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30 January 2015

## QUARTERLY ACTIVITIES REPORT DECEMBER 2014

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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**

- ✦ 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, covering approximately 520km<sup>2</sup> 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 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**.

### **Exploration Activities**

#### **Nachingwea Graphite Project (Tanzania)**

During the Quarter, the Company was pleased to announce Total Graphite Carbon (TGC) assay results from its maiden trenching program across outcropping graphitic zones at its Nachingwea Graphite Project in Tanzania (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 over each of the targets. A total of 6



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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). The Company only tested the easily accessible outcropping graphite schists on two of the five tenements at the Project.

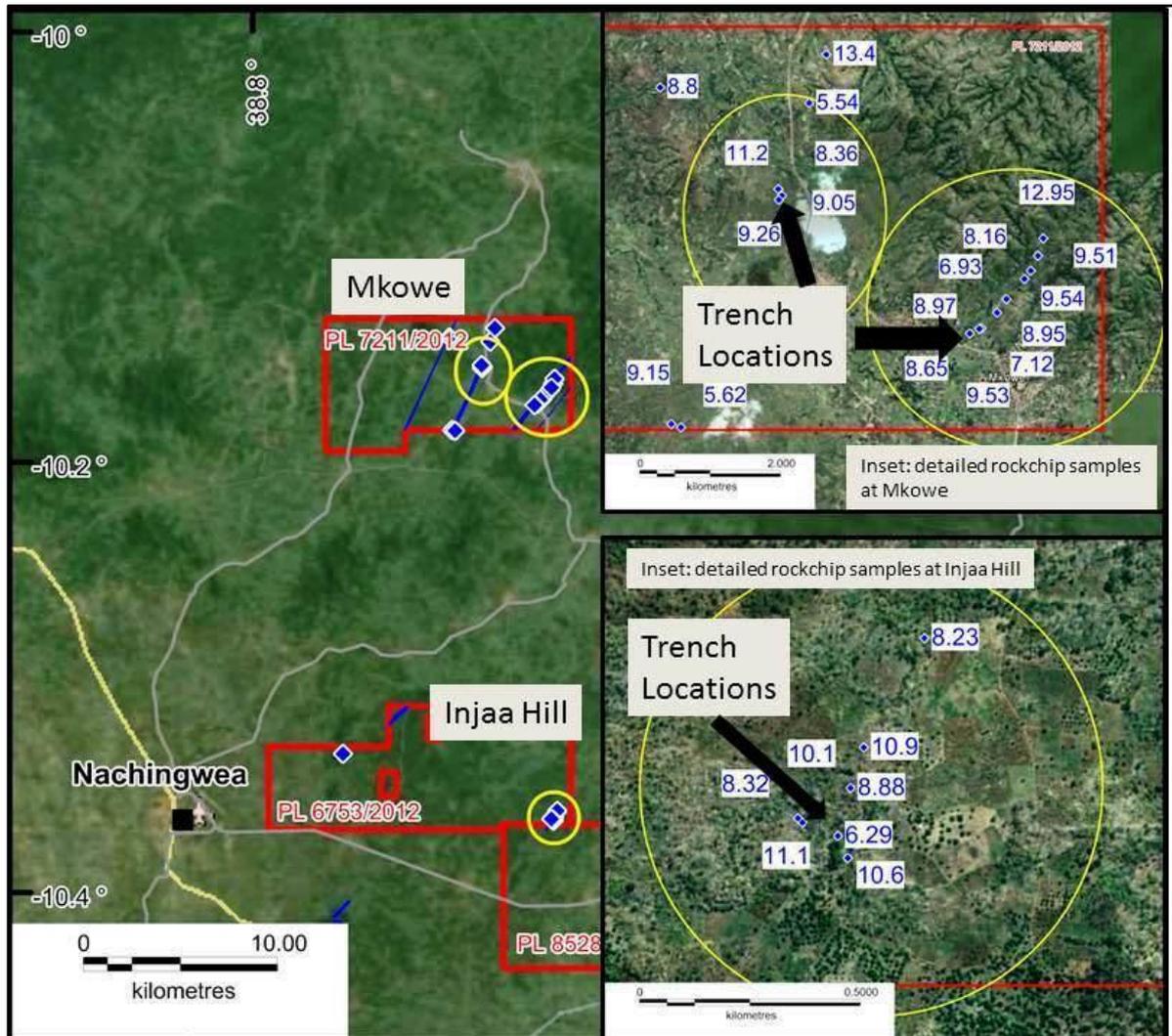


Figure 1. Trench locations at Mkowe and Injaa Hill

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
			<b>Total</b>	<b>403</b>		

#### 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

#### BACKGROUND

The Nachingwea Graphite Project is located in southeast Tanzania and comprises five granted tenements covering approximately 520km<sup>2</sup>. 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.





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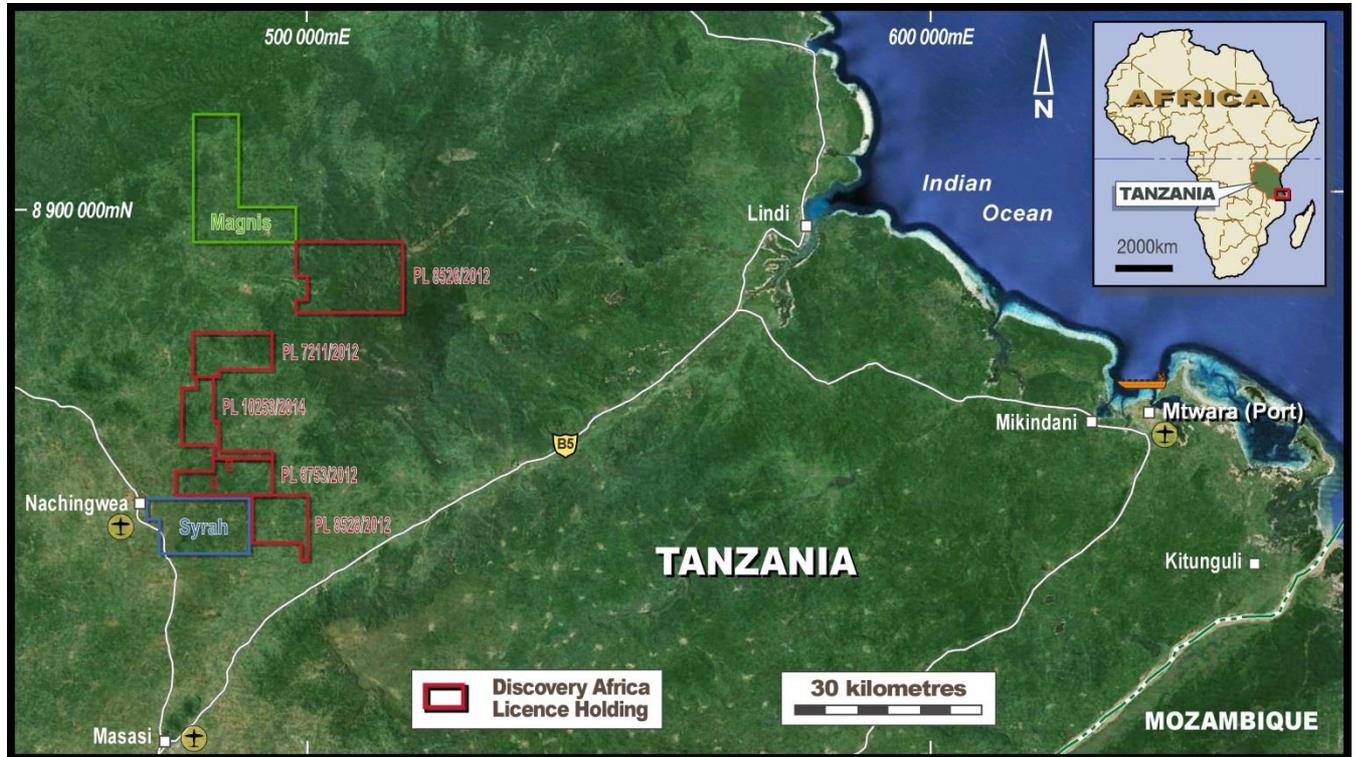


Figure 2. Location Map showing Nachingwea townsite, Mtwara port facility and DAF granted Prospecting Licences in relation to Magnis (green) and Syrah (blue).

### Kitgum Graphite Project (Uganda)

The Kitgum Graphite Project is located in northern Uganda.

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 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 (Brandberg Project), the Company sought advice from its lawyers in Namibia as to the validity



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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.

## **Corporate**

The Company lodged its Annual Report to shareholders on 1 October 2014 and held its Annual General Meeting on 27 November 2014.

On 8 October 2014, the Company announced that it had agreed terms with its directors, who were appointed on 10 April 2014, for appropriate board remuneration. Since that date, those Directors undertook a significant amount of work during the following six month period in order to improve the Company's financial position and also reviewed the Company and its projects, finances and operations. The directors received no remuneration or incurred any personal cost to the Company and considered it an appropriate time to recognize 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.

On 24 November 2014, the Company confirmed the resignation of Mr Frank Knezovic and appointed Mr Jerko Zuvella as a director 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 March 2015 Quarter**

- ✦ The Company will consider its strategy at 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**

**For further information:**

Peter Lloyd, Director  
Jerko Zuvella, Director  
T | +61 8 9226 4500  
E | [peter@discoveryafrica.com.au](mailto:peter@discoveryafrica.com.au)  
E | [jerko@discoveryafrica.com.au](mailto:jerko@discoveryafrica.com.au)  
W | [www.discoveryafrica.com.au](http://www.discoveryafrica.com.au)

**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:

<b>Mining Tenement</b>	<b>Location</b>	<b>Beneficial Percentage held</b>	<b>Interest acquired/farm-in during the quarter</b>	<b>Interest disposed/farm-out during the quarter</b>
PL6753/2012 <sup>1</sup>	Tanzania	100%		-
PL7211/2012 <sup>1</sup>	Tanzania	100%		-
PL8526/2012 <sup>1</sup>	Tanzania	100%		-
PL8528/2012 <sup>1</sup>	Tanzania	100%		-
PL10253/2014 <sup>1</sup>	Tanzania	100%	100%	
EL1025 <sup>2</sup>	Uganda	0%		100%
EL1173	Uganda	100%		

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

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