



DISCOVERY
africa

Discovery Africa Limited

ACN 147 324 847

Half-year Financial Report - 31 December 2014

Discovery Africa Limited
Contents
31 December 2014

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Discovery Africa Limited
Corporate Directory
31 December 2014

| | |
|-----------------------------|---|
| Directors | Peter Lloyd (Non-Executive Director) Graham Walker (Non-Executive Director) Jerko Zuvella (Non-Executive Director) |
| Company Secretary | Ranko Matic |
| Registered Office | Level 1 12 Kings Park Road West Perth WA 6005 |
| Principal place of business | Level 1 12 Kings Park Road West Perth WA 6005 |
| 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
Review of Operations
31 December 2014

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 2014.

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 appointed 24 November 2014)
Mr Frank Knezovic (Non-Executive Director, resigned 24 November 2014)

Review of Operations

Principal Activities

The principal activity for the Group for the financial period was mineral exploration 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 2014 amounted to \$2,296,994 (31 December 2013: \$1,132,414)

Operations Report

Corporate

During the previous financial year, the Company launched a takeover bid for Argosy Minerals Ltd (ASX:AGY) and at 30 June 2014 held 76.22% of Argosy Minerals Ltd. On the 10 July 2014, Argosy Minerals announced it had completed a recapitalisation which included the immediate placement of 213,510,926 shares and a subsequent raising of \$300,000 through a convertible notes issue, which DAF did not participate in. As a result of this recapitalisation, the shareholding in Argosy Minerals Ltd held by Discovery Africa reduced to 29.55% and Argosy Minerals Ltd ceased being a subsidiary of Discovery Africa Ltd.

Mr Frank Knezovic resigned as a Non-Executive Director on 24 November 2014 and was replaced by Jerko Zuvela. Jerko is a Chartered Professional Geologist having spent over 18 years in the mining and resources industry. Jerko has held executive management roles for private and public resources companies, with operational and corporate experience in various commodities covering exploration, project development, business development, finance, commercial and corporate activities involved with projects in Australia, Africa, Asia and South America.

During the half year the Company also appointed Ranko Matic as Company Secretary, replacing Melanie Leydin and subsequently changed its Registered address to Level 1, 12 Kings Park Road, West Perth WA 6005. The Company also changed the management of its share registry to Automic Registry Services

Legal Action update

The Company announced to the market on 24th April that it had commenced Federal Court Proceedings seeking final relief against Kevin Nicol and Danie van den Bergh, two of the previous directors of Discovery Africa Ltd, in the form of damages and equitable compensation for breaches of Common Law and Statutory duties owed to the Company.

Details of the proceedings are provided in ASX Announcement dated 24 April 2014.

The Company is still pursuing this action.

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 2014, Discovery Africa Limited (DAF) progressed developments and carried out exploration works at its primary project – the 100% owned Nachingwea Graphite Project in Tanzania. Other activities were conducted on the Kitgum Project in Uganda, whilst the Company confirmed the status of the Brandberg, Myanmar and Area 51/Erongo projects. Highlights for the reporting period;

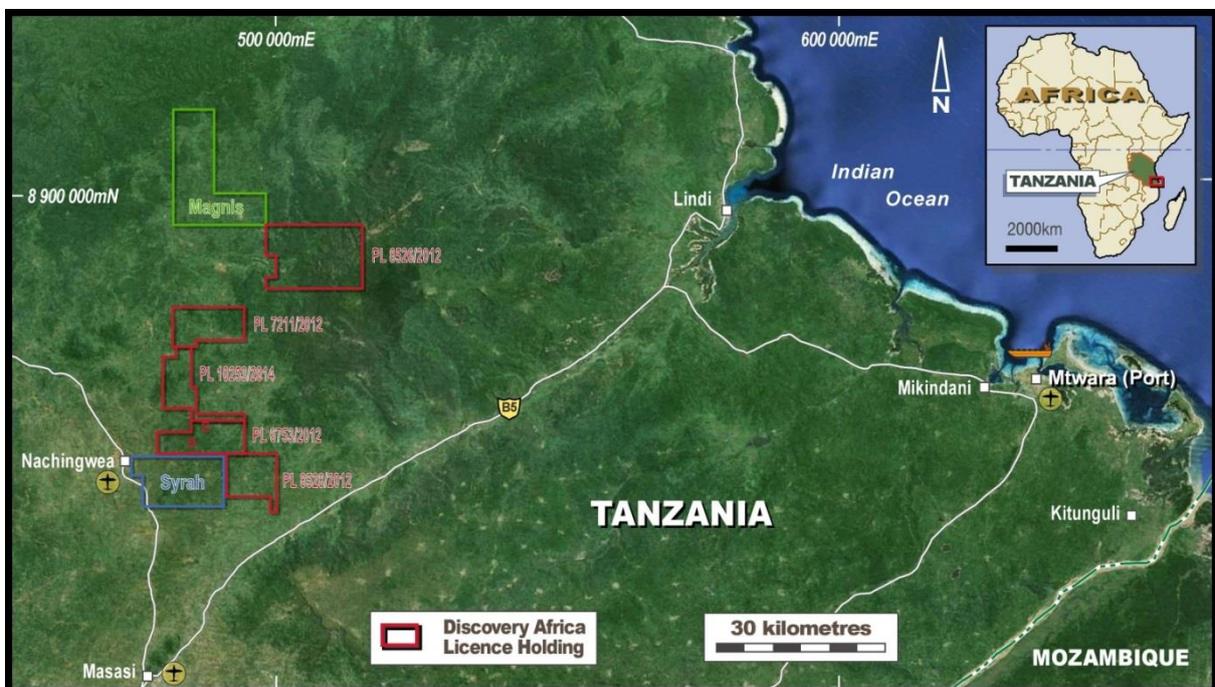
- ▶ The Company received laboratory assay results following its maiden trenching work programme at the Nachingwea Graphite Project in Tanzania, with strong graphite mineralisation encountered, including;
 - ▶ 28m @ 8.1% Total Graphitic Carbon (TGC) from within Trench 4 that contained 73m @ 5.6% TGC;
 - ▶ 12m @ 6.9% TGC from within Trench 5 that contained 81m @ 4.4% TGC;
 - ▶ All trenches encountered broad intervals of graphite mineralisation with coarse flake graphite logged in the trenches;
 - ▶ Graphite mineralisation is open with trenching only testing 200m to 400m strike lengths within mapped 500m to 2000m long graphitic schist units. In addition, a number of trenches ended or started in graphite mineralisation;

- ▶ 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.

- ▶ Kitgum Project tenement - Exploration Licence 1025, agreement with vendor to terminate and unwind transaction, resulting in the return of 18.5m DAF ordinary shares to the Company.

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).



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

Discovery Africa Limited
Review of Operations
31 December 2014

The Company conducted its maiden trench sampling program across outcropping graphitic zones and received the associated Total Graphite Carbon (TGC) assay results (refer ASX announcement 8 October 2014).

Three targets were selected for the first phase of trenching, with two lines of exploration trenches excavated, sampled and analysed for TGC at 1m intervals at each of the targets. A total of 6 trenches with a combined aggregate of 403m were excavated as part of this program. The Company only tested the easily accessible outcropping graphite schists on two of the five tenements within the Project area.

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.

As per the Company's announcement on 28 October 2014 regarding the Kitgum Project tenement – Exploration Licence 1025, the Company successfully negotiated with the vendor of EL1025 to terminate and unwind the transaction and all its related agreements in relation to this tenement (EL1025). As such, the Company reached agreement with the vendor, Mr John Cross, whereby the Company has received back the previously issued 18,500,000 ordinary shares. These shares will be held by Capital & Corporate Advisors Pty Ltd as bare trustee for Discovery Africa Ltd. As such, the Company disposed its interest in the tenement (EL1025) during the Quarter.

The Company is continuing due diligence enquiries and reviewing technical data on the remaining tenement within this project – Exploration Licence 1173 (EL1173), to determine project and tenement status.

Brandberg Lithium Project (Namibia)

As per the Company's announcement on 1 October 2014 (and reported within the September 2014 Quarterly Report) regarding the status of the Brandberg Lithium Project in Namibia, the Company sought advice from its lawyers in Namibia as to the validity and enforceability of the Memorandum of Understanding (MOU) and the Heads of Agreement (HOA) entered into by the Company and Jaco de Klerk, in respect of the Brandberg Project

The Company's lawyers advised that both the MOU and the HOA both contravene various material provisions of and prohibitions under, the Namibian *Minerals Act, 1992*. Further, the Company's lawyers have advised that both the MOU and the HOA are most likely invalid (and a nullity), but in any event are unenforceable.

Based on this advice, the Company, has no and never had any, legal rights to the Brandberg Project, including no right to conduct any exploration or other work on the project and had no reasonable basis for expending Company funds on the project.

In light of the advice, the Company cannot and will not proceed any further with the Brandberg Project. Additionally, the Company is now investigating the decisions and actions of the former directors, in entering into the MOU and HOA and the significant expenditure of Company funds on the project.

Myanmar Project

As per the Company's announcement on 6 August 2014 regarding the status of the Myanmar Project, and following the appointment of new directors on 10 April 2014 who commenced a Company-wide review, including of all projects, it has now come to the attention that the Company's option to acquire a 100% interest in Horizon Mines Limited which held a 100% interest in certain tenements in Myanmar (announced on 21 February 2013) lapsed, unexercised on 22 July 2013 (HML Option).

Accordingly, the Company advised it no longer has any interest in the HML Option on the basis set out above, and it retracts all statements or references to the HML Option and/or the tenements in Myanmar made by the Company after 22 July 2013 and including but not limited to the Quarterly Activities Report for the quarter ended 30 June 2014, lodged with the ASX on 1 August 2014 together.

Area 51 – Erongo Graphite Project (Namibia)

The Erongo Graphite Project (Area 51) is located in Namibia and is owned 100% by Argosy Minerals Limited (Argosy). During the reporting period, Argosy ceased being a subsidiary of the Company due to a deconsolidation of indirect beneficial ownership through Argosy.

Competent Person's Statement

The details contained in the document that pertains to exploration results, ore and mineralisation is based upon information compiled by Mr Jerko Zuvela. Mr Zuvela is a Member of the Australasian Institute of Mining and Metallurgy (Chartered Professional) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Zuvela is a Director of Discovery Africa Limited and has consented to the inclusion in the report of the matters based on the information in the form and context in which it appears.

JORC Code, 2012 Edition, Table 1 Report

The Table 1 Report detailing "Sampling Techniques and Data" and "Reporting of Exploration Results" in accordance with 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code) was released to the ASX by Discovery Africa Limited on 28 February 2014 and 30 October 2014.

Appendix A: Discovery Africa Limited - Interest in Mining Tenements

Below is a listing of mining tenements held by the Company as at 31 December 2014:

| 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% | 100% | |
| EL1025 ² | Uganda | 0% | | 100% |
| EL1173 | Uganda | 100% | | |

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

² Interest in mining tenement reduced to 0% following agreement dated 28 October 2014 (see ASX announcement).

Events After the Balance Sheet Date

No 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
 16 March 2015
 Perth

*R*OTHSAY

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

The Directors
Discovery Africa Limited
PO Box 44
West Perth WA 6872

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 2014 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 Chartered Accountants

Dated **16** March 2015



Chartered Accountants

Discovery Africa Limited
Statement of Profit or Loss and other comprehensive income
For the half-year ended 31 December 2014

| | Note | Consolidated | |
|--|------|---------------------|---------------------|
| | | 31 December 2014 | 31 December 2013 |
| Revenue | 4 | 1,214 | 39,646 |
| Other Income | 5 | - | 24,046 |
| Gain on deconsolidation of Argosy Minerals Ltd | | 226,841 | - |
| Expenses | | | |
| Administration expenses | | (21,444) | (133,315) |
| Corporate Expenses | | (75,467) | (358,037) |
| Employee Benefits expense | | - | (502,805) |
| Share Based Payments | | - | (11,220) |
| Depreciation and Amortisation | | (248) | (413) |
| Write off and impairment of exploration expenses | | (1,033,946) | (234,545) |
| 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 | | (1,798,539) | (1,176,643) |
| Income Tax Expense | | - | - |
| Loss after income tax expense for the half-year | | (1,798,539) | (1,176,643) |
| Other Comprehensive Income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Gain on the revaluation of available-for-sale financial assets, net of tax | | - | - |
| Loss on the revaluation of available-for-sale financial assets, net of tax | | (498,455) | (86,453) |
| Foreign Currency translation | | - | 769 |
| Other Comprehensive income for the half-year, net of tax | | (498,455) | (85,684) |
| Total comprehensive income for the half-year | | (2,296,994) | (1,262,327) |
| Loss for the half year is attributable to: | | | |
| Non-Controlling Interest | | - | (44,229) |
| Owners of Discovery Africa | | (2,296,994) | (1,132,414) |
| | | (2,296,994) | (1,176,643) |
| Total comprehensive income for the half-year is attributable to: | | | |
| Non-controlling interest | | - | (44,229) |
| Owners of Discovery Africa Limited | | (2,296,994) | (1,218,098) |
| | | (2,296,994) | (1,262,327) |
| | | Cents | Cents |
| Basic earnings per share | | (1.14) | (1.14) |
| Diluted earnings per share | | (1.14) | (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 2014

| | Note | Consolidated 31 December 2014 | 30 June 2014 |
|--|------|-------------------------------------|------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 116,921 | 200,999 |
| Trade and other receivables | | 130,616 | 61,473 |
| Available-for-sale financial assets | | 214,100 | 80,700 |
| Other | | - | 8,989 |
| Total current assets | | <u>461,637</u> | <u>352,161</u> |
| Non-Current assets | | | |
| Property, plant & equipment | | 661 | 2,807 |
| Exploration and evaluation | 6 | 631,746 | 2,715,579 |
| Investments accounted for using the equity method | | 111,714 | - |
| Total non-current assets | | <u>744,121</u> | <u>2,718,386</u> |
| Total assets | | <u>1,205,758</u> | <u>3,070,547</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | | 71,759 | 399,973 |
| Total Current liabilities | | <u>71,759</u> | <u>399,973</u> |
| Total liabilities | | <u>71,759</u> | <u>399,973</u> |
| Net assets | | <u>1,133,999</u> | <u>2,670,574</u> |
| Equity | | | |
| Issued capital | | 12,348,620 | 12,348,620 |
| Reserves | 7 | 540,534 | 93,799 |
| Accumulated losses | | (11,755,155) | (9,458,161) |
| Equity attributable to the owners of Discount Africa Limited | | 1,133,999 | 2,984,258 |
| Non-controlling interest | | - | (313,684) |
| Total equity | | <u>1,133,999</u> | <u>2,670,574</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 2014

| | Contributed equity \$ | Reserves \$ | Accumulated Losses \$ | Non- Controlling Interest \$ | Total Equity \$ |
|--|-----------------------------|----------------|-----------------------------|---------------------------------------|-----------------------|
| Consolidated | | | | | |
| Balance at 1 July 2013 | 5,893,325 | 128,961 | (2,699,922) | - | 3,322,364 |
| Loss after income tax expense for the half-year | - | - | (1,132,414) | (44,229) | (1,176,643) |
| Other comprehensive income for the half-year, net of tax | - | (85,684) | - | - | (85,684) |
| Total comprehensive income for the half- year | - | (85,684) | (1,132,414) | (44,229) | (1,262,327) |
| Transactions with owners in their capacity as owners: | | | | | |
| Share-based payments | 7,200 | 11,220 | - | - | 18,420 |
| Acquisition of Argosy Minerals Limited | 5,138,830 | 50,000 | - | 658,587 | 5,847,417 |
| Acquisition of exploration assets | 30,750 | - | - | - | 30,750 |
| Capital raising costs | (18,343) | - | - | - | (18,343) |
| Balance as at 31 December 2013 | <u>11,051,762</u> | <u>104,497</u> | <u>(3,832,336)</u> | <u>614,358</u> | <u>7,938,281</u> |
| Balance as 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> |

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 2014

| | Note | Consolidated | |
|---|------|---------------------------|---------------------------|
| | | 31 December 2014 \$ | 31 December 2013 \$ |
| Cash flows from operating activities | | | |
| Payments to suppliers (inclusive of GST) | | (149,640) | (1,003,323) |
| Payments for exploration and evaluation | | (189,820) | (233,774) |
| Interest received | | 1,214 | 281,084 |
| Other revenue | | - | - |
| | | <hr/> | <hr/> |
| Net cash used in operating activities | | (338,246) | (956,013) |
| Cash flows from investing activities | | | |
| Payments for investments | | - | (32,179) |
| Payments for property, plant and equipment | | - | (907) |
| Proceeds from sale of investments | | - | 4,561 |
| Repayments of loans | | - | 605,000 |
| Net cash acquired in business combination | | - | 59,247 |
| | | <hr/> | <hr/> |
| Net cash from/(used in) investing activities | | - | 635,722 |
| Cash flows from financing activities | | | |
| Loan repayments from other entities | | 300,000 | - |
| Capital raising costs | | - | (18,343) |
| | | <hr/> | <hr/> |
| Net cash from/(used) in financing activities | | 300,000 | (18,343) |
| Net decrease in cash and cash equivalents | | (38,246) | (338,634) |
| Cash and cash equivalents at the beginning of the financial half-year | | 155,167 | 2,034,266 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial half-year | | 116,921 | 1,695,632 |
| | | <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 2014

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 1
12 Kings Park Road
West Perth WA 6005
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 16 March 2015. 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 2014 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 2014 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 Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'

- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
 - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
 - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)'
 - Part C: 'Materiality'
- Interpretation 21 'Levies'

The adoption of the above standards have not had an material impact on this half yearly financial report

Discovery Africa Limited
Notes to the financial statements
31 December 2014

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.

Note 4. Revenue

| | Consolidated | |
|----------|-----------------------------|-----------------------------|
| | 31 December 2014 | 31 December 2013 |
| | \$ | \$ |
| Interest | 1,214 | 39,646 |

Note 5. Other Income

| | Consolidated | |
|--|-----------------------------|-----------------------------|
| | 31 December 2014 | 31 December 2013 |
| | \$ | \$ |
| Net fair value gain on available-for-sale financial assets | - | 24,046 |
| | - | 24,046 |

Gains on available-for-sale financial assets are realised gains transferred out of the Available-for-sale asset revaluation reserve.

Note 6. Non-current assets – exploration and evaluation

| | Consolidated | |
|----------------------------|-----------------------------|-------------------------|
| | 31 December 2014 | 30 June 2014 |
| | \$ | \$ |
| Exploration and evaluation | 631,746 | 2,715,579 |

Note 7. Equity – Issued Capital

There were no changes to issued capital.

Note 8. Equity - Reserves

| | Consolidated | |
|------------------------------|-------------------------|---------------------|
| | 31 December 2014 | 30 June 2014 |
| | \$ | \$ |
| Available-for-sale reserve | - | (436,037) |
| Share-based payments reserve | 540,534 | 540,534 |
| | 540,534 | 104,497 |

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.

Discovery Africa Limited
Notes to the financial statements
31 December 2014

Note 8. Reserves - continued

Movements in reserves

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

| | Available- for-sale \$ | Foreign currency \$ | Share based payments \$ | Total \$ |
|---|------------------------------|---------------------------|-------------------------------|-------------|
| Consolidated | | | | |
| Balance as at 1 July 2014 | (446,735) | - | 540,534 | 540,534 |
| Revaluation – gross | - | - | - | - |
| Share based payments | - | - | - | - |
| Write off of reserve to profit and loss | 446,735 | - | - | - |
| | - | - | - | - |
| Balance as at 31 December 2014 | - | - | 540,534 | 540,534 |

Note 9. Equity - dividends

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

Note 10. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2014.

Note 11. 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 2014 | 30 Jun 2014 |
| | | % | % |
| Baru Resources Pte Ltd* | Singapore | 100% | 100% |
| West Galilee Exploration Pty Ltd (Dormant)** | Australia | 100% | 100% |
| Argosy Minerals Limited *** | Australia | 29.55% | 76.22% |
| Andover Resources NL*** | Australia | 29.55% | 76.22% |
| Argosy Energy Zambia Ltd (Dormant) *** | Zambia | 29.54% | 76.22% |
| Argosy Minerals (S.L.) Ltd (Dormant) *** | Sierra Leone | 29.55% | 76.22% |

* Incorporated 28 January 2011

** Acquired 2 April 2012

*** De-consolidated on 10th July 2014

Note 12. Events after reporting period

No matter or circumstance has arisen since 31 December 2014 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 2014

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 2013 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
16 March 2015
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 2014.

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 2014 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 2014 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

Graham Swan
Partner

Dated 16th March 2015



Chartered Accountants