Listing Rules 7.1 and/or 7.1A (as the case may be).

1.19 Major activities and financial information

A summary of the activities and financial information relating to the Company for the half-year ended 31 December 2017 and financial year ended 30 June 2017 can be found in the Company's Half-year Financial Report and Annual Financial Report lodged with ASX. A summary of activities relating to the Company is also set out in the Company's quarterly activities and cashflow reports for March 2017, June 2017, September 2017, December 2017 and March 2018 lodged with ASX. The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of its Annual Financial Report on 29 September 2017 are listed in Section 5.2.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that potential Applicants review these and all other announcements prior to deciding whether or not to participate in an Offer.

1.20 Privacy

The Company collects information about each Applicant provided on an Application Form or an SPP Shortfall Application Form for the purposes of processing the application and, if the application is successful, to administer the Applicant's Security holding in the Company.

By submitting an Application Form, or an SPP Shortfall Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on those forms for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, or an SPP Shortfall Application Form, the Company may not be able to accept or process your application.

An Applicant has an entitlement to gain access to, correct and update the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Australian Privacy Principles, the Corporations Act and certain rules such as the ASX Settlement Operating Rules. For the Company's Privacy Policy, see: www.davenportresources.com.au

1.21 Enquiries concerning this Prospectus

For enquiries relating to this Prospectus and general shareholder enquiries, please contact the Company Secretary by telephone on +61 (0) 415 065 280 between 8.30am and 5.00pm (AWST) on Monday to Friday.

2 EFFECT OF THE OFFERS

2.1 Capital structure on completion of the Offers

The principal effect of the Offers, assuming all Quoted Options and Lead Manager Options offered under this Prospectus are issued, will be to increase the number of Options currently on issue by a maximum of 44,993,128, comprising 37,493,128 Quoted Options and 7,500,000 Lead Manager Options. Application will be made for the Quoted Options to be quoted on ASX, creating a new class of Quoted Options. Application will not be made for quotation of the Lead Manager Options.

If all of these 37,493,128 Quoted Options and 7,500,000 Lead Manager Options are exercised, the Company will be paid exercise proceeds of approximately \$9.0M (before costs) and an additional 44,993,128 Shares will be issued to Option holders. The exercise proceeds will be applied towards the Company's general operational and working capital expenditure.

The effect of the Offers on the capital structure of the Company, assuming the SPP is fully subscribed, the Placements are completed, and all of the Quoted Options and the Lead Manager Options offered under this Prospectus are issued (but no other Options or Performance Rights are exercised), is set out below:

	<i>Shares</i>	<i>Options</i>
Balance at the date of this Prospectus	135,198,149	6,158,000 ¹
Maximum SPP Shares to be issued	7,142,857	
To be issued as the Second Placement	2,425,000	
Maximum to be issued under the SPP Options Offer		7,142,857
Maximum to be issued under the Placement Options Offer		28,921,700
To be issued under the Related Party Offer	1,428,571	1,428,571
To be issued under the Lead Manager Offer		7,500,000
TOTALS:	146,194,577	51,151,128

Note 1: The Options currently on issue (namely, 6,158,000 options) are unquoted and are exercisable at \$0.25 each on or before 20 January 2020. The Company also has on issue 6,250,000 Performance Rights subject to various vesting conditions with various expiry dates. Quoted Options will be exercisable at \$0.20 each on or before 31 July 2023. Application will be made for the Quoted Options to be quoted on ASX. Lead Manager Options will be exercisable within 5 years of their date of grant. Application will not be made for the Lead Manager Options to be quoted on ASX.

2.2 Effect on control of the Company

The Company is of the view that the Offers will not affect the control (as defined by section 50AA of the Corporations Act) of the Company. No investor or existing Shareholder will have a voting power greater than 20% as a result of the completion of the Offers, but see Section 5.7 for details of the Company's substantial Shareholders.

The maximum number of Quoted Options proposed to be issued under the Offers is 37,493,128 and the maximum number of Lead Manager Options proposed to be issued under the Offers is 7,500,000, totalling 44,993,128 Options. If all of these Quoted Options and Lead Manager Options are exercised, the Shares issued on exercise will constitute approximately 23.5% of the Shares on issue following completion of the Offers (assuming the SPP is fully subscribed for, the Second Placement and the proposed Placement to the Related Party is completed and no other Securities are issued or converted to Shares).

2.3 Pro-forma consolidated statement of financial position

Set out below is:

- (a) is the financial position (Balance Sheet) of the Company as at 31 December 2017 which has been reviewed (but not audited) by the auditor; and
- (b) the unaudited pro-forma consolidated statement of financial position (Balance Sheet) of the Company as at 31 December 2017 incorporating the effect of the SPP and the proposed Second Placement, (assuming the SPP and Second Placement are fully subscribed), and the proposed placement to the Related Party.

	Reviewed (unaudited) Balance Sheet 31/12/2017	Pro-forma (unaudited) Balance Sheet 31/12/2017
Assets	A\$	A\$
Current assets		
Cash and cash equivalents	2,436,713	4,833,232
Trade and other receivables	62,610	62,610
Prepayments	24,906	24,906
Total current assets	2,524,229	4,920,748
Non-current assets		
Trade and other receivables	172,055	172,055
Property, plant and equipment	3,919	3,919
Exploration and evaluation	2,380,334	2,380,334
Total non-current assets	2,556,308	2,556,308
Total assets	5,080,537	7,477,056
Liabilities		
Current liabilities		
Trade and other payables	1,059,166	1,059,166
Current tax liabilities	42,846	42,846
Provisions	62,000	62,000
Total current liabilities	1,164,012	1,164,012
Total liabilities	1,164,012	1,164,012
Net assets	3,916,525	6,313,044
Equity		
Issued capital	7,479,504	9,756,023
Reserves	64,022	184,022
Accumulated losses	(3,627,001)	(3,627,001)
Total equity	3,916,525	6,313,044

The above statements of financial position have been prepared to provide Shareholders with information on the movements of the assets and liabilities of the Company and the proforma assets and liabilities of the Company. The unaudited pro-forma Balance Sheet has been prepared by adjusting as noted below, the unaudited reviewed Balance Sheet as at 31 December 2017 to reflect the financial effect of the Offers, the SPP, the Placements and the proposed Related Party placement as if it had occurred at 31 December 2017. The historical and pro-forma information is presented in abbreviated form; it does not include all of the disclosures required by the Australian Accounting Standards applicable to half-year financial statements.

- 1) The pro-forma Balance Sheet assumes all Shares issued under the Placements, Shares proposed to be issued to the Related Party Shares and SPP Shares are issued, resulting in cash proceeds before costs of \$2,624,519. Costs associated with Offers and all share issues are estimated at \$228,000 and are applied against the cash proceeds from the issues for purposes of the pro-forma Balance Sheet.
- 2) A value of \$120,000 (non-cash) is attributed to the Lead Manager Options, which has been accounted for as a movement in equity. The Company has, using the Black-Scholes method, determined that a value of \$120,000 (non-cash), or \$0.016 per option, is attributable to the Lead Manager Options, which has been accounted for as a movement in equity. For a description of the assumptions applicable to determining the value of those options, see Section 5.9.
- 3) No allowance has been made for funds expended by the Company on administration or exploration related activities since 31 December 2017. The Company has incurred approximately \$1.05M in operating costs, including on exploration related activities, since 31 December 2017. This expenditure will have a significant effect on the Company's Balance Sheet.
- 4) In April 2018, the Company paid the final instalment of approximately \$721,000 towards the purchase of three mining licences in the South Harz project in Germany, and this amount is included as a Current liability "Trade and other payables" in the reviewed (unaudited) Balance Sheet.

3 RISK FACTORS

Davenport is a mineral exploration company owning German tenements with known potash mineralisation with the view to developing commercially viable mining operations. Due to the nature of Davenport's business, investment in Davenport carries with it risks reasonably expected of an investment in a mineral exploration company. There are a number of risks associated with investing in exploration companies generally and associated with investing in Davenport specifically. The business, assets and operations of Davenport are subject to risk factors that may affect the operating and financial performance of Davenport in the future.

The Risk Factors include, but are not limited to those set out below.

3.1 Risks associated with South Harz Potash Project (Germany)

There are risks which could have a material adverse impact on the Company's operating and financial performance and the price or value of its shares. Key risks applying to the Company's South Harz Project (Germany) are set out below. It should be noted that the description of risks is not intended to be an exhaustive list of the risk factors to which the Company is or may be exposed.

(a) Geological and Technical risk

The Company's South Harz Project in Germany is subject to geological and technical risk, including technical challenges and other risks specific to the Company's German exploration tenements and perpetual mining licence areas or to the region. Locally geological and technical risk may include variation in the thickness and grade of the potash seam, structural disruption of the potash by faulting and/or folding, issues relating to depth of the potash below surface, quality of the potash minerals and integrity of overlying rock formations, together with unforeseen technical risks.

Shareholders should have regard to those geological and technical risks, in addition to the following:

(b) Additional Capital Requirements

Exploration costs and pursuit of its business plan will use the Company's current cash reserves and the funds raised under the Placement, the SPP and the proposed Placement to the Related Party. Therefore, Davenport will require further financing and may seek additional capital whether through equity, debt or joint venture financing, to support long-term exploration and evaluation of its projects. The Directors can give no assurances as to the level of future borrowings or further capital raisings that will be required to meet the aims to develop the Company's exploration licences. No assurance can be given that Davenport will be able to procure sufficient funding at the relevant times on the terms acceptable to it.

Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on Davenport's operating activities and business strategy. If Davenport is unable to obtain additional funding as needed, it may be required to reduce the scope of its operations or scale back its business plans.

(c) Exploration Resource Definition Stage

The Company's exploration tenements are generally at the exploration and resource definition drilling stage only. They are not yet at the stage where a development plan is capable of being determined. Potential investors should understand that mineral exploration and subsequent development are high-risk undertakings. The prospects of Davenport should be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development.

While the exploration licences are considered by the Board to be highly prospective and JORC Inferred Resources have been estimated based on extensive past drilling, there is no guarantee that these resources can be upgraded sufficiently through further exploration to allow development of a mine. Davenport proposes to utilise funds raised in the Placement and SPP to for additional data evaluation of German potash mining licences, target selection and drill hole permitting. The balance, including existing funds will be available for working capital and administration pending regulatory approval to commence drilling the potash resource.

Any resource delineated is an estimate only. An estimate is an expression of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly

when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect Davenport's operations.

The Company's exploration costs described in this Prospectus are based on certain estimates and assumptions with respect to the method and timing of exploration. While based on industry practice, judgment and experience, these estimates and assumptions are by their nature, subject to significant uncertainties and actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions used will be realised in practice, which may materially and adversely affect Davenport's viability.

The business of mineral exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) the discovery and/or acquisition of economically recoverable reserves;
- (ii) access to adequate capital for project development;
- (iii) design and construction of efficient development and production infrastructure within capital expenditure budgets;
- (iv) securing and maintaining title to interests;
- (v) obtaining consents and approvals necessary for the conduct of mineral exploration, development and production; and
- (vi) access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

There can be no assurance that exploration of the exploration licences currently held by the Company will result in the discovery of an economic potash deposit. There is no certainty that the potash deposits already identified can be economically exploited. If exploration is successful, there will be additional costs and processes involved in transitioning to the development phase.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

(d)Accidents

The operations of the Company may be affected by unexpected events arising from errors, omission or natural disasters. These risks include fire, explosions, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, and environmental hazards such as accidental spills or leakage of liquids or geological uncertainty.

The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

3.2 Risks Associated with Operating in Germany

The Company's tenements are located in Germany and will be subject to the various political, economic and other risks and uncertainties associated with operating in that country. There are risks attached to exploration and mining operations in Germany that are not necessarily the same as those in Australia. These risks and uncertainties vary from country to country and include, but are not limited to, economic, social or political change, changes of law, taxation, working conditions, rates of exchange, exploration licensing, environmental protection, mine safety, labour relations as well as differing Federal and State government regulations over mineral properties.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral exploration and environmental protection, could result in the loss, or reduction of entitlements. The occurrence of these various factors adds uncertainties that cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

There can be no guarantee that Davenport will be able to generate a positive return for its shareholders if an event occurs in Germany which materially adversely affects the value of Davenport, its assets and/or its business.

(a) Tenement Title

Rights in relation to exploration in Germany are governed by both Federal and State legislation. They are evidenced by the granting of licences. Each licence is for a specific term and carries with it work program and reporting commitments, as well as other conditions requiring compliance. Consequently, Davenport could lose title to or its interest in tenements if the licence conditions are not met or if insufficient funds are available to meet expenditure commitments as and when they arise, in line with the German legislation.

Tenements granted to the Company are subject to periodic renewal. Renewal is not automatic, and is subject to approval, which approval can be denied for various reasons, including failure to comply with the stated conditions. Renewal may include additional or varied expenditure or work commitments or compulsory relinquishment of the areas comprising projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of Davenport. If any of the Company's exploration licences are not renewed, Davenport may suffer significant damage through loss of the opportunity to develop any mineral resources on that licence. Davenport's three mining licences, being perpetual, are not subject to the usual compliance requirements of mining licences, and have no expenditure commitments.

(b) Environmental and Other Regulatory Risks

Environmental laws in Germany are strict when it comes for the protection of environment. Every activity from exploration through to development and mining require compliance with the regulations for environmental protection. It is expected that the Company's activities will have an impact on the environment, particularly at the time of advanced exploration and any mine development.

It is in Davenport's interest to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws, in order to minimise damage to the environment and risk of liability. In a normal situation, it is expected that despite diligently observing the applicable environmental laws and regulations, there are certain risks inherent to the Company's activities, such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to environmental liability.

The Company will require other various governmental approvals and permits in Germany from time to time in connection with various aspects of its activities. To the extent such approvals or permits are required and not obtained, or are delayed, Davenport may experience delays affecting its scheduled exploration program and project development.

Environmental laws are dynamic and can change over time. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future. Additional laws or regulations may materially increase the Company's cost of doing business or affect its operations. The cost and complexity of complying with any additional environmental laws and regulations may prevent the Company from being able to develop potentially economically viable mineral deposits.

Further, environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation in Germany, if any, will not materially and adversely affect Davenports business, prospects, financial condition and results of operations.

(c) Competition Risk

The potash industry globally is competitive. The actions of an existing producer or the entry of new competitors into the potash mining industry may make it difficult for the Company to attract additional funding for the further exploration of the Projects. If the Company is successful in developing the Projects, the actions of an existing producer, or the entry of a new competitor, may make it difficult for the Company to grow or maintain its

revenues, which in turn, may have a material adverse effect on the Company's profitability.

(d) Reliance on Key Management

Davenport's prospects and ability to carry on its business will depend substantially on the ability of its executives, senior management and key consultants to operate effectively. To manage its growth, Davenport must attract and retain additional highly qualified personnel. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors. There can be no assurance that there will be no detrimental impact on Davenport if one or more key employees cease their employment at some stage.

(e) Delays in Exploration

Exploration and development costs (including, without limitation, administration overheads if the Company continues to incur these costs for a significant period before it can commence any exploration) will reduce the cash reserves of the Company, which may not be replaced through the successful development of mining operations. The Company would then be dependent on seeking exploration capital elsewhere, through equity, debt or joint venture financing, to support long term exploration and evaluation of the Projects. There is no guarantee that the Company will be able to find exploration capital on satisfactory terms or at all. Inability to find exploration capital may result in some or all of the Projects not proceeding or defaults in licences or permits which, if not remedied, could result in forfeiture.

3.3 Risks associated with the Company's Southern Cross Bore Project (Australia)

There are risks associated with Davenport's existing Southern Cross Bore Project which could have an adverse impact on the Company's operating and financial performance and the price or value of its shares. The materiality of these risks is somewhat mitigated by the low level of exploration activity planned for these tenements, amounting to less than 10% of the total company budget on an ongoing basis .

Key risks associated with the Company's Southern Cross Bore Project identified by the present Board of Davenport are set out below. It should be noted that the description of risks is not intended to be an exhaustive list of the risk factors to which the Company is or may be exposed.

(a) Risks Associated with Operating in Australia

The availability and rights to explore and mine, as well as resource industry profitability generally, can be affected by changes in government policy. Changes in government regulations and policies may adversely affect the financial performance of the operations of the Company. The impact of actions by governments may affect the Company's activities, including in relation to access to infrastructure, compliance with environmental regulations, taxation and royalties. Davenport holds rights to Northern Territory tenements, the responsible government authority will conduct reviews from time to time of policies in connection with the granting and administration of exploration licences. At present the Company is not aware of any proposed changes to policy that would affect the tenements. Changing attitudes to environmental, land care, cultural heritage and indigenous land rights issues, together with the nature of the political process, provide the possibility of future policy changes. There is a risk that such changes may affect the Company's exploration plans or, indeed, its rights and/or obligations with respect to the Northern Territory tenements.

(b) Exploration and Evaluation Risk

The business of exploration contains risks by its very nature. Successful exploration requires competent operation and managerial performance. In particular, exploration is a speculative endeavour. There can be no assurance that exploration of the Southern Cross Bore Project will result in the discovery of an economic resource. Even if an apparently viable deposit or economic resource is identified, there is no guarantee that it can be viably or commercially exploited.

3.4 General risks

The future prospects of the Company's business may be affected by circumstances and external factors beyond the Company's control. Financial performance of the Company may be affected by a number of business risks that apply to companies generally and may include economic, financial, market or regulatory conditions.

(a) Liquidity and realisation risk

There can be no guarantee that an active market in the shares will develop or that the price of the shares will increase. There may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of the shares.

Restriction obligations (escrow) until 20 January 2019 have been applied to 71,767,857 Shares by ASX, resulting in there being relatively fewer active or potential sellers or buyers at a given time, which may increase the volatility of the market price of the Company's shares.

Further, there is a risk that once the shares subject to escrow or trading restrictions are released from the restrictions attaching to them, there may be a significant sell down by the holders of those shares.

The potential limited free float (tradeable shares during any restriction period) and potential sell down may affect the prevailing market price at which shareholders are able to sell their shares.

(b) Share Market Conditions

The market price of the Company's shares can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither Davenport nor the Directors warrant the future performance of Davenport or any return on an investment in Davenport.

(c) Occupational Health and Safety

The mining industry has become subject to increasing occupational health and safety responsibility and liability. There is potential for liability under occupational health and safety regulations.

(d) Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on Davenport's exploration, development and production activities, as well as on its ability to fund those activities. If activities cannot be funded, there is a risk that some tenements may have to be surrendered or not renewed. General economic conditions may affect the value of Davenports quoted securities regardless of operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

(e) Investment Speculative

The risk factors set out in this Section 3 ought not to be taken as an exhaustive list of the risks faced by Davenport or by potential investors in Davenport.

The proposed exploration expenditure on the Projects may be adversely affected by any unforeseen expenses which arise in the future and which have not been considered in this Prospectus. While the Company is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses were incurred, the expenditure proposals of the Company may be adversely affected. Any combination of the above factors may materially affect any individual mineral project assets, operations or the financial performance of the Company and the value of its securities. To that extent the acquisition is subject to significant risk and uncertainty with respect to return or preservation of capital.

There is no guarantee with respect to the payment of dividends, returns of capital or the market value of Davenport shares. Shareholders should consider that their investment in Davenport is speculative and should read this Prospectus in full and consult their professional adviser if they are unsure about aspect.

4 RIGHTS ATTACHING TO SECURITIES

4.1 Rights and liabilities attaching to Shares

The shares proposed to be issued under the Second Placement, the SPP, the SPP Shortfall Offer and to the Related Party are all fully paid ordinary shares in the issued capital of the Company and rank equally with all other shares then on issue.

The rights and liabilities attaching to shares are regulated by the Company's Constitution, the Corporations Act, the ASX Listing Rules, the ASX Settlement Rules and common law. The following is a summary of the more significant rights and obligations attaching to the shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders. To obtain such a statement, persons should seek independent legal advice.

Further details of the rights attaching to shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. A copy can also be downloaded from the Company's website at www.davenportresources.com.au.

General meetings

Shareholders are entitled to attend and vote at general meetings of the Company, in person, or by proxy, attorney or representative.

For so long as the Company remains a listed entity, shareholders will be entitled to receive at least 28 days' prior written notice of any proposed general meeting.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of shareholders or a class of shareholders:

- (a) On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- (b) On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him or her, or in respect of which he or she is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such shares registered in the shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

Dividend rights

Subject to the rights of any preference shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Board may from time to time declare a dividend to be paid to the shareholders entitled to the dividend which shall be payable on all shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such shares.

No dividend shall carry interest as against the Company. The Board may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Board, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may implement a dividend reinvestment plan which provides for any dividend which the Board may declare from time to time, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of shares to be issued to the relevant shareholder.

Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose

set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

Shareholder liability

The Shares issued or proposed to be issued in the Company are fully paid shares, and accordingly they are not subject to any calls for money by the Company and will therefore not become liable for forfeiture.

Transfer of Shares

Generally, shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

Variation of rights

The rights attaching to shares may only be varied or cancelled by the sanction of a special resolution passed at a meeting of shareholders or with the written consent of holders of three quarters of all shares on issue. A special resolution is passed only where approved by at least 75% of all votes cast (and entitled to be cast) on the resolution at the meeting.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the authorisation by a special resolution passed at a separate meeting of the holders of the shares of that class.

Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting.

4.2 Terms and conditions of Quoted Options

The Quoted Options granted under the Offers will be issued on the following terms and conditions:

- (a) **(Entitlement):** Each Option entitles the holder to subscribe for one fully paid ordinary Share.
- (b) **(Exercise Price and Expiry Date):** The Options are exercisable at \$0.20 each at any time up to 5.00pm (AWST) on 31 July 2023 (**Expiry Date**). Any Option not exercised by the Expiry Date will automatically expire.
- (c) **(Exercise):** To exercise Options, the Option holder must give the Company:
 - (i) a written exercise notice (in the form approved by the Board from time to time) specifying the number of Options being exercised and Shares to be issued; and
 - (ii) payment of the exercise price for the Shares, the subject of the exercise notice, by way of bank cheque or by other means of payment approved by the Company.

The Option holder may only exercise Options in multiples of 5,000 Options unless the Option holder exercises all Options held by the Option holder. Options will be deemed to have been exercised on the date the exercise notice is lodged with the Directors.
- (d) **(Timing of issue of Shares upon exercise):** Within 10 days after receiving an application for exercise of Options and payment by the Option holder of the exercise price, the Company must issue the Option holder the number of Shares specified in the application.
- (e) **(Ranking of Shares):** Subject to the Constitution, all Shares issued on the exercise of Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary shares of the Company at the date of issue.
- (f) **(Transferability):** The Options are transferable.
- (g) **(Quotation of Options):** The Company will apply to ASX for Official Quotation of the Options.

- (h) **(Quotation of Shares on exercise):** The Company will apply to ASX for Official Quotation of the Shares issued on exercise of Options.
- (i) **(Participation rights):** The Option holder is not entitled to participate in any issue to existing Shareholders of Securities unless they have exercised their Options before the "record date" for determining entitlements to the issue of Securities and participate as a result of holding Shares. The Company must give the Option holder notice of the proposed terms of the issue or offer in accordance with the Listing Rules.
- (j) **(Reorganisation):** If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option holder (including the number of Options to which the Option holder is entitled to and the exercise price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (k) **(Amendments):** The number and exercise price of the Options remains the same regardless if the Company makes a bonus issue of Shares or other Securities to Shareholders.
- (l) **(Adjustments):** Any calculations or adjustments which are required to be made will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option holder.
- (m) **(Governing law):** These terms and the rights and obligations of the Option holder are governed by the laws of Western Australia. The Option holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

4.3 Terms and conditions of Lead Manager Options

The Lead Manager Options granted under the Offers will be issued on the following terms and conditions:

- (a) **(Entitlement):** Each Lead Manager Option entitles the holder to subscribe for one fully paid ordinary Share.
- (b) **(Exercise Price and Expiry Date):** The Lead Manager Options are exercisable at \$0.20 each at any time up to 5.00pm (AWST) on the date which is 5 years after the date of issue **(Expiry Date)**. Any Lead Manager Option not exercised by the Expiry Date will automatically expire.
- (c) **(Exercise):** To exercise Lead Manager Options, the Lead Manager Option holder must give the Company:
 - (i) a written exercise notice (in the form approved by the Board from time to time) specifying the number of Lead Manager Options being exercised and Shares to be issued; and
 - (ii) payment of the exercise price for the Shares, the subject of the exercise notice, by way of bank cheque or by other means of payment approved by the Company.

The Lead Manager Option holder may only exercise Lead Manager Options in multiples of 5,000 Lead Manager Options unless the Lead Manager Option holder exercises all Lead Manager Options held by the Lead Manager Option holder. Lead Manager Options will be deemed to have been exercised on the date the exercise notice is lodged with the Directors.
- (d) **(Timing of issue of Shares upon exercise):** Within 10 days after receiving an application for exercise of Lead Manager Options and payment by the Lead Manager Option holder of the exercise price, the Company must issue the Lead Manager Option holder the number of Shares specified in the application.
- (e) **(Ranking of Shares):** Subject to the Constitution, all Shares issued on the exercise of Lead Manager Options will rank in all respects (including rights relating to dividends) equally with the existing ordinary shares of the Company at the date of issue.
- (f) **(No Transferability):** The Lead Manager Options are not transferable.
- (g) **(No Quotation of Options):** The Company will not apply to ASX for Official Quotation of the Lead Manager Options.
- (h) **(Quotation of Shares on exercise):** The Company will apply to ASX for Official Quotation of the Shares issued on exercise of Lead Manager Options.

- (i) **(Participation rights):** The Lead Manager Option holder is not entitled to participate in any issue to existing Shareholders of Securities unless they have exercised their Lead Manager Options before the "record date" for determining entitlements to the issue of Securities and participate as a result of holding Shares. The Company must give the Lead Manager Option holder notice of the proposed terms of the issue or offer in accordance with the Listing Rules.
- (j) **(Reorganisation):** If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Lead Manager Option holder (including the number of Lead Manager Options to which the Lead Manager Option holder is entitled to and the exercise price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (k) **(Amendments):** The number and exercise price of the Lead Manager Options remains the same regardless if the Company makes a bonus issue of Shares or other Securities to Shareholders.
- (l) **(Adjustments):** Any calculations or adjustments which are required to be made will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Lead Manager Option holder.
- (m) **(Governing law):** These terms and the rights and obligations of the Lead Manager Option holder are governed by the laws of Western Australia. The Option holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Western Australia.

5 ADDITIONAL INFORMATION

5.1 Company is a disclosing entity

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the securities market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit report or review. Copies of documents lodged with the ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office (see Section 5.2 below). Copies of all documents announced to ASX can be found at www.davenportresources.com.au/asx-announcements.

5.2 Copies of documents

Copies of documents lodged by the Company in connection with its reporting and disclosure obligations may be obtained from, or inspected at, an office of ASIC. The Company will provide free of charge to any person who requests it during the period of the Offers a copy of:

- (a) the financial statements of the Company for the financial year ended 30 June 2017 and half-year ended 31 December 2017, being the last two financial statements of the Company lodged with ASIC before the issue of this Prospectus; and
- (b) the following notices given by the Company to notify ASX of information relating to the Company during the period from the date of lodgement of the financial statements referred to in paragraph (a) above until the date of this Prospectus:

<i>Date lodged</i>	<i>Subject of Announcement</i>
11/07/2018	Change in substantial holding – Lufgan Nominees
10/07/2018	Change in substantial holding from PWN
10/07/2018	Davenport completes Mining Licence ownership transfer
10/07/2018	Share Purchase Plan Offer Cleansing Notice and Appendix 3B
09/07/2018	Share Purchase Plan Offer document
09/07/2018	Change in substantial holding – R Luff
05/07/2018	Capital Raising and Progress Update
05/07/2018	Placement Cleansing Notice and Appendix 3B
25/06/2018	Parkway Minerals Completes Private Placement
21/06/2018	Placement and Share Purchase Plan
19/06/2018	Trading Halt
18/06/2018	Historic potash resource at Ohmgebirge and Muhlhausen update
09/05/2018	Response to Appendix 5B Query
02/05/2018	Change of Director's Interest Notice x 3
01/05/2018	Investor Presentation
30/04/2018	Davenport Completes Purchase of Three German Mining Licences
26/04/2018	Quarterly Cashflow Report
26/04/2018	Appendix 3B
24/04/2018	Quarterly Activities Report
16/04/2018	Maiden JORC Potash Resource Update for Ebeleben Licence

<i>Date lodged</i>	<i>Subject of Announcement</i>
10/04/2018	Results of Meetings
10/04/2018	Historic Potash Resources for Muhlhausen Nohra Licences
09/04/2018	Inferred Resource Update - Johnnies Reward NT
06/04/2018	Change in substantial holding - Lufgan Nominees
06/04/2018	Change in substantial holding - R Luff
06/04/2018	Change of Director's Interest Notice - R Luff
05/04/2018	Change in substantial holding from PWN
04/04/2018	Conversion of First Milestone Shares and Appendix 3B
03/04/2018	Maiden JORC Potash Resource for Ebeleben Licence
28/03/2018	Maiden Gold-Copper Resource for Johnnies Reward, NT
15/03/2018	Half Yearly Report and Accounts
08/03/2018	ASX Waiver from Listing Rule 9.7
08/03/2018	Notice of Class Meeting and Proxy Form
08/03/2018	Notice of General Meeting and Proxy Form
01/03/2018	Dr Chris Gilchrist commences as Managing Director
31/01/2018	Quarterly Activities and Cashflow Reports
18/01/2018	Davenport Seeks JORC Verification for Potash Resources
22/12/2017	Dr Chris Gilchrist appointed Managing Director
23/11/2017	Results of Meeting
23/11/2017	AGM Chairman Address
23/11/2017	AGM Project Presentation
16/11/2017	Historic Potash Resource at Muhlhausen Nohra Licence
15/11/2017	Historic Potash Resource at Ebeleben Mining Licence - Update
08/11/2017	Historic Potash Resource at Ebeleben Mining Licence
31/10/2017	Quarterly Activities and Cashflow Reports
25/10/2017	Final Approval for German Mining Licences Acquisition
25/10/2017	Appendix 4G
24/10/2017	Annual Report to shareholders
24/10/2017	Notice of Annual General Meeting/Proxy Form

The following documents are available for inspection throughout the period of the Offers by appointment during normal business hours at the registered office of the Company:

- (a) this Prospectus;
- (b) the Constitution; and
- (c) the consents referred to in Section 5.13 and the consents provided by the Directors to the issue of this Prospectus.

5.3 Information excluded from continuous disclosure notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules other than as is set out in this Prospectus.

5.4 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

5.5 Market price of Shares

The highest and lowest closing market sale prices of the Shares on ASX during the three months immediately

preceding the date of the Offers, and the respective dates of those sales were:

- Lowest closing price 5.6 cents (\$0.056) on 13 June 2018
- Highest closing price 9.5 cents (\$0.095) on 27 April 2018

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with ASIC was 7.4 cents (\$0.074) per Share on 10 July 2018.

5.6 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

5.7 Substantial Shareholders

Based on available information as at the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

<i>Substantial Shareholder</i>	<i>Number of Shares</i>	<i>Voting power</i>
Parkway Minerals NL	44,267,700	32.74%
Lufgan Nominees Pty Ltd	14,579,967	10.78%
Rory Luff	11,707,473	8.66%

5.8 Interests of Directors

(a) Security holdings

The relevant interest of each of the Directors (together with their associates) in Securities as at the date of this Prospectus is set out below:

Table 1:

<i>Director</i>	<i>Shares</i>	<i>Voting Power</i>	<i>Options</i>	<i>Performance Rights¹</i>
Patrick McManus ²	-	-	-	1,000,000
Chris Gilchrist	-	-	-	2,000,000
Rory Luff	11,707,473	8.66%	-	750,000
Chris Bain	25,000	0.02%	-	-

Notes:

- 1 The Performance Rights automatically convert into fully paid ordinary shares upon satisfying vesting conditions and Company performance Hurdles. There are two series of Performance Rights, Series A and Series B. Series A totaling 3,125,000 Performance Rights vest on 26th April 2019 and convert into ordinary shares subject to the Company, within 12 months of the date of issue (being 26th April 2018), completing drilling of one (1) hole intersecting the potash horizon of the South Harz project (First Hurdle). Series B totaling 3,125,000 Performance Rights vest on 26th April 2020 and convert into ordinary shares subject to the Company within 24 months of the date of issue (being 26th April 2018) and subject to the satisfaction of the First Hurdle, completing drilling of two (2) holes intersecting the potash horizon of the South Harz project (Second Hurdle).
- 2 Mr McManus is a director of Parkway Minerals NL, an ASX listed company that is the beneficial

owner of 44,267,700 shares in Davenport. Mr McManus does not control Parkway Minerals NL and has no relevant interest in the shares held by Parkway Minerals NL.

As at the date of this Prospectus, Mr Luff and Mr Bain (Directors) (or their associates) each intend to participate in the SPP up to \$15,000 worth of SPP Shares (being 214,285 SPP Shares), including up to 214,285 free attaching Quoted Options to be issued under the SPP Options Offer.

The above is a statement of current intentions of the Directors at the date of this Prospectus. Intervening events and new circumstances have the potential to affect each Director's decision as to whether and to what extent to participate in the SPP.

The Directors did not and will not participate in the Placements and are not entitled to subscribe for Quoted Options under the Placement Options Offer. However, see section 1.17 for details concerning a proposed issue of Shares and Options to Mr Rory Luff (or his nominee).

The maximum relevant interest of each of the Directors (together with their associates) in Securities following completion of the Offers (assuming the Directors entitled to participate in the SPP participate for up to \$15,000 worth of SPP shares), completion of the Second Placement Shares and completion of the proposed issue of Shares to Mr Luff (or his nominee), is set out below:

Table 2:

<i>Director¹</i>	<i>Shares</i>	<i>Voting Power</i>	<i>Options</i>	<i>Performance Rights</i>
Patrick McManus	-	-	-	1,000,000
Chris Gilchrist	-	-	-	2,000,000
Rory Luff	13,350,329	9.13%	1,642,856	750,000
Chris Bain	239,285	0.16%	214,285	-

Note: 1. See notes to Table 1 above. Table 2 assumes no other Securities are issued or converted into Shares.

(b) Remuneration of Directors

The maximum aggregate remuneration for non-executive Directors is \$500,000 (see below). Directors who are called upon to perform extra services beyond the Director's ordinary duties may be paid additional fees for those services.

The Constitution of the Company provides for a maximum aggregate amount that may be paid to non-executive Directors (referred to as a "non-executive Director's remuneration pool"), which has been determined by Shareholders in an amount of \$500,000 per annum. The non-executive Director's remuneration pool is a maximum and does not mean that non-executive Directors will be paid a total of \$500,000 per annum.

Payments to non-executive Directors for specific services beyond the ordinary role of a non-executive Director, such as consulting or professional services, are excluded from the total pool amount, as is reimbursement of expenses.

Any future change to the non-executive Director's remuneration pool will require a further shareholder approval.

The table below sets out the remuneration provided to the Directors of the Company and their associated companies during the last two financial years, inclusive of Directors' fees, consultancy fees, share-based payments, termination payments and superannuation contributions.

<i>Director¹</i>	<i>Period ended 30 June 2017 (\$)</i>	<i>Financial Year ended 30 June 2018 (unaudited) (\$)</i>
Patrick McManus ^{1 & 2}	22,500	45,000
Chris Gilchrist ^{1 & 2}	10,000	137,388

Rory Luff ²	30,000	30,000
Chris Bain ²	103,571	146,656
Angus Edgar ¹	30,000	-

Notes:

1. Mr McManus and Dr Gilchrist were appointed on 9 January 2017 and 28 February 2017 respectively. Mr Edgar resigned on 16 June 2017.
2. In April 2018, Directors other than Mr Bain, were granted Series A and Series B Performance Rights:
 - (i) Mr McManus was granted was granted 500,000 Series A and 500,000 Series B Performance Rights.
 - (ii) Dr Gilchrist was granted was granted 1,000,000 Series A and 1,000,000 Series B Performance Rights.
 - (iii) Mr Luff was granted was granted 375,000 Series A and 375,000 Series B Performance Rights.

(c) Information disclosed in this Prospectus

Other than as set out in this Prospectus, no Director holds or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (i) the formation or promotion of the Company;
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Offers; or
- (iii) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with the formation or promotion of the Company, or the Offers.

For details of the interests of Directors in the formation or promotion of the Company, applicants are referred to Section 6.4 of the Company's Replacement Prospectus lodged with ASIC on 24 October 2016. The Company will provide a copy of that Replacement Prospectus free of charge to anyone who asks for it during the Offers. A copy of the Replacement Prospectus is also available on the company's website: www.davenportresources.com.au

5.9 Related party transaction

Subject to the proposed issue of Shares (and free attaching Options as described below), there are no related party transactions involved in the Offers that are not otherwise described in this Prospectus.

Subject to Shareholder approval, it is intended that the Company make a placement of shares to Mr Rory Luff, Director (or his nominee). In terms of that proposed placement, Mr Luff (or his nominee) intends to subscribe for \$100,000 worth of Shares, being 1,428,571 Shares each at \$0.07, each Share having one (1) free attaching Quoted Option (that is, an option to subscribe for Shares exercisable at twenty cents (\$0.20) and expiring on 31 July 2023). Such Shareholder approval will be sought at the General Meeting intended to be held on 30 August 2018. The terms and conditions of the options to be granted to Mr Luff (or his nominee) (which are Quoted Options) are described in section 4.2, and it is intended that the Company will also apply to ASX for the Quoted Options to be issued to Mr Luff (or his nominee) also to be quoted on ASX.

The Company has valued the Quoted Options to be granted to Mr Luff (or his nominee) as having an aggregate value of \$22,857 (which is \$0.016 per Option) in accordance with the Black-Scholes valuation methodology.

However, the actual financial benefit to be derived by Mr Luff from the grant of the Options may be greater or less than the value attributed thereto by that methodology as the actual benefit to be derived will depend on the future price of Shares in the Company.

Additionally, if there is insufficient spread of the Options to be quoted on ASX the value thereof may, as noted above, be less than if they were quoted because of the market for them being restricted which may mean Mr Luff has to exercise them to derive the inherent value therein. The Black-Scholes valuation of \$0.016 per option was based on the following assumptions:

<i>Option Valuation³</i>	<i>Input</i>
Share price	\$0.7 ¹
Exercise Price	\$0.20
Risk Free Rate of Interest	2.31%
Volatility	55.5% ²
Time (years) to expiry	5 years
Value of each option	\$0.016

Notes:

1. the Share price as at the date the Chairman of the Company approved (in terms of the Company's Securities Trading Policy) the grant to Mr Luff (or his nominee) of the Shares and free attaching Options, namely 18 June 2018.
2. The mid-point between the historic volatility factor for Davenport Resources (94%) and the S&P ASX Small Resources Index (17%) used as a proxy because there is insufficient trading of Davenport shares to calculate a meaningful volatility over the 12 month period prior to the date in note 1 above;
3. Any changes in the variables listed between the date of valuation and the date the options are granted would impact on their values.

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to declare that interest to the other Directors before such a matter is considered by the Board; and
- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting, unless invited to remain in the meeting for discussion purposes, and does not vote on the matter.

5.10 Interests of other persons

Except as disclosed in this Prospectus, no underwriter, expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- (a) has any interest nor has had any interest in the last 2 years prior to the date of this Prospectus in the formation or promotion of the Company, the Quoted Options offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Quoted Options offered under this Prospectus; or
- (b) has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Quoted Options offered under this Prospectus.

5.11 Capital raising services

On 12 June 2018, the Company entered into a letter of engagement to appoint the Lead Manager, Hartleys, to provide capital raising services.

In consideration for its services, the Lead Manager will receive the following fees:

- (a) **capital raising fee:** a capital raising fee of 6% (plus GST, if applicable) of the gross proceeds raised in the Company's capital raising activities; and
- (b) **success fee:** a success fee of 7,500,000 unlisted options to be granted to the Lead Manager (or its nominee) (with an exercise price of \$0.20 and expiry 5 years from the date of grant (see Section 4.3 for the terms and conditions attaching to the Lead Manager Options) for which Shareholder approval in the General Meeting to be held on 30 August 2018 will be sought. (Notwithstanding, whilst shareholder approval in the

Company's General Meeting will be sought, the grant of the Lead Manager Options is not subject to shareholder approval but will be granted if and when the Company has sufficient capacity under ASX Listing Rules 7.1 and/or 7.1A (as the case may be)).

In addition to the fees specified above, all disbursements and expenses (including, without limitation, travel, accommodation, printing, legal or other professional fees and communication expenses) relating to or arising from the Lead Manager's engagement in capital raising must be paid or reimbursed in full by the Company. The Lead Manager will seek approval from the Company before incurring any single or aggregate expense greater than \$2,000.

The letter of engagement of the Lead Manager contains covenants, warranties, representations and indemnities that are customary for an agreement of this nature.

5.12 Expenses of Offers, SPP and Placements

The estimated costs and expenses of the Offers, the SPP and the Placements, including capital raising fees, ASIC fees, ASX fees, legal fees and expenses, share registry fees and printing and distribution costs, are estimated to be approximately \$228,000 (excluding GST).

5.13 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Walker Wayland Advantage Audit Partnership (the Company's auditors) has given its written consent to the inclusion at Section 2.3 of a reference to the unaudited reviewed Balance Sheet of the Company as at 31 December 2017, in the form and context in which it is included, and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC. Walker Wayland Advantage Audit Partnership has not been involved in the preparation of this Prospectus.

Security Transfer Australia Pty Ltd ("Share Registry") is included for information purposes only. It has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus.

6 DIRECTORS' STATEMENT AND CONSENT

This Prospectus is authorised by each of the Directors of Davenport and is lodged with ASIC pursuant to section 718 of the Corporations Act. Each Director of Davenport has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act.

This Prospectus is signed for and on behalf of Company by:

A handwritten signature in black ink, appearing to read 'Patrick McManus', written in a cursive style.

Patrick McManus
Non-Executive Chairman

Dated: 17 July 2018

7 DEFINITIONS

In this Prospectus, the following terms have those meanings (unless the context otherwise requires) and words importing the singular include the plural and vice versa.

A\$ or \$ means Australian dollars.

Applicant means a person who submits an Application Form.

Application Form means an SPP Application Form, a Placement Offer Application Form, a Related Party Application Form or a Lead Manager Application Form as the context requires.

ASIC means Australian Securities and Investments Commission.

ASX means the ASX Limited (ABN 98 008 624 691) and where the context permits the Australian Securities Exchange operated by ASX Limited.

ASX Settlement means ASX Settlement Pty Limited (ACN 008 504 532).

ASX Settlement Operating Rules means ASX Settlement Operating Rules of ASX Settlement.

AWST means Australian Western Standard Time, being the time in Perth, Australia.

Board means the board of Directors.

Business Day means Monday to Friday inclusive, other than a day that ASX declares is not a business day.

CHESS means ASX Clearing House Electronic Sub-register System.

Closing Date means 5:00pm (WST) on the closing date identified in the proposed timetable.

Company or Davenport means Davenport Resources Limited (ACN 153 414 852).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors mean the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a person registered as the holder of Shares as at 5:00pm (AWST) on the SPP Record Date whose registered address is in Australia or New Zealand (unless that person holds shares on behalf of another person who resides outside Australia or New Zealand or is a US citizen or a person resident in the United States), and who participated in the SPP.

General Meeting means the general meeting of Shareholders to be held on 30 August 2018.

Initial Placement has the meaning given in Section 1.1

Initial Placement Shares has the meaning given in Section 1.1.

Issuer Sponsored means Shares issued by an issuer that are held in uncertified form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHESS.

Lead Manager or Hartleys means Hartleys Limited ACN 104 195 057 (AFSL 230052).

Lead Manager Application Form means the application form in respect of the Lead Manager Offer accompanying this Prospectus.

Lead Manager Offer means the offer of 7,500,000 Lead Manager Options, pursuant to this Prospectus

Lead Manager Options means free unlisted options proposed to be granted to Lead Manager, each exercisable at \$0.20 and expiring 5 years from the date of issue, and otherwise having the terms and conditions in Section 4.3.

Listing Rules means the listing rules of ASX.

Offers means the SPP Options Offer, the Placement Options Offer, the Related Party Offer and/or the Lead Manager Offer, as the context requires.

Official Quotation means the quotation of Securities on the official list of ASX.

Option means an option to acquire a Share.

Option holder means the holder of an Option.

Performance Right means a performance right which automatically converts into one Share, subject to the satisfaction of certain terms and conditions, including vesting conditions.

Placements means both the Initial Placement and the Second Placement as referred to in Section 1.1 and where the context admits, **Placement** means either of the Placements.

Placement Offer Application Form means the application form in respect of the Placement Options Offer accompanying this Prospectus.

Placement Options Offer means the offer of up to 28,921,700 Quoted Options to Placement Subscribers, on the basis of 1 free attaching Quoted Option for every 1 Share subscribed for under the Placements, pursuant to this Prospectus.

Placement Shares means 26,496,700 Shares which have been issued to Placement Subscribers under the Initial Placement and up to 2,425,000 Shares which are proposed, subject to Shareholder approval, to be issued to Placement Subscribers under the Second Placement, being up to 28,921,700 Placement Shares in aggregate.

Placement Subscribers means investors who have participated in the Initial Placement or the Second Placement (or both, as the case may be), as referred to in Section 1.1.

Prospectus means this prospectus dated 17 July 2018.

Quoted Option means an Option to be issued under this Prospectus, exercisable at \$0.20 and expiring on 31 July 2023, and otherwise having the terms and conditions in Section 4.2.

Related Party means Mr Rory Luff, a Director of the Company (or his nominee).

Related Party Application Form means the application form in respect of the Related Party Offer provided by the Company with a copy of this Prospectus.

Related Party Offer means the offer of up to 1,428,571 Quoted Options to the Related Party, pursuant to this Prospectus.

Second Placement has the meaning given in Section 1.1.

Second Placement Shares has the meaning given in Section 1.1.

Section means a section of this Prospectus.

Securities means Shares, Options and/or Performance Rights.

Share means a fully paid ordinary share in the capital of the Company.

Share Registry means Security Transfer Australia Pty Ltd (ACN 008 894 488).

Shareholder means the holder of a Share.

SPP means the share purchase plan referred to in Section 1.1(b).

SPP Application Form means the application form in respect of the SPP and the SPP Options Offer, accompanying this Prospectus.

SPP Offer Documents means the SPP Chairman's offer letter, the SPP offer booklet and the SPP Application Form dispatched to eligible Shareholders on 9 July 2018.

SPP Options Offer means the offer of up to 7,142,857 Quoted Options to SPP Subscribers, on the basis of 1 free attaching Quoted Option for every 1 Share subscribed for under the SPP or the SPP Shortfall Offer, pursuant to this Prospectus.

SPP Record Date means 5:00pm (WST) on 20 June 2018.

SPP Shares means up to 7,142,857 Shares (in aggregate) to be issued to Eligible Shareholders under the SPP and if applicable to investors under the SPP Shortfall Offer.

SPP Shortfall Application Form means an application form provided by the Company on which applications under the SPP Shortfall Offer can be made.

SPP Shortfall Offer has the meaning given in Section 1.1.

SPP Subscribers means Eligible Shareholders who subscribe for SPP Shares under the SPP and sophisticated and professional investors who subscribe for Shares under the SPP Shortfall Offer.