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31 October 2014

QUARTERLY ACTIVITIES REPORT SEPTEMBER 2014

Discovery Africa Limited (ASX: DAF) ("the Company"), is an Australian based mineral exploration company that is focused on the exploration and development of the Nachingwea Graphite Project in Tanzania.

HIGHLIGHTS

- ◆ Strong graphite mineralisation encountered from maiden trenching results at **Nachingwea Graphite Project in Tanzania**, 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;
 - Geophysical techniques such as Electromagnetic (EM) surveys are now being planned to delineate additional graphite mineralisation;
 - Discovery Africa has a dominant tenement position at Nachingwea located between and adjacent graphite projects held by Syrah, Magnis (formerly Uranex) and IMX Resources;
 - The project area has excellent infrastructure with access locally to electricity, water, sealed roads and within 180km of Mtwara's containerised port facility.

- ◆ Additional **Prospecting Licence PL10253/2014 granted** covering 103km² of prospective terrain at Nachingwea Project;

- ◆ 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**.

Exploration Activities

Nachingwea Graphite Project (Tanzania)

The Company was pleased to announce Total Graphite Carbon (TGC) assay results from its maiden trenching program across outcropping graphitic zones at the Nachingwea Graphite Project in Tanzania were received (refer ASX announcement 8 October 2014).



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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 over each of the targets. A total of 6 trenches with a combined aggregate of 403m were excavated as part of this program. The outcropping targets comprise one at Injaa Hill and two at Mkowe (see Figure 1).

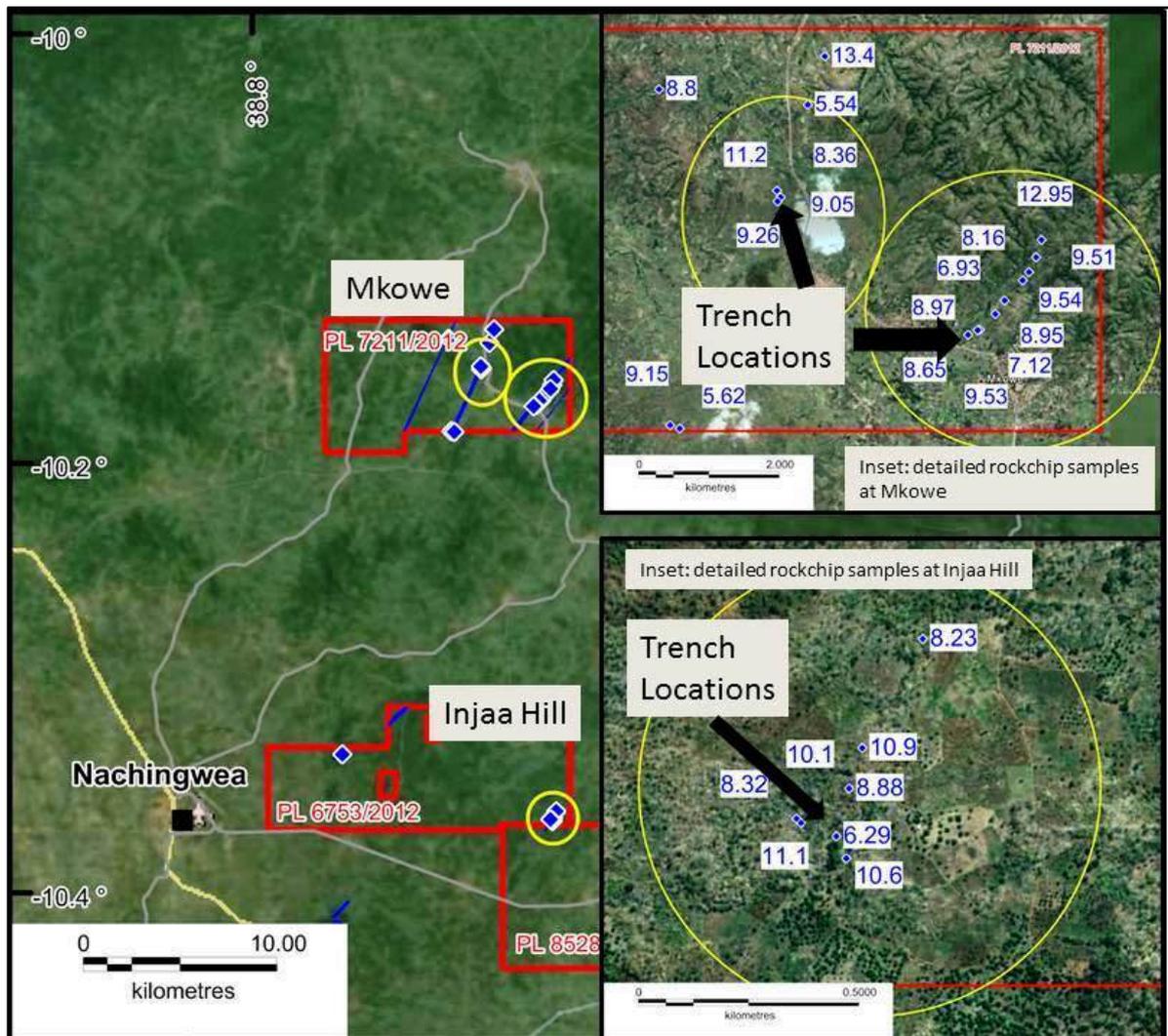


Figure 1. Trench locations at Mkowe and Injaa Hill

All 6 trenches intercepted broad zones of flake graphite mineralisation with zones ranging from 40m to 80m across strike and excellent continuity along 200m to 400m of strike that was investigated. Significantly, the zones of flake mineralisation are open and significant strike extent remains untested. In addition, the trenches often started or ended in graphite mineralisation thus remain open across strike. Geological mapping of the trenching has confirmed the presence of coarse graphite flakes in fresh and oxidized rocks. The assay results are presented in Table 1.



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Two targets comprising four trenches were tested within the Mkowe tenement. Trenching at both targets revealed wide zones of graphitic gneiss ranging from 40m to 80m in width with grades up to 10% TGC over short intervals. The geological logs by the onsite geologist noted coarse grain graphite flakes ranging from 1mm to 3mm.

Two trenches at one target area of the Injaa Hill tenement were completed testing a 200m strike extent. The trenches were 46m to 83m long and encountered zones up to 50m of fresh and oxidized graphite-quartzite schist and graphite gneiss. Coarse clotted flakes of graphite were logged within the trenches with additional zones of lower grade graphitic quartzite and gneiss. The coarse flake graphite gneiss was largely buried under soil within lower saprolite that showed weathering down to 2.5m to 4m from surface. A majority of samples were taken within the partially weathered saprolite/saprock zone. The graphitic gneiss has medium to very coarse flake size with individual flakes ranging from 1mm to 5mm in size.

Table 1. Complete trench intervals with higher grade zones of graphite mineralization

Trench_ID	East_start	North_start	Azimuth	Length (m)	Prospect	Complete trench intervals & higher grade zones
Trench001	493435	8854503	282	46	Injaa Hill	42m @ 3.62% TGC, including 9m @ 6.52% TGC from surface
Trench002	493508	8854686	288	83	Injaa Hill	83m @ 3.24% TGC, including 9m @ 6.70 % TGC from 4m and 7m @ 5.98 %TGC from 22m
Trench003	492806	8876065	331	40	Mkowe East	40m @ 4.03% TGC, including 4m @ 6.99% TGC from 0m, 7m @ 7.10% TGC from 11m and 6m @ 8.22% TGC from 22m
Trench004	492501	8875818	342	73	Mkowe East	73m @ 5.58% TGC, including 9m @ 6.30% TGC from 0m, 28m @ 8.10% TGC from 13m, and 5m @ 6.05% TGC from 67m
Trench005	489850	8877758	254	81	Mkowe Central	81m @ 4.37% TGC, including 12m @ 6.90% TGC
Trench006	489829	8877506	266	80	Mkowe Central	80m @ 3.43% TGC, including 5m @ 7.26% TGC
			Total	403		

Notes

1. Subset results use an 5% cut-off and allow 1m of low grade
2. Assay method - GRAP_CSA05V, SGS
3. Co-ordinate Datum - ARC1960 Zone 37s

The Company has only tested the easily accessible outcropping graphite schists on two of the five tenements at the Nachingwea Project and will now consider utilising additional exploration tools such as electromagnetic (EM) geophysical surveying followed by drilling to locate anomalous zones of conductivity related to graphitic schists in future exploration works. These planned works will extend to conducting systematic exploration to define higher grade graphite mineralisation under potentially thin surficial cover and understanding the potential quality of the overall project.

During the Quarter, the Company was notified that an additional Prospecting Licence (PL10253/2014) had been granted by the Tanzania Ministry of Energy and Minerals, valid for a period of four years and resulting in an extra 103km² of prospective terrain to the Nachingwea Project portfolio. The Company now has five granted prospecting licences comprising the





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Nachingwea Project, 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.

BACKGROUND

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 Figure 2).

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.

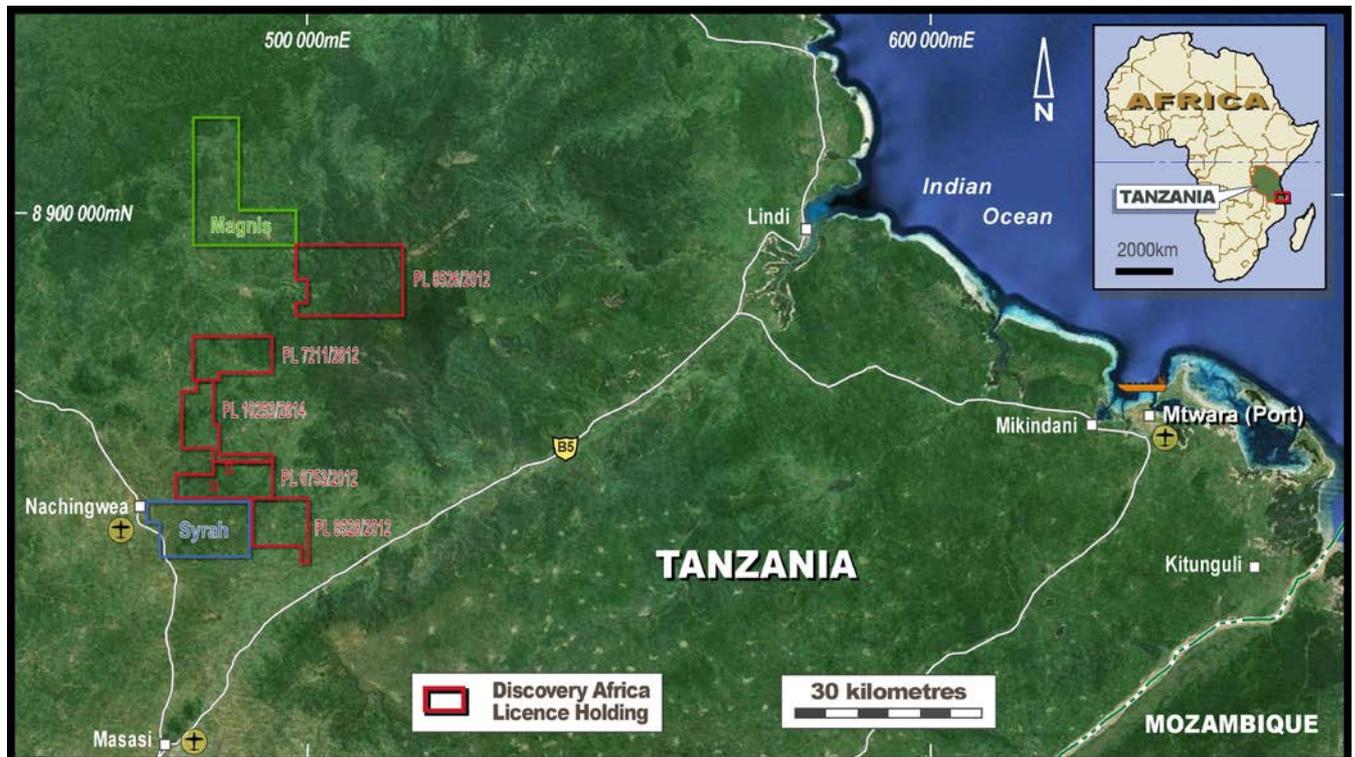


Figure 2. Location Map showing Nachingwea townsite, Mtwara port facility and DAF granted Prospecting Licences in relation to Magnis (green) and Syrah (blue).

Kitgum Graphite Project (Uganda)

The Kitgum Graphite Project is located in northern Uganda and comprises two tenements – EL1025 and EL1173.

As per the Company's announcement on 28 October 2014 regarding the Kitgum Project tenement – Exploration Licence 1025, the Company has successfully negotiated with the vendor of EL1025 to terminate and unwind the transaction and all its related agreements in



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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.

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

Brandberg Lithium Project (Namibia)

As per the Company's announcement on 1 October 2014 regarding the status of the Brandberg Lithium Project in Namibia (Brandberg Project), and as a result of a change of board directors on 10 April 2014 when the Company commenced an overarching review, including of all its projects, 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 have 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.



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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 Quarter, Argosy ceased being a subsidiary of the Company due to a deconsolidation of indirect beneficial ownership through Argosy on 10 July 2014.

Corporate

The Company lodged its Annual Report to shareholders on 1 October 2014.

During the Quarter, the Company's interest in Argosy Minerals Limited (ASX: AGY) reduced to 29.55% following a capital raising by AGY, and thus ceased being a subsidiary of Discovery Africa Limited. Following the capital raising AGY repaid the Company \$300,000 and is currently in the process of preparing a General Meeting to seek shareholder approval to issue 50,000,000 fully paid ordinary shares at a deemed issue price of \$0.002 as full and final satisfaction of the remaining loan outstanding to the Company (subject to any shareholder approvals required by AGY).

On 21 July 2014, the Company appointed Mr Ranko Matic as Company Secretary, with Melanie Leydin subsequently resigning, and changed its registered address to Level 1, 12 Kings Park Road, West Perth, WA, 6005.

The Company changed the management of its share registry to Automic Registry Services.

On 8 October 2014, the Company announced that it had agreed terms with its directors for appropriate board remuneration following the current directors being appointed on 10 April 2014. Since that date the new Directors have undertaken a significant amount of work over the past six months in order to improve the Company's financial position and also reviewed the Company and its projects, finances and operations. The directors have received no remuneration or incurred any personal cost to the Company and now consider it an appropriate time to recognize all of their services, contribution and efforts during that time. The terms proposed are included in the announcement "Board Remuneration", dated 8 October 2014. All future and further services to be provided by the Directors will be reviewed and assessed by the Board on an ongoing basis and subject to the circumstances and capacity of the Company.

Other Matters

The Company previously announced 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 Limited, in the form of damages and equitable compensation for breaches of Common Law and Statutory duties owed to the Company.

Key Objectives for December 2014 Quarter

- ✦ The Company will prioritise its exploration activities on the Nachingwea Graphite Project to ensure it enhances and increases the overall value proposition of the Company;



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- The Company will continue to review its strategic options covering the remaining projects; and
- The Company will consider new project opportunities to enhance the Discovery Africa project portfolio.

ENDS

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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 Zuvella. Mr Zuvella 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 Zuvella is a Consultant to 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 30 September 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	100%		
EL1173	Uganda	100%		
Area 51 ³	Namibia	0%		76.22%

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

² Subsequent to Quarter end, interest in mining tenement reduced to 0% following agreement dated 28 October 2014 (see ASX announcement).

³ Interest in mining tenement was held through 76.22% shareholding in Argosy Minerals Limited (an ASX listed public company) as at 30/6/2014. However the Company's ownership in Argosy Minerals decreased from 76.22% to 29.55% due to a deconsolidation of indirect beneficial ownership through Argosy Minerals Ltd on 10/7/2014.

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