Discovery Africa Limited
ACN 147 324 847

Financial report for the year ended 30 June 2017

Contents

Corporate Directory

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 Ph : (08) 6168 8000
Principal place of business	Suite 3 17 Foley Street Balcatta WA 6021 Ph : (08) 6168 8000
Share register	Automic Registry Services Level 2 267 St Georges Terrace Perth WA 6000
Auditor	Rothsay Chartered Accountants Level 1, Lincoln House 4 Ventnor Avenue West Perth WA 6005
Bankers	National Australia Bank Ltd First Floor 1238 Hay Street West Perth WA 6005
Stock exchange listing	Discovery Africa Limited shares are listed on the Australian Securities Exchange (ASX code: DAF)
Website	www.discoveryafrica.com.au

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Discovery Africa Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled for the year ended 30 June 2017.

Directors

The following persons were directors of Discovery Africa Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

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

Principal activities

The principal activity of the Group during the period was the development of exploration projects for graphite, specialty metals and other mineral commodities.

Dividends

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

Review of operations

The net profit for the consolidated entity after providing for income tax amounted to $378,682 (30 June 2016: Loss of $29,397).

Corporate

During the year ended 30 June 2017, the Company reviewed its investment portfolio of ASX-listed shareholdings and in order to improve its cash position, made a total capital realisation of $784,324 (less brokerage fees) via the sale of its investment holding in Argosy Minerals Limited.

As at the date of this report, the Company's investment in listed companies was valued at $62,500 after realising a further $398,000 in sales in the period since balance date.

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.

Mr Nichol and Mr Van den Bergh separately lodged appeals against the judgement. Mr Nichol's appeal was successful.

In February 2017, the Company received an amount of $187,819 into its solicitor's trust account in part satisfaction of summary judgements awarded against Mr Van den Bergh.

The Company is continuing its legal proceedings against Mr Van den Bergh and Mr Nichol and Mr Phillip Thick, Mr Peter Avery and solicitors, CBP Pty Ltd. The Company is currently preparing for a mediation conference.

Exploration

Nachingwea Graphite Project (Tanzania)

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 Linoi and Mtwara, which also boast an airport and deepwater port facilities.

No activity occurred during the year ended 30 June 2017, and in July 2017 the Directors resolved to relinquish its interest in the Project.

Gold Projects (Western Australia)

In April 2017, DAF executed a Heads of Agreement (HOA) with Bruce Robert Legendre, granting the Company a one-year option period to purchase a 100% interest in the Cue and Pinyalling Gold Projects in Western Australia.

The Cue Project comprises two contiguous tenements – Prospecting Licence 20/2088 (196 hectares) and Prospecting Licence 20/2089 (39 hectares), located immediately to the north of the Cue township. Cue is located 650km north of Perth on the Great Northern Highway. The Cue Project area is readily accessible by vehicle via numerous roads and tracks.

The Pinyalling Project consists of Exploration Licence 59/2112 covering 18 blocks (54km²) and is about 400km northeast of Perth. Access is via the Great Northern Highway from Perth to Paynes Find-Yalgoo Road. This road gives access to the Pinyalling Mining Centre, about 30km west of Paynes Find.

The Company is currently conducting a desk-top review of the historical data on the Projects and is working to develop an initial exploration plan to conduct field works at the Projects.

<u>Appendix A: Discovery Africa Limited - Interest in Mining Tenements</u>

Below is a listing of tenements held by the Company as at 30 June 2017:

Mining Tenement	Location	Beneficial Percentage held
PL10253/2014 [1]	Tanzania	100%
PL20/2088 [2]	Western Australia	0% (option to purchase 100%)
PL20/2089 [2]	Western Australia	0% (option to purchase 100%)
EL59/2112 [2]	Western Australia	0% (option to purchase 100%)

[1] Interest in mining tenement held through 100% shareholding in Hatua Resources (Tanzania) Limited, a Tanzanian incorporated. Refer to matters subsequent to the end of the financial year regarding the Company's relinquishment of its interest in the tenement.
[2] Interest in mining tenement held by Bruce Robert Legendre.

Financial Position

The net assets of the consolidated entity are $1,519,131 (2016: $1,864,069). Full details of the financial position of the consolidated entity can be found in the Financial Report section of this Annual Report.

Matters subsequent to the end of the financial year

(a) In July 2017, the Directors resolved to relinquish its interest in the Nachingwea Graphite Project located in southeast Tanzania.

(b) Subsequent to balance date, the Company sold down its interests in available for sale investments, resulting in a net profit of approximately $165,000. The financial effect of this increase in value has not been reflected at 30 June 2017.

No other matters or circumstances have arisen since 30 June 2017 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.

Environmental regulation

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

The directors have considered the enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Company for the current or subsequent financial year. The directors will reassess this position as and when the need arises.

Information on current directors

Name:	Mr Peter Lloyd
Title:	Non-Executive Director
Qualifications:	Bachelor of Law
Experience and expertise:	Peter Lloyd, a lawyer by profession, is a founding member of Argosy Minerals Limited and has been involved in mining exploration for over 25 years. He has been involved in projects in United States of America, Eastern Europe, Africa, New Caledonia and Australia.
Other current directorships:	Nil
Former directorships (in the last 3 years):	Argosy Minerals Ltd (ASX:AGY) (appointed 24 April 2014, resigned 17 July 2014)
Interests in shares:	18,123,257 (2016: 18,123,257) fully paid ordinary shares

Name:	Mr Graham Walker
Title:	Non-Executive Director
Experience and expertise:	Prior to Mr Walker's 37.5 years of business experience in real estate, he was a Bank Manager. Mr Walker is currently the manager and director of a leading real estate franchisee in Western Australia which attained top office in Western Australia for 23 years and have achieved top Principal award. He is also presently a director of 3 companies with 20 years' experience as Chairman & Director of public companies.
Other current directorships:	None
Former directorships (in the last 3 years):	Argosy Minerals Ltd (ASX:AGY) (appointed 24 April 2014, resigned 17 July 2014)
Interests in shares:	9,275,000 (2016: 9,200,000) fully paid ordinary shares

Name:	Jerko Zuvela
Title:	Non-Executive Director (appointed 24 November 2015)
Experience and expertise:	Mr Jerko Zuvela has over 20 years' experience in Australia and internationally, during which time he has held senior executive positions in public listed and unlisted companies. Mr Zuvela is a Chartered Professional (Geology) Member of the Australian Institute of Mining and Metallurgy.
Other current directorships	Argosy Minerals Limited (ASX:AGY) (appointed 17 July 2014)
Former directorships (in last 3 years)	Dromana Estate Limited (ASX:DMY) (appointed 15 November 2011, resigned 14 January 2015)
Interest in shares:	Nil (2016: Nil)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

Mr Ranko Matic resigned as Company Secretary and was replaced by Mr Alan Thomas on 30 August 2016.

Mr Alan Thomas holds a Bachelor of Business degree from Curtin University and is a Fellow of the Institute of Chartered Accountants in Australia. He has over 30 years experience in finance and administration, predominately in the accounting profession.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

		Board Meetings	
Director	**Circular Resolutions**	**Number Eligible to attend**	**Number Attended**
Peter Lloyd	5	4	4
Graham Walker	5	4	4
Jerko Zuvela	5	4	4

The Company does not have a formally constituted audit committee or remuneration committee as the board considers that the Company's size and type of operation do not warrant such committees.

Shares under options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Grant date	Expiry date	Exercise price	Number under option
28 November 2013*	30 November 2018	$0.09	5,000,000
			5,000,000

*Options are unlisted

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

A Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

A Principles used to determine the nature and amount of remuneration (continued)

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee.

ASX listing rules requires that the aggregate non-executive directors remuneration shall be determined periodically by a general meeting. The most recent determination was at the General Meeting, held in August 2011, where the shareholders approved an aggregate remuneration of $350,000.

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has three components:

- base pay and non-monetary benefits
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and adds additional value to the executive.

The long-term incentives ('LTI') includes long service leave and share-based payments. The Nomination and Remuneration Committee intends to revisit the long-term equity-linked performance incentives specifically for executives at the end of each financial year.

Consolidated entity performance and link to remuneration

Remuneration packages do not include performance-based components. An individual member of staff's performance assessment is done by reference to their contribution to the Company's overall operational achievements. All Directors and Executives hold shares and options in the Company to facilitate goal congruence between Executives with that of the business and shareholders. Further information has not been disclosed as it is commercially confidential.

Voting of Remuneration Report at 2016 Annual General Meeting

The 2016 Remuneration Report was voted for at the 2016 Annual General Meeting by way of poll votes for of 22,740,449 (93.67%), 1,516,500 votes against (6.25%) and 20,600 votes abstaining from the vote (0.08%).

B Details of remuneration

Details of the remuneration paid to each key management personnel of the consolidated entity is set out in the following table.

	Short-term		Post-employment	
2017	**Directors' Fee**	**Non-Cash**	**Superannuation**	**Total**
	$	**$**	**$**	**$**
Peter Lloyd	45,662	8,286	4,338	58,286
Graham Walker	31,900	8,286	3,100	43,286
Jerko Zuvela	50,000	8,286	-[1]	58,286
	127,562	24,858	7,438	159,858

No remuneration was paid to key management personnel during the year ended 30 June 2016.

[1] Mr Zuvela's Directors Fee was paid to a company controlled by him, and accordingly included any statutory superannuation entitlement.

C Service agreements

During the year ended 30 June 2017, the Company entered into letter agreements with all Directors, whereby they are entitled to annual directors fees as follows:

Peter Lloyd	$50,000 including statutory superannuation
Graham Walker	$35,000 including statutory superannuation
Jerko Zuvela	$50,000 including statutory superannuation

No termination benefits are payable under the agreements.

D Shareholdings of key management personnel

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2017	Balance at the start of the year	Received as part of Remuneration	Additions	Other	Balance at the end of the year
Ordinary shares					
Peter Lloyd	18,123,257	-	-	-	18,123,257
Graham Walker	9,200,000	-	75,000	-	9,275,000
Jerko Zuvela	-	-	-	-	-
	27,323,257	-	75,000	-	27,398,257

2016	Balance at the start of the year	Received as part of Remuneration	Additions	Other	Balance at the end of the year
Ordinary shares					
Peter Lloyd	18,123,257	-	-	-	18,123,257
Graham Walker	9,200,000	-	-	-	9,200,000
Jerko Zuvela	-	-	-	-	-
	27,323,257	-	-	-	27,323,257

E Option holdings of key management personnel

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2017	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ Other	Balance at the end of the year
Options over ordinary shares					
Peter Lloyd	7,500,000	-	-	(7,500,000)	-
Graham Walker	700,000	-	-	(700,000)	-
Jerko Zuvela	-	-	-	-	-
	8,200,000	-	-	(8,200,000)	-

2016	Balance at the start of the year	Granted	Exercised	Expired/ Forfeited/ Other	Balance at the end of the year
Options over ordinary shares					
Peter Lloyd	7,500,000	-	-	-	7,500,000
Graham Walker	700,000	-	-	-	700,000
Jerko Zuvela	-	-	-	-	-
	8,200,000	-	-	-	8,200,000

F Loans to key management personnel

No loans existed during the year and as at reporting date between the Company and with key management personnel.

G Loans from key management personnel

No funds were advanced to the Company by the Directors or their related parties during the year ended 30 June 2017.

H Other transactions with key management personnel

Transactions with key management personnel related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2017 **$**	**2016** **$**
Amounts outstanding at reporting date		
Aggregates amount payable to Key Management Personnel and their related entities at reporting date.		
(i) Payables	-	94,083

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

The Company announced on 24 April 2014 that it had commenced Federal Court proceedings seeking final relief against Mr Kevin Nichol and Mr Danie Van den Bergh, 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. As at reporting date, the legal proceedings remain on-going.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

There are no officers of the Company who are former audit partners of Rothsay Chartered Accountants.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Lloyd
Non-Executive Director
28 September 2017

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

The Directors
Discovery Africa Limited
PO Box 533
Balcatta WA 6914

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 30 June 2017 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

GRSwan

Graham R Swan (Lead auditor)

Rothsay Auditing

Dated 28 September 2017

Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

Discovery Africa Limited
30 June 2017
Corporate Governance Statement

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the Company are set and achieved, how risk is monitored and assessed, and how performance is optimised. Good corporate governance structures encourage companies to create value through entrepreneurism, innovation, development and exploration and provide accountability and control systems commensurate with risks involved.

Good corporate governance will evolve with the changing circumstances of a Company and must be tailored to meet these circumstances. Discover Africa Limited is a junior mining and exploration Company.

The Company's Board and management are committed to a high standard of corporate governance practices, ensuring that the Company complies with the Corporations Act 2001, Australian Securities Exchange (ASX) Listing Rules, Company Constitution and other applicable laws and regulations.

On March 2014, the ASX Corporate Governance Council released the 3rd Edition of its Corporate Governance Principles and Recommendations (3rd Edition Recommendations). Discovery Africa Limited has reviewed and updated its corporate governance practices to adopt the 3rd Edition Recommendations.

The table below sets out the Company's position as at 28 September 2017 with regards to its compliance with the 3rd Edition Recommendations:

	PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	
	Recommendation	**Discovery Africa Limited Current Practice**
1.1	A listed entity should disclose: (a) respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management	Adopted The Directors have adopted a Corporate Governance Policy which includes details on the operation and role of the Board and directors. A copy of this is contained within their Corporate Governance is available on the Company's website – www.discoveryafrica.com.au
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election as a director: and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director	Adopted Material information in relation to a director up for re-election is provided in the Notice of Meeting for each AGM including background, other material directorships, term and the Board's consideration of them as independent or non-independent director.
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Adopted Directors have entered into written letter agreements with the Company setting out the terms of their appointments, including their director fee entitlements.
1.4	The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the Board.	Adopted The responsibilities of the Company Secretary are contained within the Corporate Governance Policy document.
1.5	A listed entity should: (a) have a diversity Policy which includes requirements for Board/Committee to set measurable objectives for achieving gender diversity and assess them and achieving them annually (b) disclose that policy (c) disclose at end of reporting period how objectives are being achieved via:	Partially Adopted The Company has adopted a Diversity Policy, a copy of which is available on the Company's website – www.discoveryafrica.com.au. Although it provides that the Board is to set specific objectives, they have yet to be set. There are no immediate plans to set these measurable objectives.

	(i) respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how senior exec is defined); or (ii) if entity is a ''relevant employer" under the Workplace Gender Equality Act, the entities most recent "Gender Equality Indicators", as defined in and published under that Act.	The Company makes the following disclosures regarding the proportion of women employed in the organisation: - Women on Board: 0% - Women in Senior Management: 0% - Women in whole organisation: 0%
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Not Adopted The Company does not currently have a performance evaluation policy. It is the Company's intention to eventually develop and adopt a process for periodic board and director evaluations. An evaluation has not taken place within the financial period.
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Not Adopted. The Company does not currently have an executive performance evaluation policy as the Company does not currently have any executives. It is the Company's intention to eventually develop and adopt a process for periodic senior executive evaluations. An evaluation has not taken place within the financial period.
	PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE	
	Recommendation	**Discovery Africa Limited Current Practice**
2.1	The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by a independent director; and disclose: (i) the charter of the committee; (ii) the members of the committee; and (iii) as at the end of each reporting period, the number of times the committee met through the period and the individual attendances of the members at those meetings; or (b) If it does not have a nomination committee disclose that fact and the processes it employs to address board succession issue and to ensure that the board has the appropriate balance of skills, knowledge experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	Not Adopted The Company does not have a separate nomination committee and the full board will consider the matters and issues arising that would usually fall to the nomination committee in accordance with the Nomination Committee Charter. The Company has adopted a Nomination and Remuneration Committee Charter setting out the board process to raise the issues that would otherwise be considered by the Nomination Committee. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. The Nomination Committee Charter is available on the Company's website www.discoveryafrica.com.au.
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Not Adopted

		The Company currently has a mixture of skills on the Board, including technical, financial, business, management and leadership. There is no immediate plans to develop and disclose a Board Skills Matrix.
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors (b) if a director has an interest, position, association or relationship as described in Box 2.3 (Factors relevant to assessing independence) but the board is of the opinion that it doesn't compromise the independence of the director, nature of the interest, position, association or relationship and an explanation as to why the board is of that opinion; and (c) the length of service of each director.	Adopted. (a) Jerko Zuvela – Independent Graham Walker – Independent (b) n/a n/a (c) Jerko Zuvela – appointed 24 November 2014 – 34 months Graham Walker – appointed 10 April 2014 – 41 months
2.4	A majority of the Board of a listed entity should be independent directors.	Adopted. There are two directors considered to be independent – Graham Walker and Jerko Zuvela. Therefore two thirds of the board is considered independent.
2.5	The Chair of a Board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	Not adopted. Peter Lloyd is the current Chairman of the Company. There is currently no appointed CEO in the Company.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Adopted. The induction of new directors is currently completed by the Company Secretary. All Directors have access to professional development opportunities to improve on their skills and knowledge to assist in their roles as directors.
	PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING	
	Recommendation	**Discovery Africa Limited Current Practice**
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code of conduct or a summary of it.	Not Adopted. The Company does not have a specific Copy of Code of Conduct, however directors' required conduct is contained within the Company's Corporate Governance Policy document. The Company intends to develop and adopt a Code of Conduct in the near future.
	PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING	
	Recommendation	**Discovery Africa Limited Current Practice**
4.1	The board of a listed entity should: (a) have an audit committee which: (i) has at least 3 members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board;	Not Adopted The role of the audit committee is currently undertaken by the full board. The Company has adopted an Audit Committee Charter which is published on the Company's website www.discoveryafrica.com.au. The Board follows the Audit Committee Charter which provides for integrity of corporate reporting and the removal of the external auditor and the rotation of the audit engagement partner.

	And disclose: (iii) the charter of the committee (iv) the relevant qualifications and experience of the member of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the member at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Adopted
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Adopted
	PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE	
	Recommendation	**Discovery Africa Limited Current Practice**
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Not Adopted. The Company currently does not have a written Continuous Disclosure Policy, however it is the Company's intention to develop and adopt a policy in the short term.
	PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS	
	Recommendation	**Discovery Africa Limited Current Practice**
6.1	A listed entity should provide information about itself and its governance to investors via its website.	Adopted Refer to the Company's Corporate Governance page on its website – www.discoveryafrica.com.au.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Not Adopted

		The Company does not have a Shareholder Communication strategy, however intends to develop a policy in the short term.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Adopted The Company encourages participation at General Meetings upon the dispatch of its Notice of Meeting and advises security holders that they may submit questions they would like to be asked at the meeting to the Board and to the Company's auditors.
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Adopted
	PRINCIPLE 7 – RECOGNISE AND MANAGE RISK	
	Recommendation	**Discovery Africa Limited Current Practice**
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, And disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	Not Adopted The Company does not currently have a Risk Committee. The role of the risk committee is undertaken by the whole board. The Board reviews risk on a regular basis and adopts mitigation processes as required.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	Not Adopted. The Board reviews risk on a regular basis, however has not developed a formal risk management framework. A review has not taken place in the reporting period.
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or	Not Adopted The Company does not have a structured formalised internal audit function, however historically the Board has reviewed the internal control systems and risk management policies on an annual basis. Internal controls are reviewed on an annual basis.

	(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Not Adopted. The Company does not have a sustainability policy.
	PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY	
	Recommendation	**Discovery Africa Limited Current Practice**
8.1	The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Not Adopted. The Company does not have a Remuneration Committee. The role of the remuneration committee is currently undertaken by the full board. The Company has adopted a Nomination and Remuneration Committee Charter which is published on the Company's website www.discoveryafrica.com.au. The Board follows the Remuneration Committee Charter which provides for dealing with board remuneration issues.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Adopted. This information is contained within the Remuneration Report of the Annual Report. Setting remuneration for executives is set out in the Remuneration Committee Charter.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Not Applicable

Discovery Africa Limited
30 June 2017
Consolidated Statement of Profit of Loss and Other Comprehensive Income for the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue			
Revenue from continuing operations	2	936,854	773,907
Expenses			
Administration expenses		(134,685)	(81,579)
Corporate expenses		(115,165)	(129,930)
Employment Expenses		(135,000)	-
Exploration and evaluation expenditure written off		(173,322)	(591,795)
Profit/(loss) before income tax expense		378,682	(29,397)
Income tax benefit/(expense)	4	-	-
Profit/(loss) after income tax expense for the year attributable to the owners of Discovery Africa Limited		378,682	(29,397)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Profit/(loss) on the revaluation of available-for-sale financial assets, net of tax		(723,620)	1,060,190
Other comprehensive income for the year, net of tax		(723,620)	1,060,190
Total comprehensive income/(loss) for the year		(344,938)	1,030,793
		Cents	**Cents**
Basic earnings cents per share	5	0.19	0.00
Diluted earnings cents per share	5	0.19	0.00

The accompanying notes form part of these consolidated financial accounts

Consolidated Statement of Financial Position as at 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Assets			
Current assets			
Cash and cash equivalents	6	1,190,364	797,539
Trade and other receivables	8	214,120	12,723
Available-for-sale financial assets	9	254,600	1,128,548
Total current assets		1,659,084	1,938,810
Non-current assets			
Capitalised exploration and evaluation expenditure	10	15,236	158,572
Other investments	11	111,000	-
Total non-current assets		126,236	158,572
Total assets		1,785,320	2,097,382
Liabilities			
Current liabilities			
Trade and other payables	12	266,189	233,313
Total current liabilities		266,189	233,313
Total liabilities		266,189	233,313
Net assets		1,519,131	1,864,069
Equity			
Issued capital	13(a)	12,348,620	12,348,620
Reserves	14(b)	877,104	1,600,724
Accumulated losses	14(a)	(11,706,593)	(12,085,275)
Total equity		1,519,131	1,864,069

The accompanying notes form part of these consolidated financial accounts

Discovery Africa Limited
30 June 2017
Consolidated Statement of Changes in Equity for the year ended 30 June 2017

	Issued Capital $	Accumulated Losses $	Reserves $	Total equity $
Consolidated				
Balance at 1 July 2016	12,348,620	(12,085,275)	1,600,724	1,864,069
Profit after income tax expense for the year	-	378,682	-	378,682
Other comprehensive income for the year net of tax	-	-	(723,620)	(723,620)
Total Comprehensive income for the year	-	378,682	(723,620)	(344,938)
Balance as at 30 June 2017	12,348,620	(11,706,593)	877,104	1,519,131

	Issued Capital $	Accumulated Losses $	Reserves $	Total equity $
Consolidated				
Balance at 1 July 2015	12,348,620	(12,055,878)	540,534	833,276
Loss after income tax expense for the year	-	(29,397)	-	(29,397)
Other comprehensive income for the year net of tax	-	-	1,060,190	1,060,190
Total Comprehensive income for the year	-	(29,397)	1,060,190	1,030,793
Balance as at 30 June 2016	12,348,620	(12,085,275)	1,600,724	1,864,069

The accompanying notes form part of these consolidated financial accounts

Consolidated Statement of Cash Flows for the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Payments to suppliers		(365,552)	(337,920)
Payments for exploration and evaluation		(29,986)	(61,835)
Interest received		4,039	1,371
Net cash used in operating activities		(391,499)	(398,384)
Cash flows from investing activities			
Proceeds from sale of available-for-sale financial assets		784,324	1,158,814
Net cash used in investing activities		784,324	1,158,814
Net increase/(decrease) in cash and cash equivalents		392,825	760,430
Cash and cash equivalents at the beginning of the financial year		797,539	37,109
Cash and cash equivalents at the end of the financial year	6	1,190,364	797,539

The accompanying notes form part of these consolidated financial accounts

NOTE 1. GENERAL INFORMATION

This financial report of Discovery Africa Limited ('the Company') for the year ended 30 June 2017 comprises the Company and its subsidiaries (collectively referred to as 'the consolidated entity' or 'Group'). Discovery Africa Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The financial report was authorised for issue in accordance with a resolution of Directors dated 28 September 2017.

The notes to the financial statements are organised into the following sections:

(a) **Key Performance:** Provides a breakdown of the key individual line items in the statement of comprehensive income that is most relevant to understanding performance and shareholder returns for the year:

Notes

2. Revenue from continuing operations
3. Segment information
4. Income tax expense
5. Profit/(loss) per share

(b) **Financial Risk Management:** Provides information about the Consolidated Entity's exposure and management of various financial risks and explains how these affect the Consolidated Entity's financial position and performance:

Notes

6. Cash and cash equivalents
7. Financial risk management

(c) **Other Assets and Liabilities:** Provides information on other balance sheet assets and liabilities that do not materially affect performance or give rise to material financial risk:

Notes

8. Trade and other receivables
9. Available-for-sale financial assets
10. Exploration and evaluation expenditure
11. Other investments
12. Trade and other payables

(d) **Capital Structure:** This section outlines how the Consolidated Entity manages its capital structure and related financing costs (where applicable), as well as capital adequacy and reserves. It also provides details on the dividends paid by the Company:

Notes

13. Contributed equity
14. Reserves and accumulated losses

(e) **Consolidated Entity Structure:** Provides details and disclosures relating to the parent entity of the Consolidated Entity, controlled entities, investments in associates and any acquisitions and/or disposals of businesses in the year. Disclosure on related parties is also provided in the section:

Notes

15. Parent entity information
16. Investment in controlled entities
17. Key management personnel disclosures & related party transactions

(f) **Other:** Provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered significant in understanding the financial performance or position of the Consolidated Entity:

Notes

18. Remuneration of auditors
19. Commitments for expenditure
20. Contingencies
21. Events occurring after reporting period

1a Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations

NOTE 1. GENERAL INFORMATION (continued)

1a Basis of Preparation (continued)

and the *Corporations Act 2001*. Discovery Africa Limited is a for-profit entity for the purposes of preparing the financial statements.

Compliance with IFRSs
The financial statements of Discovery Africa Limited also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

New, revised or amending Accounting Standards and Interpretations adopted
The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting year ended 30 June 2017. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

(i) AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

(ii) AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select

NOTE 1. GENERAL INFORMATION (continued)

(ii) AASB 15 Revenue from Contracts with Customers (continued)

an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment.

Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

(iii) AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

1b Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company as at 30 June 2017 and the results of its subsidiaries for the year then ended. The Company and its subsidiaries are referred to in this financial report as Discovery or the Consolidated Entity.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy in Note 22 for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

NOTE 2. REVENUE FROM CONTINUING OPERATIONS

	Consolidated	
	2017	2016
	$	$
Interest revenue	4,039	1,371
Profit on sale of available-for-sale financial assets	744,996	772,536
Proceeds received from lawsuit	187,819	-
	936,854	773,907

NOTE 3. SEGMENT INFORMATION

Identification of reportable operating segments

The consolidated entity has identified two reporting segments: exploration for graphite, specialty metals and other mineral commodities in Africa, and exploration for gold in Australia. The operating segments are based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources.

30 June 2017	Graphite $	Gold $	Unallocated $	Total $
Revenue	-	-	936,854	936,854
Profit/(loss) before income tax	(173,322)	-	551,984	378,662
Total segment assets	-	15,236	1,769,994	1,785,230
Total segment liabilities	-	-	266,189	266,189

30 June 2016	Graphite $	Gold $	Unallocated $	Total $
Revenue	-	-	773,907	773,907
Profit/(loss) before income tax	(591,795)	-	562,398	(29,397)
Total segment assets	158,572	-	1,938,810	2,097,382
Total segment liabilities	-	-	233,313	233,313

NOTE 4. INCOME TAX EXPENSE

	Consolidated	
	2017	**2016**
	$	**$**
Reconciliation of income tax expense and tax at the statutory rate		
Profit/(loss) before income tax expense	378,682	(29,397)
Tax at the statutory tax rate of 27.5% (2016: 28.5%)	104,138	(8,378)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of exploration expenditure	39,418	161,888
Effect of other timing differences	(34,158)	(44,003)
Effect of deferred tax assets not brought into account	(109,398)	(109,507)
Income tax attributable to operating loss	-	-
Income tax expense	-	-
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	981,869	1,174,373

The benefit of these losses has not been brought to account at 30 June 2017 because the directors do not believe it is appropriate to regard realisation of the deferred tax asset as being probable at this point in time or that there are sufficient deferred tax liabilities to offset these losses. These tax losses are also subject to final determination by the Taxation authorities when the Group derives taxable income. The benefits will only be realised if:

(a) The Group and its subsidiaries derive future assessable income of a nature and of an amount sufficient to enable the benefit of the deduction for the losses to be realised;
(b) The Group and its subsidiaries continue to comply with the conditions for the deductibility imposed by law; and
(c) No changes in the tax legislation adversely affect the Group and its subsidiaries in realising the benefit of the losses.

NOTE 5. PROFIT / (LOSS) PER SHARE

	Consolidated	
	2017	**2016**
	$	**$**
Profit/(loss) after income tax attributable to the owners of Discovery Africa Limited	378,682	(29,397)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	200,734,698	200,734,698
Weighted average number of ordinary shares used in calculating diluted earnings per share	200,734,698	200,734,698
	Cents	**Cents**
Basic earnings per share	0.19	0.00
Diluted earnings per share	0.19	0.00

The rights to options by options holders have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion under AASB 133 - "Earnings per Share". The rights to options are non-dilutive as the consolidated entity is generating a loss and the options are currently three times the Company's share price in value.

NOTE 6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2017	2016
	$	$
Cash at bank	1,190,364	797,539

NOTE 7. FINANCIAL RISK MANAGEMENT

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange rate fluctuations. For the financial year ended 30 June 2017, the consolidated entity is no longer exposed to foreign currency risk as its Singapore based subsidiary Baru Resources Pte Ltd was deregistered during the year.

Interest rate risk

The consolidated entity's cash and cash equivalents are held in current accounts and short term deposits, and are therefore subject to interest rate risk.

An increase/decrease in interest rates on cash at bank of 100 basis points (1.00%) would have a favourable/adverse effect on profit before tax of $9,159 per annum (2016: $3,232). The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

NOTE 7. FINANCIAL RISK MANAGEMENT (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Consolidated	
	2017	**2016**
	1 year or less	1 year or less
	$	$
Non-derivatives		
Non-interest bearing		
Trade and other payables	266,189	233,313
Total non-derivatives	266,189	233,313

Fair value of financial instruments

The following tables detail the consolidated entity's fair values of financial instruments categorised by the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Consolidated – 2017	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Available-for-sale financial assets - shares in listed entities	254,600	-	-	254,600
Total assets	254,600	-	-	254,600

Consolidated – 2016	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Available-for-sale financial assets - shares in listed entities	1,128,548	-	-	1,128,548
Total assets	1,128,548	-	-	1,128,548

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

NOTE 8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2017	**2016**
	$	**$**
Prepayments	10,593	9,977
GST receivable	15,708	2,746
Sundry receivable – legal trust account	187,819	-
	214,120	12,723

NOTE 9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated	
	2017	**2016**
	$	**$**
Shares in listed entities	254,600	1,128,548

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Opening fair value	1,128,548	355,556
Additions (repayment of loan from Argosy Minerals)	-	100,000
Disposals	(784,324)	(317,728)
Reclassification of other investments (refer to Note 11)	(111,000)	-
Revaluation increments/(decrements)	21,376	990,720
Closing fair value	254,600	1,128,548

Refer to Note 7 for further information on financial instruments.

Investments are recorded at fair value at the date of purchase, being consideration paid plus transaction costs and are brought to account at market to market valuation at balance date. These investments are classified as available-for-sale on the basis they are not held for short term profit making. Revaluations are recorded in the available-for-sale reserve.

NOTE 10. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2017	**2016**
	$	**$**
Exploration and evaluation	15,236	158,572

Reconciliations
Reconciliations of the written down values at the beginning & end of the current & previous financial year are set out below:

	Consolidated	
	2017	**2016**
	$	**$**
Balance at 1 July	158,572	698,199
Expenditure during the year	29,986	52,168
Write-off of exploration expenditure	(173,322)	(591,795)
Balance at 30 June	15,236	158,572

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

NOTE 11. OTHER INVESTMENTS

	Consolidated	
	2017	**2016**
	$	**$**
Other Investments[1]	111,000	-

[1] 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 continuing to seek advice on how these shares can be realised or cancelled.

NOTE 12. TRADE AND OTHER PAYABLES

	Consolidated	
	2017	**2016**
	$	**$**
Trade payables	233,851	118,230
Other payables	32,338	115,083
	266,189	233,313

Refer to Note 7 for further information on financial instruments.

The average credit period on purchases is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

NOTE 13. CONTRIBUTED EQUITY

(a) Issued Capital

	Consolidated		Consolidated	
	2017	**2016**	**2017**	**2016**
	Shares	**Shares**	**$**	**$**
Fully paid ordinary shares	200,734,698	200,734,698	12,348,620	12,348,620
	200,734,698	200,734,698	12,348,620	12,348,620

There were no movements in ordinary share capital for the year ended 30 June 2017 (2016: nil movement).

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options

The following listed and unlisted options were on issue during the year ended 30 June 2017:

Exercise price	20c	9c	9c
Expiry date	23 December 2016	13 June 2017	30 November 2018
Balance at 30 June 2017	43,998,005	12,500,000	5,000,000
Issued during the year	-	-	-
Expired during the year	(43,998,005)	(12,500,000)	-
Exercised during the year	-	-	-
Closing balance	-	-	5,000,000[1]

[1] Options are unlisted

(c) Share buy-back

There is no current on-market share buy-back.

(d) Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 13. CONTRIBUTED EQUITY (continued)

(d) Capital risk management (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

NOTE 14. RESERVES AND ACCUMULATED LOSSES

	Consolidated 2017 $	Consolidated 2016 $
14a Accumulated Losses		
Accumulated losses at the beginning of the year	(12,085,275)	(12,055,878)
Net profit/(loss) for the year	378,682	(29,397)
Accumulated Losses at the end of the year	(11,706,593)	(12,085,275)

	Consolidated 2017 $	Consolidated 2016 $
14b Reserves		
Available-for-sale reserve	336,570	1,060,190
Option reserve	540,534	540,534
	877,104	1,600,724

	Available-for-sale $	Options $	Total $
Consolidated			
Balance at 1 July 2015	-	540,534	540,534
Revaluation of available-for-sale assets	1,060,190	-	1,060,190
Balance at 30 June 2016	1,060,190	540,534	1,600,724
Revaluation of available-for-sale assets	(723,620)	-	(723,620)
Balance at 30 June 2017	336,570	540,534	877,104

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

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

NOTE 15. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

A. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Parent Entity 2017 $	Parent Entity 2016 $
Net profit/(loss) attributable to equity holders of the Company		378,682	(29,397)
Total comprehensive profit/(loss) for the year		(344,938)	1,030,793

NOTE 15. PARENT ENTITY INFORMATION (continued)

B. STATEMENT OF FINANCIAL POSITION

	Parent Entity 2017 $	Parent Entity 2016 $
ASSETS		
Total current assets	1,659,084	1,938,810
Total non-current assets	126,236	158,572
Total assets	1,785,320	2,097,382
LIABILITIES		
Total current liabilities	(266,189)	(233,313)
Total non-current liabilities	-	-
Total liabilities	(266,189)	(233,313)
Net assets	1,519,131	1,864,069
EQUITY		
Share Capital	12,348,620	12,348,620
Other Reserves	877,104	1,600,724
Accumulated losses	(11,706,593)	(12,085,275)
Total equity	1,519,131	1,864,069

NOTE 16. INVESTMENT IN CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name of entity	Country of incorporation	Equity holding 2017 %	Equity holding 2016 %
Baru Resources Pte Ltd*	Singapore	0.00	100.00
West Galilee Exploration Pty Ltd **	Australia	0.00	100.00
Hatua Resources (Tanzania) Ltd***	Tanzania	100.00	100.00

* Incorporated on 28 January 2011. De-registered during the year ended 30 June 2017.
** Acquired on 2 April 2012. De-registered on 7 August 2016.
*** Fully acquired on 24 March 2014

NOTE 17. KEY MANAGEMENT PERSONNEL DISCLOSURES & RELATED PARTY TRANSACTIONS

Directors
The following persons were directors of Discovery Africa Limited during the financial year:

- Mr Peter Lloyd
- Mr Graham Walker
- Mr Jerko Zuvela

Other key management personnel

There were no other persons who had authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year.

NOTE 17. KEY MANAGEMENT PERSONNEL DISCLOSURES & RELATED PARTY TRANSACTIONS (continued)

Remuneration

Refer to the audited remuneration report regarding remuneration paid to key management personnel during the year ended 30 June 2017.

Transactions with related parties

Disclosures relating to transactions with related parties are set out in the remuneration report of the directors' report.

Loans to key management personnel

No loans existed during the year and as at reporting date between the Company and with key management personnel.

Loans from key management personnel

No funds were advanced to the Company by the Directors or their related parties during the year ended 30 June 2017.

Parent entity

Discovery Africa Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 16.

NOTE 18. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Rothsay Chartered Accountants, the auditor of the Group:

	Consolidated	
	2017	**2016**
	$	**$**
Audit services – Rothsay Chartered Accountants		
Audit or review of the financial statements	23,000	21,000

NOTE 19. COMMITMENTS FOR EXPENDITURE

Exploration and evaluation assets

In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to outlay rentals and to meet the minimum expenditure requirements.

	Consolidated	
	2017	**2016**
	$	**$**
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	50,000	50,000
One to five years	100,000	100,000
	150,000	150,000

The above capital contracted commitments are not recognised as liabilities at the reporting date.

NOTE 20. CONTINGENCIES

The consolidated entity had no contingent liabilities as at 30 June 2017.

NOTE 21. EVENTS OCCURING AFTER REPORTING PERIOD

(a) On 21 July 2017, the Company announced that the Directors had resolved to relinquish its interest in the Nachingwea Graphite Project located in southeast Tanzania.

(b) Subsequent to balance date, the Company sold down its interests in available for sale investments, resulting in a net profit of approximately $165,000. The financial effect of this increase in value has not been reflected at 30 June 2017.

No other matters or circumstances have arisen since 30 June 2017 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.

NOTE 22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

NOTE 22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

NOTE 22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

At each reporting date the directors review each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest. Where it is determined that the costs incurred on an area of interest will not be recovered through sale or future development and exploitation of the resource the directors will write off costs to the profit or loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

NOTE 22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity re-measures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity.

NOTE 22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Discovery Africa Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial report is presented in Australian dollars, which is Discovery Africa Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

NOTE 23. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

NOTE 23. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Exploration and evaluation costs

The consolidated entity has capitalised exploration and evaluation costs, net of impairments recognised, in accordance with AASB 6 Exploration for and evaluation of mineral resources. The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity and its areas of interest that may lead to impairment of assets. When an impairment trigger exists, the recoverable amount of the assets is determined.

Discovery Africa Limited
30 June 2017
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Lloyd
Non-Executive Director
28 September 2017

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF DISCOVERY AFRICA LTD

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Discovery Africa Ltd ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Cash and listed investments

The Group's portfolio of cash and listed investments makes up 81% of total assets by value and is considered to be the key driver of the Group's operations and exploration activities. We do not consider cash or listed investments to be at a high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid and listed quoted investments. However due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence, completeness and valuation of the Group's portfolio of cash and listed investments included but were not limited to:

- Documenting and assessing the processes and controls in place to record cash transactions and to value the listed investments ;
- Agreeing the valuation of 100% of the listed investments to externally quoted prices; and
- Agreeing 100% of cash and listed investment holdings to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in Notes 1, 6 and 9 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017.

In our opinion the remuneration report of Discovery Africa Ltd for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay

Rothsay Auditing

Graham Swan FCA
Partner

Dated 28 September 2017

Chartered Accountants

The shareholder information set out below was applicable as at 26 September 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary Shares
1 to 1,000	128
1,001 to 5,000	287
5,001 to 10,000	262
10,001 to 100,000	413
100,001 and over	207
	1,297
Holding less than a marketable parcel	942

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

		Ordinary Shares	
		Number held	% of total shares held
1	Everly Bay Pty Ltd	18,500,000	9.22
2	Sunbreaker Holdings Pty Ltd <Lloyd Super Fund a/c>	16,786,546	8.36
3	Stevsand Holdings Pty Ltd <Formica Horticultural a/c>	14,697,772	7.32
4	Dawesville Nominees Pty Ltd <Peter Avery Super Fund a/c>	6,465,000	3.22
5	Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker <Walker Super Fund a/c>	4,775,000	2.38
6	Mr Graham Geoffrey Walker & Mrs Thelma Jean Walker	4,100,000	2.04
7	Shah Nominees Pty Ltd <Louis Carsten S/F #2 a/c>	3,581,378	1.78
8	Futurity Private Pty Ltd	3,426,272	1.71
9	Westoria Resources Investments Limited	3,333,333	1.66
10	Kabunga Holdings Pty Ltd <Kabunga Family a/c>	3,166,667	1.58
11	Dawesville Nominees Pty Ltd <Peter Avery Super Fund a/c>	3,000,003	1.49
11	Nambia Pty Ltd <The Anthon Family S/fund a/c>	3,000,003	1.49
12	Mrs Dihna Nada Zuvela	2,630,836	1.31
13	Citicorp Nominees Pty Limited	2,592,573	1.29
14	TCH Holdings Pty Ltd <The Travis Investment a/c>	2,500,000	1.25
15	Frollo Enterprises Limited	2,139,000	1.07
16	Mr Andrew John Hopkins & Ms Eloise Kathleen Jennings <Jennings Hopkins S/F a/c>	2,050,000	1.02
17	Mr Peter James Rosher & Mrs Katherine Anne Rosher <P & K Rosher S/F a/c>	2,000,000	1.00
18	Scarleo Pty Ltd <The Nathan Super Fund a/c>	1,803,046	0.90
19	Mr Allan Stephen Hall & Mrs Sally Joy Hall <Allan Stephan Hall S/F a/c>	1,590,229	0.79
20	Mr Steven Panomarenko	1,501,065	0.75
		103,638,723	51.63

Discovery Africa Limited
30 June 2017
Shareholder information (continued)

Unquoted equity securities

	Number on issue	Number of holders
Options exercisable at $0.09 (9 cents) on or before 30 November 2018	5,000,000	1

Substantial holders

Substantial holders in the Company based on notices lodged are set out below:

	Number held	% of total shares issued
Mr Peter Lloyd and associated entities	18,123,257	9.03
Mr Steven Formica and associated entities	13,057,831	6.51

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.