



Discovery Africa Limited

ACN 147 324 847

Half-year Financial Report - 31 December 2015

Discovery Africa Limited
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31 December 2015

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Directors	Peter Lloyd (Non-Executive Director) Graham Walker (Non-Executive Director) Jerko Zuvela (Non-Executive Director)
Company Secretary	Ranko Matic
Registered Office	Level 3 216 St Georges Terrace Perth WA 6000
Principal place of business	Level 3 216 St Georges Terrace Perth WA 6000
Share Register	Automic Registry Services Pty Ltd Suite 1A, Level 1 7 Ventnor Ave West Perth WA 6005
Auditor	Rothsay Chartered Accountants Level 1, Lincoln House 4 Ventnor Ave West Perth WA 6005
Bankers	National Australia Bank Level 1 1238 Hay Street West Perth WA 6005
Securities Exchange Listing	Discovery Africa Limited shares are listed on the Australian Securities Exchange (ASX code: DAF) (ASX Code Options: DAFO)
Website	www.discoveryafrica.com.au

Discovery Africa Limited
Directors' Report
31 December 2015

The directors present their report, together with the financial statements of the consolidated entity consisting of Discovery Africa Limited ("DAF" or "the Company") and the entity it controls ("the Group") for the half year ended 31 December 2015.

Directors

The names of the directors in office at any time during the whole of the half year and up to the date of this report are:-

Mr Peter Lloyd (Non-Executive Director)
Mr Graham Walker (Non-Executive Director)
Mr Jerko Zuvela (Non-Executive Director)

Review of Operations

Principal Activities

The principal activity for the Group for the financial period was mineral exploration, with a focus in Africa. There were no significant changes in the nature of the Group's principal activities during the half year.

The consolidated net loss of the Group after income tax for the half year ended 31 December 2015 amounted to \$129,535 (31 December 2014: \$1,798,539)

Operations Report

Corporate

During the half year, the Company reviewed its investment portfolio of ASX-listed shareholdings and in order to improve its cash position, made a total capital realisation of \$271,818 (less brokerage fees) via the sale of its investment holding in Argosy Minerals Limited and Horseshoe Metals Limited.

The Company sold 111,713,689 Argosy Minerals Ltd shares to a number of unrelated parties via off-market transactions, for a total cash consideration of \$251,355. In addition, the Company sold 450,000 shares in Horseshoe Metals Ltd, via on-market transactions, for a total cash consideration of \$20,439 (less brokerage fees).

Legal Action Update

In 2014 the Company commenced Federal Court Proceedings seeking final relief against Kevin Nicol and Danie van den Bergh, two of the previous directors of Discovery Africa Limited, in the form of damages and equitable compensation for breaches of Common Law and Statutory duties owed to the Company. The Company later added additional parties to the Federal Court Proceedings.

On 23 December 2015, the Federal Court of Australia delivered judgment in relation to the Company's application for summary judgment against former directors, Mr Kevin Nichol (Mr Nichol) and Mr Danie Van den Bergh (Mr Van den Bergh) in relation to payments made to them on the eve of tendering their resignations as directors of Discovery Africa.

The Federal Court of Australia made the following orders:

- Mr Nichol holds the amount of \$274,005.78 on trust for Discovery Africa.
- Mr Nichol is indebted to Discovery Africa in the amount of \$274,005.78.
- Mr Van den Bergh holds the amount of \$162,666 on trust for Discovery Africa.
- Mr Van den Bergh is indebted to Discovery Africa in the amount of \$162,666.
- Judgment be entered against Mr Nichol in favour of Discovery Africa in the amount of \$274,005.78.
- Judgment be entered against Mr Van den Bergh in favour of Discovery Africa in the amount of \$162,666.
- Mr Nichol and Mr Van den Bergh pay Discovery Africa's costs.
- The parties be at liberty to apply to the Court on the question of interest.

The Company intends to enforce the judgments against Mr Nichol and Mr Van den Bergh, who were required to comply with the orders above by 28 January 2016, however the Company has been notified that Mr Nichol and Mr Van den Bergh have separately lodged appeals against the judgement.

Mr Nichol and Mr Van den Bergh have not complied with the orders to make the payments pertaining to the judgement. As the Company has not received any payments to date, it will now enforce the judgments, including but not limited to seeking orders from the Court to appropriate the frozen assets of Mr Nichol and Mr Van den Bergh.

The Company will also be seeking orders for payment of interest on the judgement sum and will make an application to recover its legal costs associated with the summary judgment and continue to pursue its further claims against Mr Nichol, Mr Van den Bergh, Mr Thick, Mr Avery and its former solicitors, CBP Pty Ltd trading as Collin Biggers & Paisley.

Dividends Paid or Recommended

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

Exploration

During the half-year reporting period, ending 31st December 2015, Discovery Africa Limited ("DAF" or "the Company") continued to focus on its 100% owned Nachingwea Graphite Project in Tanzania, whilst the Company confirmed the status of the Kitgum Project in Uganda.

Highlights for the reporting period;

- Discovery Africa has a dominant tenement position at the Nachingwea Project, covering approximately 520km², located between and adjacent graphite projects held by Syrah, Magnis and IMX Resources; which will allow a consolidated approach to exploration of the entire project area and cements DAF's position as an emerging graphite explorer in Tanzania;
 - The project area has excellent infrastructure with access locally to electricity, water, sealed roads and within 180km of Mtwara's containerised port facility.
- The Company executed an agreement with the vendor of the Kitgum Project tenement – Exploration Licence (EL) 1173 to waive the final payment, in consideration of the Company returning tenement EL1173 to the vendor.

Nachingwea Graphite Project (Tanzania)

The Nachingwea Graphite Project is located in southeast Tanzania and comprises five granted tenements covering approximately 520km². The region has access to high quality infrastructure including access via mainly sealed roads from the coastal towns of Lindi and Mtwara, which also boast an airport and deepwater port facilities (see Map 1).

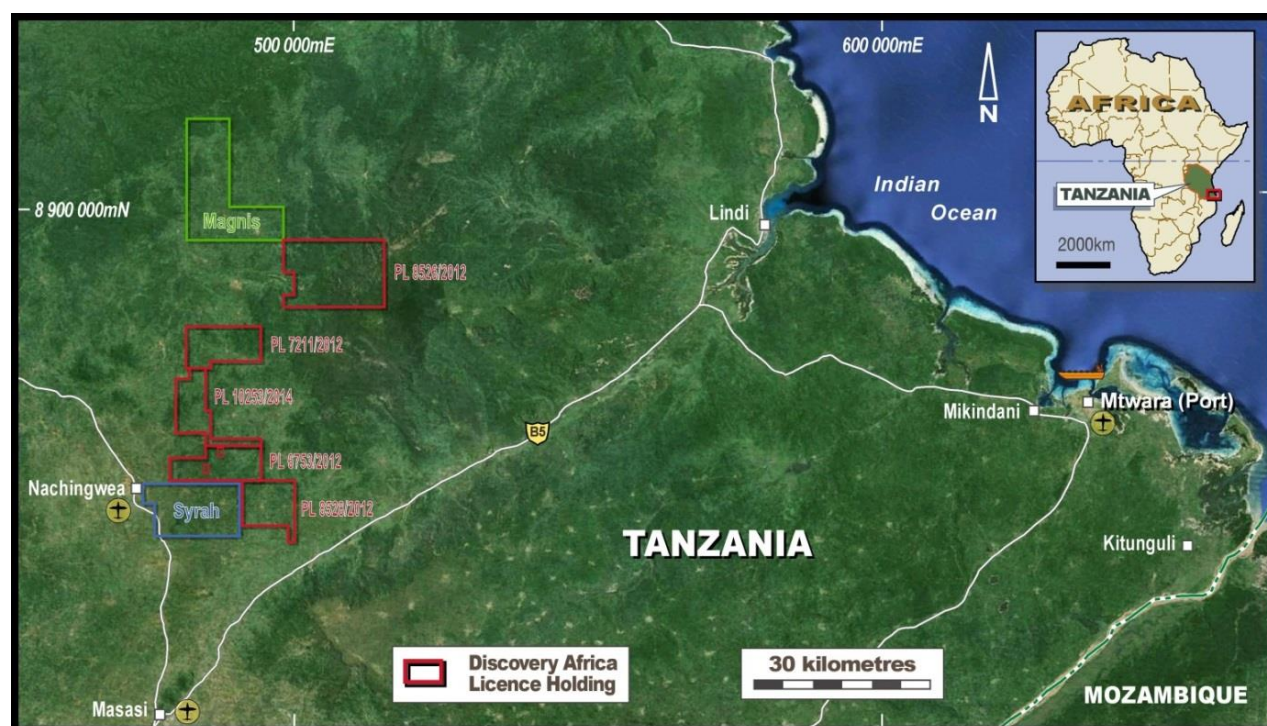


Figure 1. Nachingwea Graphite Project Location Map showing Nachingwea townsite, Mtwara port facility and DAF granted Prospecting Licences in relation to Magnis (green) and Syrah (blue).

The Company has a dominant tenement position at Nachingwea located between and adjacent graphite projects held by Syrah, Magnis and IMX Resources, which will allow a consolidated approach to exploration of the entire project area and cements DAF's position as an emerging graphite explorer in Tanzania.

The Project substantially overlays the graphite prospective Mozambique Mobile Belt, with graphitic schist located both within and surrounding the Project. The prospect areas within the project tenements are highly prospective for graphite mineralisation, including outcrops of graphitic schist identified at numerous localities. At the Injaa Hill prospect area, outcrops of graphitic schist have been mapped by the Geological Survey of Tanzania.

The Company will consider its strategy at the Nachingwea Graphite Project to ensure it enhances and increases the overall value proposition of the Company.

Kitgum Graphite Project (Uganda)

The Kitgum Graphite Project is located in northern Uganda and comprised Exploration Licence (EL) 1025 and EL 1173.

As per the Company's announcement on 24 September 2015, the Company executed an agreement with the vendor of the Kitgum Project tenement – Exploration Licence (EL) 1173 to waive the final payment, in consideration of the Company returning tenement EL1173 to the vendor.

Appendix A: Discovery Africa Limited - Interest in Mining Tenements

Below is a listing of tenements held by the Company, during the reporting period, with current status as at 31 December 2015:

Mining Tenement	Location	Beneficial Percentage held	Interest acquired/farm-in during the quarter	Interest disposed/farm-out during the quarter
PL6753/2012 ¹	Tanzania	100%		
PL7211/2012 ¹	Tanzania	100%		
PL8526/2012 ¹	Tanzania	100%		
PL8528/2012 ¹	Tanzania	100%		
PL10253/2014 ¹	Tanzania	100%		
EL1173 ²	Uganda	0%		100%

¹ Interest in tenement held through 100% shareholding in Hatua Resources (Tanzania) Limited, a Tanzanian incorporated Company.

² Interest in tenement reduced to 0% following agreement announced on 24 September 2015 (see ASX announcement)

Events After the Balance Sheet Date

Apart from the progress of the legal proceedings as detailed above, no other matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Discovery Africa Limited

Directors' Report

31 December 2015

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Lloyd
Non-Executive Director
15 March 2016
Perth



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

The Directors
Discovery Africa Limited
PO Box 7775
CLOISTERS SQUARE WA 6850

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2015 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.

Graham R Swan (Lead auditor)

Rothsay Auditing

Dated 15th March 2016



Chartered Accountants

Discovery Africa Limited
Statement of Profit or Loss and other comprehensive income
For the half-year ended 31 December 2015

	Consolidated	
	31 December	31 December
	2015	2014
Revenue		
Interest Income	390	1,214
Gain on Sale of Investment Assets	8,762	-
Gain on deconsolidation of Argosy Minerals Ltd	-	226,841
Expenses		
Administration expenses	(50,667)	(21,444)
Corporate Expenses	(88,020)	(75,467)
Depreciation and Amortisation	-	(248)
Write off and impairment of exploration expenses	-	(1,033,946)
Write off of Revaluation Reserve	-	(446,735)
Loss on FV shares in associate	-	(433,606)
Share of net loss of associate	-	(13,249)
Other expenses	-	(1,899)
Loss before income tax expense	(129,535)	(1,798,539)
Income Tax Expense	-	-
Loss after income tax expense for the half-year	(129,535)	(1,798,539)
Other Comprehensive Income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Gain/(Loss) on the revaluation of available-for-sale financial assets, net of tax	<u>18,500</u>	<u>(498,455)</u>
Other Comprehensive income for the half-year, net of tax	<u>18,500</u>	<u>(498,455)</u>
Total comprehensive income for the half-year	<u>(111,035)</u>	<u>(2,296,994)</u>
Earnings per Share	Cents	Cents
Basic earnings per share	(0.06)	(1.14)
Diluted earnings per share	(0.06)	(1.14)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Discovery Africa Limited
Statement of financial position
As at 31 December 2015

	Note	Consolidated 31 December 2015	30 June 2015
Assets			
Current Assets			
Cash and cash equivalents		154,170	37,109
Trade and other receivables		4,817	8,771
Available-for-sale financial assets		211,000	355,556
Other		-	100,000
Total current assets		<u>369,987</u>	<u>501,436</u>
Non-Current assets			
Exploration and evaluation	4	<u>750,367</u>	<u>698,199</u>
Total non-current assets		<u>750,367</u>	<u>698,199</u>
Total assets		<u>1,120,354</u>	<u>1,199,635</u>
Liabilities			
Current Liabilities			
Trade and other payables		<u>398,113</u>	<u>366,359</u>
Total Current liabilities		<u>398,113</u>	<u>366,359</u>
Total liabilities		<u>398,113</u>	<u>366,359</u>
Net assets		<u>722,241</u>	<u>823,276</u>
Equity			
Issued capital	5	12,348,620	12,348,620
Reserves	6	559,034	540,534
Accumulated losses		<u>(12,185,413)</u>	<u>(12,055,878)</u>
Total equity		<u>722,241</u>	<u>823,276</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Discovery Africa Limited
Statement of Changes in Equity
For the half year ended 31 December 2015

	Contributed equity \$	Reserves \$	Accumulated Losses \$	Non- Controlling Interest \$	Total Equity \$
Consolidated					
Balance at 1 July 2014	12,348,620	93,799	(9,458,161)	(313,684)	2,670,574
Loss after income tax expense for the half-year		446,735	(1,798,539)		(1,351,804)
Other comprehensive income for the half-year, net of tax			(498,455)		(498,455)
Total comprehensive income for the half- year	-	446,735	(2,296,994)	-	820,315
Transactions with owners in their capacity as owners:					
Share-based payments					
De-recognition of NCI upon consolidation				313,684	313,684
Capital Raising Costs					
Balance as at 31 December 2014	<u>12,348,620</u>	<u>540,534</u>	<u>(11,755,155)</u>	<u>-</u>	<u>1,133,999</u>
Balance as at 1 July 2015	12,348,620	540,534	(12,055,878)	-	833,276
Loss after income tax expense for the half-year		-	(129,535)	-	(129,535)
Other comprehensive income for the half-year, net of tax		18,500	-		18,500
Total comprehensive income for the half- year	-	18,500	(129,535)	-	(111,035)
Transactions with owners in their capacity as owners:					
Share-based payments					
Capital raising costs					
Balance as at 31 December 2015	<u>12,348,620</u>	<u>559,034</u>	<u>(12,185,413)</u>	<u>-</u>	<u>722,241</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Discovery Africa Limited
Statement of Cash flows
For the half year ended 31 December 2015

	Note	Consolidated 31 December 2015 \$	31 December 2014 \$
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(110,690)	(149,640)
Payments for exploration and evaluation		(44,457)	(189,820)
Interest received		390	1,214
Net cash used in operating activities		<u>(154,757)</u>	<u>(338,246)</u>
Cash flows from investing activities			
Proceeds from sale of investments		<u>271,818</u>	<u>-</u>
Net cash from/(used in) investing activities		<u>271,818</u>	<u>-</u>
Cash flows from financing activities			
Loan repayments from other entities		<u>-</u>	<u>300,000</u>
Net cash from/(used) in financing activities		<u>-</u>	<u>300,000</u>
Net decrease in cash and cash equivalents		117,061	(38,246)
Cash and cash equivalents at the beginning of the financial half-year		<u>37,109</u>	<u>155,167</u>
Cash and cash equivalents at the end of the financial half-year		<u>154,170</u>	<u>116,921</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial report covers Discovery Africa Limited as a consolidated entity consisting of Discovery Africa Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Discovery Africa Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration. Discovery Africa Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3
216 St Georges Terrace
Perth WA 6000
Ph : (08) 9226 4500

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 15 March 2016. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

Reporting Basis and Conventions

The half year financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segments being exploration for graphite in Africa. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Discovery Africa Limited
Notes to the financial statements
31 December 2015

Note 4. Non-current assets – exploration and evaluation

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Opening Balance	698,199	2,715,579
Reductions through de-consolidation of Argosy Minerals	-	(1,199,207)
Expenditure	52,168	215,774
Impairment of Exploration Assets	-	(369,034)
Write Off of Exploration Assets	-	(664,913)
Closing Balance	<u>750,367</u>	<u>698,199</u>

Note 5. Equity – Issued Capital

There were no changes to issued capital.

Note 6. Equity - Reserves

	Consolidated	
	31 December 2015	30 June 2015
	\$	\$
Available-for-sale reserve	18,500	-
Share-based payments reserve	540,534	540,534
	<u>559,034</u>	<u>540,534</u>

Available-for-sale reserve

The reserve was used to recognise increments and decrements in the fair value of available-for-sale financial assets.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

	Available- for-sale \$	Share based payments \$	Total \$
Consolidated			
Balance as at 1 July 2015	-	540,534	540,534
Revaluation – gross	18,500	-	18,500
Share based payments	-	-	-
Balance as at 31 December 2015	<u>18,500</u>	<u>540,534</u>	<u>559,034</u>

Note 7. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 8. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2015.

Discovery Africa Limited
Notes to the financial statements
31 December 2015

Note 9. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 2:

Name	Country of incorporation	Equity holding	
		31 December 2015	30 Jun 2015
		%	%
Baru Resources Pte Ltd*	Singapore	100%	100%
Hatua Resources (Tanzania) Ltd **	Tanzania	100%	100%
West Galilee Exploration Pty Ltd (Dormant)***	Australia	100%	100%
Argosy Minerals Limited ****	Australia	11.68%	29.558%

* Incorporated 28 January 2011

** Fully acquired on 24 March 2014

*** Acquired 2 April 2012

**** Company no longer an associate from 14 August 2015

Note 10. Events after reporting period

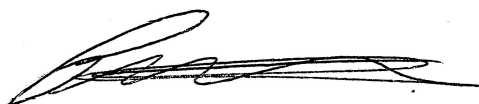
Apart from the progress of the legal proceedings as detailed in the Operations report, no other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Discovery Africa Limited
Directors' declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.
On behalf of the directors



Peter Lloyd
Non-Executive Director
15 March 2016
Perth



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Independent Review Report to the Members of Discovery Africa Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Discovery Africa Ltd for the half-year ended 31 December 2015.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2015 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Discovery Africa Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Discovery Africa Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2015 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay Auditing

Graham Swan
Partner



Chartered Accountants

Dated 15th March 2016