



RESOURCES
LIMITED

a Level 14, 31 Queen Street Melbourne, Victoria 3000
t +61 3 8610 8633 f +61 3 8610 8666 e info@aruntaresources.com.au
www.aruntaresources.com.au
ABN 73 089 224 402

18 August 2015

ASX ANNOUNCEMENT
(ASX: AJR)

DAVENPORT ENTERS TERM SHEET TO ACQUIRE SOUTH HARZ POTASH ASSET

Highlights – Davenport

- To acquire 100% of East Exploration, the owner of the exciting South Harz potash project located within Germany
- In-specie distribution to Arunta shareholders for nil-consideration; and raise \$480,000 in pre-IPO share placement
- To raise a minimum of \$4 million for Initial Public Offering (IPO) Capital Raising
- Intends to list on ASX subject to satisfying conditions of Term Sheet, IPO Capital Raising and regulatory approvals
- Davenport and Potash West shareholders to have a priority to participate for up to \$1.5 million in IPO Capital Raising

Arunta Resources Limited [ASX: AJR] (**the Company** or **AJR**) is pleased to announce that its presently wholly owned subsidiary Davenport Resources Pty Ltd (“Davenport”) has entered a binding terms sheet with East Exploration Pty Ltd (“East Exploration”) to acquire all the shares of East Exploration.

East Exploration is the registered owner of the **South Harz Potash Project**, comprising two exploration licences, Küllstedt and Grafentonna, in Thuringia, Central Germany. Potash West NL [ASX: PWN] is a part owner of East Exploration and has made previous announcements about East Exploration’s South Harz project.

South Harz Potash Project - Germany

Project highlights

- Located in Central Germany where world class infrastructure network is being utilised by current potash producers to get product to key markets in Europe and offshore.
- History of production on the licences and very long history of extensive production on neighbouring properties (100M tonnes of potash prior to 1993).
- Well documented previous exploration and deep understanding of the potash mineralization

- Extensive in country expertise with a thorough knowledge of mineralisation and production potential of the licences
- Potential for rapid resource definition and growth using extensive historical drilling records.
- Current successful regional production of both sylvinitite and carnallitite close to projects.
- Utilising both large scale underground and solution mining methods
- Potash mineralisation is located from a comparatively shallow depth of 511m to over 900m below the surface.
- Exploration Target estimated at **between 4 and 5 billion metric tonnes (BMT)** of mineralised rock with grades in the **range 7.2% to 25% K₂O**. (ASX:PWN 04 March 2015 – Significant Exploration Target Identified at K llstedt within South Harz Project, Germany).

The potential quantity and grade of the Exploration Target is conceptual in nature, as there has been insufficient exploration and inadequate availability of historical potash exploration results to estimate a Mineral Resource over its area and as it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The South Harz Project Summary

East Exploration holds exploration licences having an area of 457km² in the southwestern edge of the South Harz Potash District in central Germany. Germany is the 5th largest potash producing country. The K llstedt Exploration Licence extends over 241 km² while the Gr fentonna Exploration Licence has an area of 216km². Both licences are located in the north-western part of the Federal State of Thuringia, bordering the city of M hlhausen to the south (Figure 1 below). A world class infrastructure network exists throughout the region and is being utilised by current potash producers, including K+S, to get product to key markets in Europe and offshore.

A total of 34 drill holes were drilled in the K llstedt licence, and its immediate surrounds, in the period 1960 to 1980. There is a well-documented history of production on the licences and very long history of extensive production on neighboring properties from Sylvinitite and Carnallitite ores (100M tonnes of potash prior to 1993, and over \$20b USD in today's value). Three shafts were sunk in the K llstedt licence extracting Potash early last century.

Historical resource estimates were carried out in 1964 and 1980. The distribution of potash salts in the K llstedt area has been well documented through over a century of exploration and mining and the geology of the area is well understood. Planning for a confirmatory drilling programme is in progress with consultants and will be finalised in the next few months. The programme will target areas of thick mineralisation at shallower depths.

The Company is particularly encouraged by the extent of potential mineralisation within the licence area's containing both sylvinitite and carnallitite ores and by the fact that it has been the site of successful potash mining operations in the past. Current potash mining in the region exploits sylvinitite, and carnallitite, utilising both large scale underground and solution mining / extraction methods.

East Exploration commissioned ERCOSPLAN Ingenieurgesellschaft Geotechnik und Bergbau GmbH (ERCOSPLAN) to carry out a review of all the geological data relating to the K llstedt licence and to



estimate an Exploration Target for the area. **This was achieved, with an Exploration Target estimated at between 4 and 5 Billion tonnes of mineralised rock, as shown in table 1 below:**

Table 1 - Küllstedt Exploration Target			
Tonnage (MMT)¹	Grade Range %K₂O²	Grade Range %KCl³	Potash (K₂O) Tonnage (MMT)⁴
4,055 – 5,141	7.2 - 25	11.8 – 41	292 – 1,285

1 - The volume of the potash seam was estimated from the geological model which has been constructed using historical drillhole data. The tonnage was derived from the style of mineralisation and its characteristic density which can vary between 1.83 t/m³ and 2.32 t/m³. This amounts to a tonnage range of between 4,055 million metric tonnes and 5,141 million metric tonnes of mineralized rock.

2 - The grade range was estimated from assayed drill intersections of the potash seam which range from 7.2% to 25% K₂O

3 - Conversion of assay K₂O to KCl product multiply by 1.6393

4 - The tonnages of K₂O were obtained by multiplying the tonnage of mineralized material with the corresponding K₂O grade of the potash seam, which range from 7.2% to 25%. Accordingly, the minimum K₂O tonnage is 292 million metric tonnes and the maximum K₂O tonnage is 1,285 million metric tonnes.

In the licence area the potash unit has a maximum drill defined thickness of 58m. The thickness is variable, decreasing to the west and increasing to the southeast. Potash grades intercepted in drillholes through the potash seam vary from averages of around 18% K₂O in the southwest to between 10% and 14% K₂O in the northwest of the licence. This was reported to ASX by Potash West in an ASX release dated 4 March 2015 (*ASX:PWN 04 March 2015 – Significant Exploration Target Identified at Küllstedt within South Harz Project, Germany*). The ERCOSPLAN technical report is available on the PWN and Company’s website.

Arunta Resources Limited Managing Director, Angus Edgar said “This transaction is a significant step forward for bringing shareholder value to Davenport Resources Limited, a wholly owned subsidiary of Arunta (ASX: AJR) while simultaneously completing the Spirit Telecom transaction within Arunta.

As a result of the divestment of Davenport to Arunta shareholders, the South Harz Potash Project brings a significant and advanced project to become the main focus of an IPO and listing of Davenport on ASX as a stand-alone funded entity. Of great importance is the project’s location to world-class logistical infrastructure enabling mined product from within the South Harz region to be easily transported for use within the European Union and for export. The extensive previous exploration and known past potash production on East Exploration’s tenements is particularly encouraging . The Project has adjoining and nearby tenements where both sylvinitite and carnallitite are mined utilising underground and solution mining techniques.”



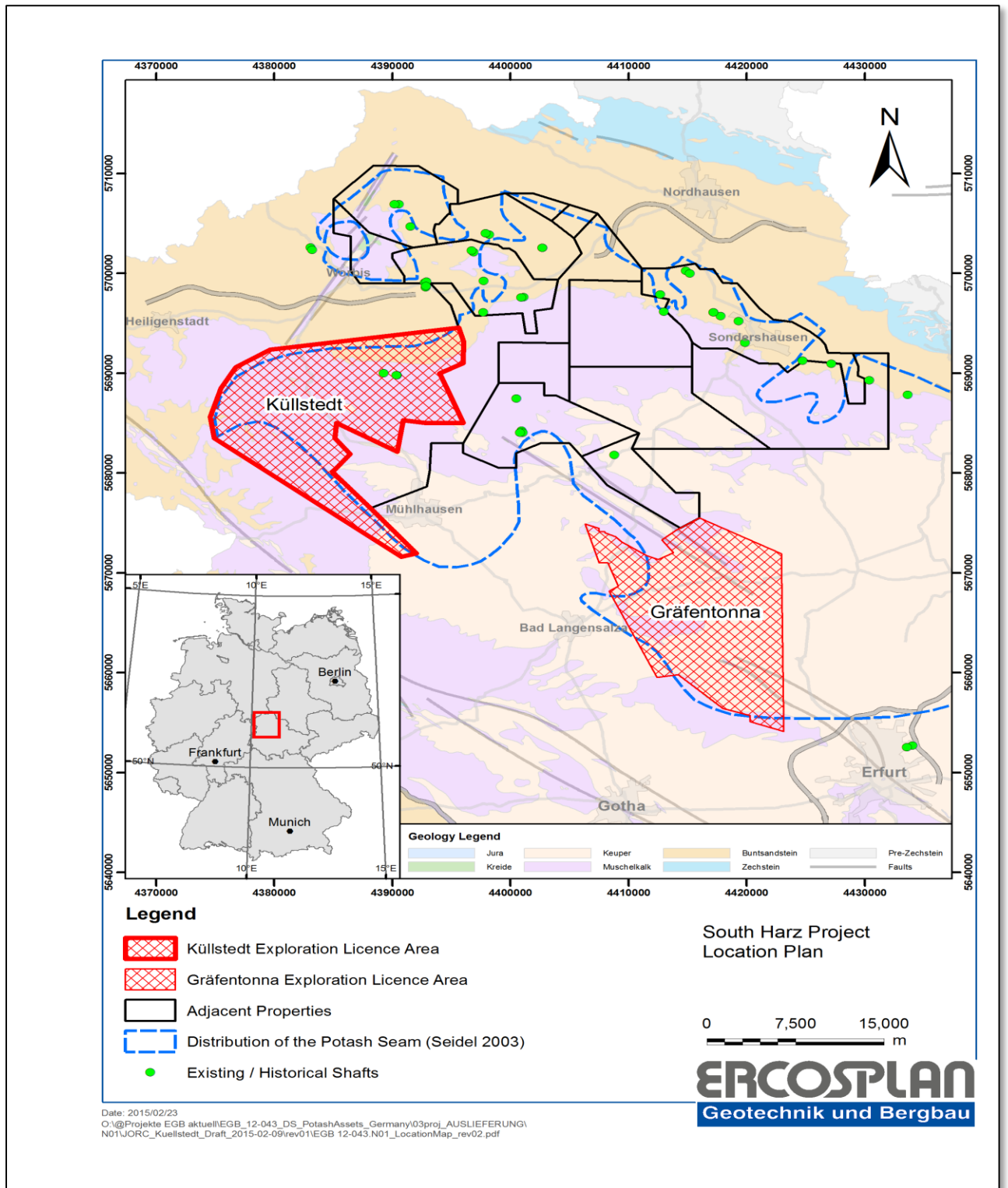


Figure 1: South Harz Project location plan

Corporate

The consideration for the acquisition of East Exploration will be the issue of 36,458,333 fully paid ordinary Davenport shares plus two tranches of 33,854,167 performance shares each which will be subject to the milestones described below.

Davenport will pay an option and exclusivity fee to East Exploration of \$250,000, the first \$100,000 of which is payable within 5 business days of signing the Term Sheet with the balance payable by 1 November 2015 subject to prior satisfactory completion of due diligence. The option and exclusivity fee amount is to be applied by East Exploration solely to maintaining and advancing the South Harz Potash Project and does not form part of the consideration payable to the vendors of East Exploration.

The acquisition will occur after, and subject to, the proposed demerger of Davenport from Arunta, as announced on 24 June 2015. Davenport will seek to list on ASX as a condition of the acquisition.

Following the demerger, Davenport will seek to raise \$480,000 via the placement of 6 million shares at an issue price of 8 cents each for the purposes of funding the IPO process and for working capital.

As part of the IPO process, Davenport intends to raise \$4 million by issuing 20 million Davenport shares at 20 cents each with the ability to accept oversubscriptions for a further \$1 million by issuing up to 5 million further shares. Davenport and Potash West shareholders will be provided a priority to participate in the capital raising.

In addition, Davenport will hold interests in the Hatches Creek Tungsten project and Southern Cross Bore (SXB) gold/copper Project, both located in the Northern Territory. All cash, receivables and other liquid assets of Arunta Resources will be transferred to Davenport as part of the demerger except for \$50,000 in cash.

The anticipated capital structure of Davenport at the time of completing the acquisition and listing, if the seed capital placement, IPO capital raising and conditions for the acquisition and listing are successfully completed or satisfied, will be as follows:

Indicative capital structure of Davenport at Completion assuming the minimum IPO Capital Raising amount of \$4 million (before costs) is raised:

Holdings:	Davenport shares	Percentage
Pre-completion Davenport shareholders (shares distributed by Arunta Resources)	6,000,000	8.76%
Placement participants	6,000,000	8.76
Vendors*	36,458,333	53.27%
IPO Capital Raising investors (minimum)	20,000,000	29.21%
TOTAL*	68,458,333	100.00%

*Plus the two tranches of performance shares (a total of 67,708,334 performance shares).

The milestones applicable to the two tranches of performance shares are:

Tranche 1 performance shares: the announcement to ASX by Davenport within four (4) years after completion of the Transaction (or such lesser period as is satisfactory to ASX) of the first JORC Code compliant Inferred Resource of one of the following:

- 1) 250 million tonnes of Potash at or above 11.0% K2O by content, or
- 2) 150 million tonnes of Potash at or above 12.0% K2O by content, or
- 3) 100 million tonnes of Potash at or above 13% K2O by content, or
- 4) 75 million tonnes of Potash at or above 15% K2O by content, or
- 5) 50 million tonnes of Potash at or above 18% K2O by content;

Tranche 2 performance shares: the announcement to ASX by Davenport within six (6) years after completion of the Transaction (or such lesser period as is satisfactory to ASX) of satisfaction of all mining approvals and utility contracts required to construct and operate a minimum of 500,000 tonne per annum potash mine on the Project (including all Government approvals, water and energy contracts necessary to operate the mine).

Upon and subject to completion of the acquisition, East Exploration will be entitled to appoint 2 suitably qualified directors to the Board of Davenport, one of whom will be the Chairperson. Mr Angus Edgar will remain as a non-executive director of Davenport. East Exploration and Davenport will jointly select and appoint a Managing Director to the Board of Davenport.

The acquisition is conditional upon completion of due diligence by both parties, entry into formal documentation by East Exploration's shareholders for the sale of their shares, Arunta and Davenport being satisfied with any conditions imposed on the demerger of Davenport or subsequent listing of Davenport by ASX, the proposed seed capital placement and IPO capital raising by Davenport, and satisfaction of ASX and regulatory requirements including Arunta Resources, Davenport and Potash West NL shareholder approvals (if applicable).

The proposed terms of the acquisition, seed capital placement and IPO capital raising are subject to modification by agreement between Davenport and East Exploration where required to enable the transaction to proceed, including for example, altering the amount proposed to be raised by the IPO Capital Raising to satisfy ASX's requirements for a new listing.

The completion of the acquisition of East Exploration is not a condition of Arunta's proposed acquisition of Spirit Telecom (Australia) Pty Ltd. Details of that proposed acquisition, including the conditions for that acquisition, were set out in Arunta's announcement of 24 June 2015. Arunta is preparing a notice of meeting for seeking shareholder approvals for the demerger of Davenport and acquisition of Spirit which will contain further detail in relation to that transaction and the approvals sought.



ENDS

For further information:

Investors:

Angus Edgar, Director

Arunta Resources Limited

Phone: (03) 8610 8600

Fax: (03) 8610 8666

Mobile: 0419-336-900

Email: aedgar@melbournecapital.com.au

