



DISCOVERY  
africa

## **Discovery Africa Limited**

**ACN 147 324 847**

**Half-year Financial Report - 31 December 2016**

**Discovery Africa Limited**  
**Contents**  
**31 December 2016**

Corporate Directory	3
Directors' Report	4
Auditor's Independence Declaration	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cashflows	10
Notes to the Financial Statements	11
Directors' Declaration	14
Independent Auditor's Review Report to the members of Discovery Africa Limited	15

**Discovery Africa Limited**  
**Corporate Directory**  
**31 December 2016**

Directors	Peter Lloyd (Non-Executive Director) Graham Walker (Non-Executive Director) Jerko Zuvela (Non-Executive Director)
Company Secretary	Alan Thomas
Registered Office	Suite 3 17 Foley Street Balcatta WA 6021
Principal place of business	Suite 3 17 Foley Street Balcatta WA 6021
Share Register	Automic Registry Services Level 2 267 St Georges Terrace Perth WA 6000
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)
Website	<a href="http://www.discoveryafrica.com.au">www.discoveryafrica.com.au</a>

**Discovery Africa Limited**  
**Directors' Report**  
**31 December 2016**

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 2016.

**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 profit of the Group after income tax for the half year ended 31 December 2016 amounted to \$258,960 (31 December 2015: Loss of \$129,535).

**Operations Report**

**Nachingwea Graphite Project**

The Nachingwea Graphite Project is located in southeast Tanzania. 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.

Following a rationalization of its interest in the Project in the June 2016 quarter, Discovery Africa currently retains PL10253/2014. During the half year ended 31 December 2016 the Company renewed its annual rental on this tenement.

The company has not yet made any final decision on its strategy for the Project, pending further review. The Company will also consider market interest and funding opportunities for the project.

**Other Projects/Opportunities**

The Company continues to work to identify and review new project or asset acquisition opportunities, to enhance its project portfolio and increase the overall value position of DAF. The Company will also consider other mineral commodities to ensure it is best placed to deliver value and upside potential for all its shareholders.

**Legal Proceedings**

The Company continued legal proceedings during the period against former directors, Mr Kevin Nichol (Mr Nichol) and Mr Danie Van den Bergh (Mr Van den Bergh) as previously disclosed.

On Thursday 15 December 2016, the Federal Court of Australia handed down its decisions in respect of appeals by Mr Nichol and Mr Van den Bergh against summary judgments awarded against them in December 2015.

Mr Nichol's appeal of the summary judgement was granted and accordingly this matter has been referred to trial. The Company now intends to continue and expand its claim against Mr Nichol.

Mr Van den Bergh's appeal was dismissed. As a result, an amount of \$187,819 was recovered in February 2017 from Mr Van den Bergh pursuant to the judgement.

Furthermore, the Company intends to continue its action against Mr Van den Bergh.

The Company is also pursuing legal proceedings against Mr Phillip Thick and Mr Peter Avery and solicitors, CBP Pty Ltd.

**Discovery Africa Limited**  
**Directors' Report**  
**31 December 2016**

**Investments**

Shares held by DAF in Argosy Minerals Ltd (Argosy) have been sold during the half year, providing valuable funding for the company.

As at 31 December 2016 DAF held 7.2m shares in Argosy, valued at approximately \$208,000.

**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.

**Events After the Balance Sheet Date**

Apart from the progress of the legal proceedings as detailed above and the recoupment of \$187,819 in February 2017 of amounts pursuant to a judgement against Mr Van den Bergh, 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.

**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  
9<sup>th</sup> March 2017  
Perth

# ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9486 7094 [www.rothsayresources.com.au](http://www.rothsayresources.com.au)

The Directors  
Discovery Africa Limited  
Suite 3 17 Foley St  
BALCATTWA WA 6021

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 2016 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



**Graham R Swan FCA (Lead auditor)**

**Rothsay Auditing**

Dated <sup>9<sup>H</sup></sup> March 2017



Chartered Accountants

**Discovery Africa Limited**  
**Statement of Profit or Loss and other comprehensive income**  
**For the half-year ended 31 December 2016**

	<b>Consolidated</b>	
	<b>31 December 2016</b>	<b>31 December 2015</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Interest income	2,299	390
Profit on sale of available-for-sale financial assets	393,911	8,762
<b>Expenses</b>		
Administration expenses	(66,148)	(50,667)
Corporate expenses	(71,102)	(88,020)
<b>Profit/(loss) before income tax expense</b>	258,960	(129,535)
Income tax expense	-	-
<b>Profit/(loss) after income tax expense for the half-year</b>	258,960	(129,535)
<b>Other Comprehensive Income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Profit/(loss) on the revaluation of available-for-sale financial assets, net of tax	(777,820)	18,500
Other comprehensive income for the half-year, net of tax	(777,820)	18,500
<b>Total comprehensive income/(loss) for the half-year</b>	(518,860)	(111,035)
<b>Earnings per Share</b>	<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share	0.13	(0.06)
Diluted earnings/(loss) per share	0.13	(0.06)

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 2016

	Note	Consolidated	
		31 December 2016 \$	30 June 2016 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,020,835	797,539
Trade and other receivables		31,540	12,723
Available-for-sale financial assets	5	208,800	1,128,548
Total Current Assets		<u>1,261,175</u>	<u>1,938,810</u>
<b>Non-Current Assets</b>			
Capitalised exploration and evaluation expenditure	4	173,322	158,572
Other investments	5	111,000	-
Total Non-Current Assets		<u>284,322</u>	<u>158,572</u>
<b>Total Assets</b>		<u>1,545,497</u>	<u>2,097,382</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		200,288	233,313
Total Current Liabilities		<u>200,288</u>	<u>233,313</u>
<b>Total Liabilities</b>		<u>200,288</u>	<u>233,313</u>
<b>Net Assets</b>		<u>1,345,209</u>	<u>1,864,069</u>
<b>Equity</b>			
Issued capital		12,348,620	12,348,620
Reserves	6	822,904	1,600,724
Accumulated losses		(11,826,315)	(12,085,275)
<b>Total Equity</b>		<u>1,345,209</u>	<u>1,864,069</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 2016

	Contributed equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
<b>Consolidated</b>				
<b>Balance as at 1 July 2015</b>	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
<b>Total comprehensive income for the half- year</b>	-	18,500	(129,535)	(111,035)
<b>Balance as at 31 December 2015</b>	<u>12,348,620</u>	<u>559,034</u>	<u>(12,185,413)</u>	<u>722,241</u>
<b>Balance as at 1 July 2016</b>	12,348,620	1,600,724	(12,085,275)	1,864,069
Loss after income tax expense for the half-year	-	-	258,960	258,960
Other comprehensive income for the half-year, net of tax	-	(777,820)	-	(777,820)
<b>Total comprehensive income for the half- year</b>	-	(777,820)	258,960	(518,860)
<b>Balance as at 31 December 2016</b>	<u>12,348,620</u>	<u>822,904</u>	<u>(11,826,315)</u>	<u>1,345,209</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 2016

	Note	Consolidated	
		31 December 2016 \$	31 December 2015 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers (inclusive of GST)		(189,092)	(110,690)
Payments for exploration and evaluation		(14,750)	(44,457)
Interest received		2,299	390
		<hr/>	<hr/>
Net cash used in operating activities		(201,543)	(154,757)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Proceeds from sale of investments		424,839	271,818
		<hr/>	<hr/>
Net cash from/(used in) investing activities		424,839	271,818
		<hr/>	<hr/>
Net decrease in cash and cash equivalents		223,296	117,061
Cash and cash equivalents at the beginning of the financial half-year		797,539	37,109
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year		1,020,835	154,170
		<hr/>	<hr/>

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

**Discovery Africa Limited**  
**Notes to the financial statements**  
**31 December 2016**

**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:

Suite 3  
17 Foley Street  
Balcatta WA 6021  
Ph : (08) 6168 8000

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 9<sup>th</sup> March 2017. 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 2016 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 2016 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 2016**

**Note 4. Non-current Assets – Exploration and Evaluation**

	<b>Consolidated</b>	
	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Opening Balance	158,572	698,199
Expenditure during the period	14,750	52,168
Write Off of Exploration Expenditure	-	(591,795)
	<hr/>	<hr/>
Closing Balance	<u>173,322</u>	<u>158,572</u>

**Note 5. Current Assets – Available-for-sale Financial Assets**

	<b>Consolidated</b>	
	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Opening Fair Value	1,128,548	355,556
Additions (repayment of loan from Argosy Minerals)	-	100,000
Disposals	(424,839)	(317,728)
Reclassification of other investments <sup>1</sup>	(111,000)	-
Revaluation increments/(decrements)	(383,909)	990,720
	<hr/>	<hr/>
Closing Fair Value	<u>208,800</u>	<u>1,128,548</u>

<sup>1</sup> The other investments represent 18,500,000 shares in Discovery Africa Limited that the Company recovered pursuant to a legal settlement in October 2014. The Company is currently seeking advice on how these shares can be realised or cancelled.

**Note 6. Equity - Reserves**

	<b>Consolidated</b>	
	<b>31 December 2016</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
Available-for-sale reserve	282,370	1,060,190
Share-based payments reserve	540,534	540,534
	<hr/>	<hr/>
	<u>822,904</u>	<u>1,600,724</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:

	<b>Available- for-sale \$</b>	<b>Share based payments \$</b>	<b>Total \$</b>
<b>Consolidated</b>			
Balance as at 1 July 2016	1,060,190	540,534	1,600,724
Revaluation of available-for-sale investments	(777,820)	-	(777,820)
	<hr/>	<hr/>	<hr/>
Balance as at 31 December 2016	<u>282,370</u>	<u>540,534</u>	<u>822,904</u>

**Note 7. Contingent liabilities**

The consolidated entity had no contingent liabilities at 31 December 2016.

**Discovery Africa Limited**  
**Notes to the financial statements**  
**31 December 2016**

**Note 8. Events after reporting period**

In February 2017, the Company recovered funds of \$187,819 in relation to ongoing legal action taken by the Company against former directors and advisors.

No other matter or circumstance has arisen since 31 December 2016 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 2016**

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 2016 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  
9<sup>th</sup> March 2017  
Perth



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005  
P.O. Box 8716, Perth Business Centre WA 6849  
Phone (08) 9486 7094 www.rothsayresources.com.au

### **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 2016.

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 2016 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 2016 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 FCA  
Partner**

Dated 9<sup>th</sup> March 2017



Chartered Accountants