Discovery Africa Limited

ACN 147 324 847

(formerly known as Baru Resources Ltd)

Financial report for the year ended 30 June 2014

Contents

Directors	Frank Knezovic (Executive Chairman) Peter Lloyd (Executive Director) Graham Walker (Non-Executive Director)
Company secretary	Ranko Matic
Registered office	Level 1 12 Kings Park Road West Perth WA 6005 Ph : (08) 9226 4500
Principal place of business	Level 1 12 Kings Park Road West Perth WA 6005 Ph : (08) 9226 4500
Share register	Automic Registry Services Suite 1a, Level 1 7 Ventnor Ave West Perth WA 6005
Auditor	Hall Chadwick Level 10 575 Bourke Street Melbourne VIC 3000
Solicitors	Nova Legal Ground Floor 10 Ord Street 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 2014.

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 Frank Knezovic (Executive Chairman, appointed 10 April 2014)
Mr Peter Lloyd (Executive Director, appointed 10 April 2014)
Mr Graham Walker (Non-Executive Director, appointed 10 April 2014)
Mr Philip Thick (appointed 3 October 2013 and resigned 10 April 2014)
Mr Kevin Nichol (resigned 9 April 2014)
Mr Ian Lovett (appointed 2 July 2013 and resigned 9 April 2014)
Mr Danie Van Den Bergh (appointed 3 October 2013 and resigned 9 April 2014)
Mr Peter Avery (resigned 29 October 2013)
Mr Martin Bennett (appointed and resigned 20 August 2013)
Mr Andrew Bald (resigned 20 August 2013)

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 loss for the consolidated entity after providing for income tax amounted to $6,758,238 (30 June 2013: $1,282,001).

Corporate

ARGOSY MINERALS LTD TAKEOVER

On 2 July 2013 the Company advised it had launched an off market takeover of Argosy Minerals Limited (Argosy) based on the following terms:

- Argosy shareholders would receive one (1) new Discovery Africa share for every one (1) Argosy share held. Argosy had 126,029,105 shares on issue thus providing that Discovery Africa could issue up to 126,029,105 shares as consideration for the acquisition.
- The Offer valued Argosy at $0.046 per share based on Discovery Africa's closing share price on the ASX on 1 October 2013.
- The Argosy Board unanimously recommended that Argosy shareholders accept the Offer in the absence of a superior proposal. The takeover was supported by a majority of the Discovery Africa board.
- The transaction would create an entity with net cash and semi-liquid reserves of approximately $3 million held by Discovery Africa, combined with the potential of the Argosy graphite project in Namibia. In addition, management expertise will be combined, and those shareholders who hold interests in both Companies will enjoy the synergies of one combined entity.

As a result of the above takeover, during the financial period, the Company issued 111,713,689 shares at a deemed issued price of $0.046 as consideration for shares in Argosy, which resulted in Discovery Africa becoming an 88.64% shareholder of Argosy. Argosy Minerals was then recognised as a subsidiary of Discovery Africa on 1 October 2013.

On 3 October, in relation to the takeover bid for Argosy, the Company issued 12,500,000 options exercisable at $0.09 and expiring 13 June 2017 in replacement of Options in Argosy, which were then subsequently cancelled. This option issue was approved by Shareholders at a General Meeting held on 20 August 2013.

On 14 April 2014 Argosy Minerals announced that it had completed its Rights Issue, which Discovery Africa did not participate in. This resulted in Argosy issuing 20,547,284 shares, which then reduced the shareholding Discovery Africa held in Argosy to 76.22%.

However, subsequent to the financial year end, on 4 July 2014, Argosy announced to the market that it had entered into a capital raising agreement for the recapitalisation of Argosy with new independent and sophisticated investors. The recapitalisation included the immediately placement of 213,510,926 shares and a subsequent raising of $300,000 through a convertible notes issue.

The issue of the Argosy Shares was completed on 10 July 2014 and as a result the shareholding in Argosy, held by Discovery Africa reduced to 29.55%. At this date Argosy Minerals Ltd ceased being a subsidiary of Discovery Africa Ltd.

REPAYMENT OF LOAN TO ARGOSY MINERALS

Following the successful convertible notes issue by Argosy post balance date, Argosy repaid $300,000 to Discovery Africa and will issue 50,000,000 fully paid ordinary shares at a deemed issue price of $0.002 to Discovery Africa as full and final satisfaction of the remaining loan outstanding to Discovery Africa. The share issue to Discovery Africa will be subject to shareholder approval. These shares have yet to be issued.

SHARE AND OPTION ISSUES

During the financial year, Discovery Africa also issued the following shares:

8 November 2013
1,025,000 shares were issued at a deemed price of $0.03 for the part consideration for the acquisition of Namibian incorporated companies holding Prospecting Licences 4079 and 4335 by Argosy Minerals Limited.

10 December 2013
200,000 shares were issued at a deemed issue price of $0.036 to a consultant for services rendered.

23 December 2013
100,000 options exercisable at $0.20 and expiring on 23 December 2016 were issued to an employee under the Employee Option Plan.

20 March 2014
10,000,000 shares were issued at a deemed issued price of $0.03 for the part consideration for the acquisition of 100% of the issued capital in Hatua Resources Ltd, a Tanzanian incorporated company which holds 4 exploration licenses in Tanzania.

4 April 2014
18,500,000 shares were issued at a deemed issue price of $0.036 for the acquisition of Ugandan graphite tenement in Uganda EL 1025 as per the Heads of Agreement.

9,500,000 shares were issued at a deemed issued price of $0.036 for the acquisition of Ugandan graphite tenement EL 1172 as per the Heads of Agreement.

BOARD OF DIRECTORS

During the year, there were several changes to the board of Directors as follows:
- Mr Andrew Bald resigned on 20 August 2013
- Mr Martin Bennett was appointed and resigned as Alternate Non Executive Director on 20 August 2013
- Mr Peter Avery resigned on 29 October 2013
- Mr Ian Lovett was appointed on 2 July 2013 and resigned 9 April 2014
- Mr Danie Van Den Bergh was appointed on 3 October 2013 and resigned 9 April 2014
- Mr Kevin Nichol resigned 9 April 2014
- Mr Philip Thick was appointed on 3 October 2013 and resigned 10 April 2014
- Mr Frank Knezovic was appointed on 10 April 2014

BOARD OF DIRECTORS (continued)

- Mr Peter Lloyd was appointed on 10 April 2014
- Mr Graham Walker was appointed on 10 April 2014

On 10th April 2014, a General Meeting was held whereby the appointments of Peter Lloyd, Graham Walker and Frank Knezovic were approved by members and were effective immediately.

Upon appointment of the new board, the Directors advised that they would be reviewing all current projects, and conducting due diligence enquiries and reviewing technical data on the Company's projects with a view to determining the future direction of all projects.

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

LEGAL ACTION

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

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

Exploration Operations

During the reporting period, the principal continuing activities of the consolidated entity consisted of the exploration and development of the Nachingwea Graphite Project in Tanzania, the Kitgum Graphite Project in Uganda, the Brandberg Lithium Project in Namibia and the Erongo (Area 51) Graphite Project in Namibia (via Argosy Minerals Ltd).

NACHINGWEA GRAPHITE PROJECT

The Nachingwea Graphite Project is located in southeast Tanzania and comprises four tenements covering approximately 416km^2. The region has access to high quality infrastructure including access via mainly sealed roads from the coastal towns of Lindi and Mtwara, which also boast an airport and deepwater port facilities.

The Project substantially overlays the graphite prospective Mozambique Mobile Belt, with graphitic schist located both within and surrounding the Project. The prospect areas within the project tenements are highly prospective for graphite mineralisation, including outcrops of graphitic schist identified at numerous localities. At the Injaa Hill prospect area, outcrops of graphitic schist have been mapped by the Geological Survey of Tanzania.

Exploration works conducted within the project during the reporting period comprise reconnaissance geological mapping, rock chip sampling and trenching works which identified graphite in the prospect areas. Upon receipt of sample analysis results from the works conducted during the reporting period and based on the assessment of these results, further detailed work comprising geophysical surveying, geological works, drilling and sampling, and metallurgical laboratory testwork may be conducted during the next reporting period.

KITGUM GRAPHITE PROJECT

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

The Company conducted a field visit to the project area. Preliminary works at the EL1025 tenement area comprised reconnaissance works and digging twenty-eight exploration pits to test for graphite occurrences.

The Company is conducting a comprehensive review of all available data on the Kitgum Graphite Project to determine project strategy.

BRANDBERG LITHIUM PROJECT

The Brandberg Lithium Project is located approximately 60 kilometres southwest of the town of Uis in Namibia. The Project comprises six Mining Claims registered over the area known as the Karlowa Pegmatite Valley.

Exploration works conducted by the Company during the reporting period comprised engaging Minrom consultants to conduct geological mapping within the six Mining Claims to delineate and characterise the pegmatite zonation, and more importantly to locate lithium bearing mineralisation within the pegmatite. Phase 1 of the program commenced in January 2014, including GIS assessment, field mapping and sampling.

Following the exploration phase 1 field work, the results were used to outline a drilling program in order to:

- Delineate the lateral and depth extents of the selected pegmatites;
- Determine the orientation of the selected pegmatites below the surface;
- Determine the pegmatite termination points;
- Determine the pegmatite lithium quality and quantity down the hole.

A total of six boreholes were drilled, with a total of 325m of core available for appraisal.

The Company is completing its due diligence enquiries and reviewing technical data on the project. At this time the Directors have agreed to impair this Project, until the validity of the agreements that underpin the acquisition can be determined.

ERONGO (AREA 51) GRAPHITE PROJECT

The Erongo (Area 51) Graphite Project is located in Namibia and is owned 100% by Argosy Minerals Limited (ASX: AGY). At 30th June 2014, Discovery Africa was a 76.22% shareholder of AGY.

Argosy Minerals has a 100% interest in the Erongo (Area 51) Graphite Project in Namibia, located approximately 275km northwest of the capital Windhoek. The schedule of tenements held by the Company at the end of the reporting period is shown below. There were no tenements acquired or disposed of during this period.

Tenement	**Location**	**Beneficial Percentage held**
EPL4079	Namibia	100%
EPL4335	Namibia	100%

On 28 March 2014, Argosy Minerals provided an update on the Erongo Project in relation to the drilling program conducted in February within the Area A prospect. This included:

- Three drillholes completed over high priority (most anomalous) geophysical induced polarisation ("IP") survey data and geological mapping results previously carried out;
- Downhole interpretation of the drill core;
- 15 samples were submitted for analytical testing;
- Interpretation of the data and results concluded that the graphitic carbon content of Area "A" is sparsely concentrated and dispersed.

Argosy Minerals also advised that it will further study the geophysical IP data over the Area C prospect before deciding on future exploration works. On 3 April 2014, Argosy Minerals provided additional details of the drilling program completed in February.

However on 14th July 2014, Discovery Africa's interest in Argosy reduced to 29.55%, and therefore it ceased being a controlled subsidiary of Discovery Africa Ltd.

OTHER PROJECTS

The Company's option to acquire a 100% interest in Horizon Mines Limited which held a 100% interest in certain tenements in Myanmar (announced on 21 February 2013) lapsed, unexercised on 22 July 2013 (**HML Option**). Accordingly, the Company no longer has any interest in the HML Option on the basis set out above and retracts all statements or references to the HML Option and/or the tenements in Myanmar made by the Company after 22 July 2013 and including but not limited to the Quarterly Activities Report for the quarter ended 30 June 2014, lodged with the ASX on 1 August 2014 together.

KEY OBJECTIVES FOR 2014-15 REPORTING PERIOD

- The Company will prioritise its exploration activities on the Nachingwea Graphite Project to ensure it enhances and increases the overall value proposition of the Company;
- The Company will continue to review its strategic options covering the remaining projects;
- The Company will consider new project opportunities to enhance the Discovery Africa project portfolio.

Below is a listing of mining tenements held by the Company as at the end of the June 2014 quarter:

Tenement Reference	Location	Beneficial Percentage held	Acquired/Disposed
PL 6753/2012[1]	Tanzania	100%	Acquired 100%
PL 7211/2012[1]	Tanzania	100%	Acquired 100%
PL 8526/2012[1]	Tanzania	100%	Acquired 100%
PL 8528/2012[1]	Tanzania	100%	Acquired 100%
EL 1025	Uganda	100%	Acquired 100%
EL 1173	Uganda	100%	Acquired 100%
Area 51[2]	Namibia	76.22%[3]	Acquired 76.22%

1 Interest in mining tenement held through 100% shareholding in Hatua Resources (Tanzania) Limited, a Tanzanian incorporated Company.
2 Interest in mining tenement held through 76.22% shareholding in Argosy Minerals Limited, an ASX listed public company, as at 30th June 2014.
3 However the Company's ownership in Argosy Minerals decreased from 76.22% to 29.55% due to an issue of shares by Argosy 10th July 214.

Matters subsequent to the end of the financial year

As detailed above, on the 10 July 2014, Argosy Minerals announced it have completed a recapitalisation which included the immediate placement of 213,510,926 shares and a subsequent raising of $300,000 through a convertible notes issue. As a result the shareholding in Argosy, held by Discovery Africa reduced to 29.55% and Argosy Minerals Ltd ceased being a subsidiary of Discovery Africa Ltd.

Upon the successful convertible notes issue by Argosy Minerals, Argosy repaid $300,000 to Discovery Africa and will issue 50,000,000 fully paid ordinary shares at a deemed issue price of $0.002 to Discovery Africa as full and final satisfaction of the remaining loan outstanding to Discovery Africa. The share issue to Discovery Africa will be subject to shareholder approval. These shares have yet to be issued.

On 21 July 2014 the Company appointed Ranko Matic as Company Secretary, with Melanie Leydin subsequently resigning and changed its Registered address to Level 1, 12 Kings Park Road, West Perth WA 6005. The Company also changed the management of its share registry to Automic Registry Services

No other matters or circumstances have arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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 Frank Knezovic
Title:	Executive Chairman (appointed 10 April 2014)
Qualifications:	LLB, BA
Experience and expertise:	Frank Knezovic is a lawyer and co-founding director of legal firm Nova Legal. Mr Knezovic has for more than 15 years advised public and private companies, directors, corporate advisors, broking firms, insolvency practitioners and financial services providers on a broad range of corporate and commercial matters. Mr Knezovic has extensive experience in advising on capital raisings (both IPO and post-IPO) asset acquisitions and disposals, takeovers, mergers and acquisitions, corporate reconstructions and insolvency, directors' duties, general corporate and commercial advice, and regulatory and strategic advice. Mr Knezovic has advised many companies and advisers (local, national and international) on a number of significant M&A, cross border acquisitions/divestments and capital raising transactions. Mr. Knezovic is a member of the Australian Institute of Company Directors and the Association of Mining and Exploration Companies.
Other current directorships:	Argosy Minerals Ltd (ASX:AGY) (appointed 24 April 2014)
Former directorships (in the last 3 years):	
Interests in shares:	Nil
Interests in options:	Nil

Name:	Mr Peter Lloyd
Title:	Executive Director (appointed 10 April 2014)
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 extensive experience in corporate life and has been involved in projects in Canada, 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 fully paid ordinary shares
Interests in options:	None

Name:	Mr Graham Walker
Title:	Non-Executive Director (appointed 10 April 2014)
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:	9,200,000 fully paid ordinary shares
Interests in options:	None

Information on directors during the year, now resigned

Name:	Mr Philip Thick (appointed 3 October 2013 to resigned 10 April 2014)
Title:	Non-Executive Director
Experience and expertise:	Phillip Thick worked as an engineer for Alcoa Australia Limited for 5 years before joining Shell Australia Limited. His 20 year career with Shell covered roles in most cities around Australia and a 3 year appointment in London. He was an Executive Director of Shell Australia Limited from 2003 to 2006 and was responsible for the Downstream Oil business across Australia and the Pacific Islands, and was CEO and a Director of Coogee Chemicals Pty Ltd for 4 years until June 2012.
Other current directorships:	New Standard Energy (ASX:NSE) MHM Metals Limited (ASX:MHM)
Former directorships (in the last 3 years):	None
Interests in shares:	2,790,000 fully paid ordinary shares
Interests in options:	1,000,000 unlisted options exercisable at $0.09 and expiring 13 June 2017

Name:	Mr Kevin Nichol (resigned 10 April 2014)
Title:	Non-executive Director
Experience and expertise:	After finishing his honours thesis in the energy sector, Mr Nichol worked as a financial analyst for the late Kerry Packer's private company, Consolidated Press Holdings Pty Ltd (now Consolidated Media Ltd). In the mid 80s he joined Norths Stockbrokers, where he learnt his trade in the marketplace as an advisor. Mr Nichol also spent several years on the trading floor of the Sydney Futures Exchange and traded commodities as well as interest-rate futures for several banking houses.
Other current directorships:	None
Former directorships (in the last 3 years):	Celamin Holdings NL (resigned 18 November 2011)
Interests in shares:	2,489,800 fully paid ordinary shares
Interests in options:	5,000,000 options exercisable at $0.09 on or before 30 November 2018

Name:	Ian Lovett (appointed 2 July 2013 and resigned 9 April 2014)
Title:	Non-executive Director
Experience and expertise:	Since leaving the University of Newcastle in 1975 with a degree in Commerce, Ian has been involved in the reporting, promoting and marketing of junior resource stocks. From 1975 through to 2005 he worked as a financial journalist with a long list of titles including the Sydney Morning Herald, the Financial Times, The Australian, The South China Morning Post and the Daily Telegraph. Ian's work was also syndicated across News Limited publications. In addition, he provided most of the material for Hot Line, a telephone share tipping service which specialised in junior miners in the 80s and 90s. In 2005 he left News Ltd and worked in a free lance capacity, assisting junior miners to raise capital, list assets and help them to promote their projects to the wider investment community. Ian's extensive journalist, stockbroking and investment banking contacts proved invaluable in this role and some of his clients included Central West, Morning Star Gold, Silver Mines, Bowen Energy, Norton Gold, and many more.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Interests in shares:	102,424
Interests in options:	350,000 listed options exercisable at $0.20 on or before 26 December 2016

Name:	Mr Danie Van Den Burgh (appointed 3 October 2013 and resigned 9 April 2014)
Title:	Non-executive Director
Experience and expertise:	Mr Van Den Bergh has worked at various Anglo American operations over a period of 26 years. Thereafter he joined Durban Roodepoort Deep as their new business executive, during which time he gained extensive experience internationally and in various countries in Africa. He joined Investec Bank in their corporate finance division for four years during which time he was involved in various projects including company listings. He was also a partner in an independent corporate advisory company where he specialised in the financial valuation of projects.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Interests in shares:	411,600 fully paid ordinary shares
Interests in options:	4,000,000 unlisted options exercisable at $0.09 expiring 13 June 2017

Name:	Mr Peter Avery (resigned 29 October 2013)
Title:	Non-executive Director
Experience and expertise:	Peter Avery has over 22 years professional experience within the stockbroking industry. During the previous 11 years, Mr Avery has held a senior role as a private client advisor at Perth broking firm, DJ Carmichael (DJC). Prior to joining DJC, Mr Avery developed specialist skills as an equity advisor at Todd Partners managing client portfolios. Mr Avery's industry experience includes extensive capital raisings within the resource and mining sectors and he holds a Diploma of Financial Planning from Deakin University.
Other current directorships:	None
Former directorships (in the last 3 years):	Celamin Holdings NL (resigned 18 November 2011)
Interests in shares:	8,465,003 fully paid ordinary shares
Interests in options:	1,500,001 options exercisable at $0.20 on or before 23 December 2016

Name:	Mr Andrew Bald
Title:	Non-executive Director (resigned 20 August 2013)
Experience and expertise:	Andrew Bald has 25 years' experience in banking and corporate finance, having advised private and ASX listed companies in a number of industries. Prior to his role as a corporate advisor, he was an investment banker managing balance sheet and trading risks as well as advising on a number of significant project financing transactions.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Interests in shares:	926,731 fully paid ordinary shares
Interests in options:	None

'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
Melanie Leydin resigned on 21 July 2014.

Mr Ranko Matic was appointed as Company Secretary from 21 July 2014.

Mr Matic is a Chartered Accountant with over 25 years experience in the areas of financial and executive management, accounting, audit, business and corporate advisory. Mr Matic is a director of a chartered accounting firm and a corporate advisory company based in West Perth, and has specialist expertise and exposure in areas of audit, corporate services, due diligence, mergers and acquisitions, and valuations.

Mr Matic has also acted as Chief Financial Officer and Company Secretary for companies in the private and public sector currently holds company secretarial roles with publicly listed companies.

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 2014, and the number of meetings attended by each director were:

	Board Meetings	
Director	**Number Eligible to attend**	**Number Attended**
Frank Knezovic (appointed 10 April 2014)	2	2
Peter Lloyd (appointed 10 April 2014)	2	2
Graham Walker (appointed 10 April 2014)	2	2
Philip Thick (appointed 3 October 2013 and resigned 10 April 2014)	7	8
Kevin Nichol (resigned 9 April 2014)	11	11
Ian Lovett (appointed 2 July 2013 and resigned 9 April 2014)	10	10
Danie Van Den Burgh (appointed 3 October 2013 and resigned 9 April 2014)	8	8
Peter Avery (resigned 29 October 2013)	6	6
Martin Bennett (appointed and resigned 20 August 2013)	0	0
Andrew Bald (resigned 20 August 2013)	0	0

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.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

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.

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 2013 Annual General Meeting

The 2013 Remuneration Report was voted for, without any commentary or discussion, at the 2013 Annual General Meeting, on a show of hands with proxy votes for of 35,177,150 (94.32%), 1,799,950 votes at Chairman's discretion (4.8%) and 319,020 votes against (0.88%) .

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of consolidated entity are set out in the following tables.

2014	**Short-term Benefits**				**Post-employment benefits**		**Share based Payments**				
Key Management Person	**Cash, salary & Commissions**	**Cash Profit Share**	**Non-Cash Benefit**	**Other**	**Super-annuation**	**Termination Payments**	**Equity**	**Options**	**Total**	**Performance Related**	**Remuneration Consisting of Options**
	$	$	$	$	$	$	$	$	$	%	%
Frank Knezovic	-	-	-	-	-	-	-	-	-	-	-
Peter Lloyd	-	-	-	-	-	-	-	-	-	-	-
Graham Walker	-	-	-	-	-	-	-	-	-	-	-
Phillip Thick	17,339	-		-	1,604	-	-	-	18,943	-	-
Kevin Nichol	248,858	-	-	17,000	-	198.814	-	11,000	475,672	-	2.3%
Ian Lovett	4,433	-	-	-	-	7,699	-	-	12,132	-	-
Danie Van Den	40,011-	-	-	87,500	-	162,666	-	-	290,177	-	-
Peter Avery	31,250				2,891	91,000			125,141		
Martin Bennett	-	-	-	-	-	-	-	-	-	-	-
Andrew Bald	-	-	-	-	-	-	-	-	-	-	-
	341,891	-	-	104,500	4,495	460,179	-	11,000	922,065	-	-

2013	**Short-term Benefits**				**Post-Employment Benefits**		**Share Based Payments**				
Key Management Person	**Cash, salary & Commissions**	**Cash Profit Share**	**Non-Cash Benefit**	**Other**	**Super-annuation**	**Termination Payments**	**Equity**	**Options**	**Total**	**Performance Related**	**Remuneration Consisting of Options**
	$	$	$	$	$	$	$	$	$	%	%
Peter Avery*	60,000	-	-	60,033	6,300	-	-	-	126,333	-	-
Rick Anthon	5,000	-	-	-	450	59,455	-	-	64,905	-	-
Andrew Bald	58,750	-	-	-	-	-	-	-	58,750		
Kevin Nichol	212,500	-	-	-	-	-	-	-	212,500	-	-
Matthew Bull**	128,850	-	-	-	12,133	-	23,140	-	164,123	-	-
	465,100	-	-	60,033	18,883	59,455	23,140	-	626,611	-	-

***** This amount includes $60,033 of consultants fees paid for services provided in relation to additional work completed during the year
** Terminated during the year.

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

The current Board of Directors, comprising Frank Knezovic, Peter Lloyd and Graham Walker have not yet entered into service agreements with the Company.

D Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Far Value per Option at grant date
22 November 2013	Immediately	30 November 2018	$0.09	$0.0022

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

	Number of options granted during the year		Number of options vested during the year	
Name	2014	2013	2014	2013
- Matthew Bull	-	1,000,000	-	1,000,000
- Kevin Nichol	5,000,000	-	5,000,000	-

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2014 are set out below:

	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the year
	$	$	$	%
Kevin Nichol	11,000	-	-	2.3%

Key Management Personnel Shareholding

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:

2014 *Ordinary shares*	Balance at the start of the year/ appointment	Received As part of Remuneration	Additions	Other	Balance at the end of the year
Frank Knezovic (appointed 10/4/14)	-	-	-	-	-
Peter Lloyd (appointed 10/4/14)	-	--	18,123,257	-	18,123,257
Graham Walker (appointed 10/4/14)	-	-	9,200,000	-	9,200,000
Phillip Thick (resigned 10/4/14)	-	-	2,790,000	(2,790.000)	-
Kevin Nichol (resigned 9/4/14)	2,489,800	-	-	(2,489,800)	-
Danie Van Den Bergh (resigned 9/4/14)	-	-	411,600	(411,600)	-
Ian Lovett (resigned 9/4/14)	-	-	102,424	(102,424)	-
Peter Avery (resigned 29/10/13)	3,000,003	-	5,465,000	(8,465,003)	-
Martin Bennett (resigned 20/8/13)	-		-	-	-
Andrew Bald (resigned 20/8/13)	926,731	-	-	(926,731)	-
	6,416,534	-	36,092,281	(15,185,558)	27,323,257

2013 *Ordinary shares*	Balance at the start of the year	Received as part of Remuneration	Additions	Other	Balance at the end of the year
Richard Anthon (resigned 25/7/12)	3,700,003	-	-	(3,700,033)	-
Kevin Nichol	1,000,003	-	1,489,797	-	2,489,800
Peter Avery	3,000,003	-	-	-	3,000,003
Andrew Bald	-	-	926,731	-	926,731
Matthew Bull (resigned)	956,077	-	-	(956,077)	-
	8,656,086	-	2,416,528	(4,656,080)	6,416,534

Key Management Personnel Option holding

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:

2014 *Options over ordinary shares*	Balance at start of the year	Granted	Exercised	Expired/ forfeited/Other	Balance at the end of the year
Peter Avery (resigned 29/10/13)	1,500,001	-	-	(1,500,001)	-
Kevin Nichol (resigned 9/4/14)	-	5,000,000	-	(5,000,000)	-
Phillip Thick (resigned 10/4/14)	-	1,000,000	-	(1,000,000)	-
Danie Van Den Bergh (resigned 9/4/14)	-	4,000,000	-	(4,000,000)	-
	1,500,001	5,000,000	-	(6,500,001)	-

2014 *Options over ordinary shares*	Vested and exercisable	Vested and Unexercisable	Vested at the end of the year
Peter Avery (resigned 29/10/13)	1,500,001	-	1,500,001
Kevin Nichol (resigned 9/4/14)	5,000,000	-	5,000,000
Phillip Thick (resigned 10/4/14)	1,000,000	-	1,000,000
Danie Van Den Bergh resigned (9/4/14)	4,000,000	-	4,000,000
	11,500,001	-	11,500,001

2013 *Options over ordinary shares*	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Peter Avery	1,500,001	-	-	-	1,500,001
Matthew Bull (resigned)	1,068,563	1,000,000	-	(2,068,563)	-
	2,568,564	1,000,000	-	(2,068,563)	1,500,001

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Discovery Africa Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 February 2012	23 December 2016	$0.20	24,898,005
10 February 2012	23 December 2016	$0.20	4,575,350
4 April 2012	23 December 2016	$0.20	13,424,650
8 February 2012	23 December 2016	$0.20	1,000,000
3 October 2013*	13 June 2017	$0.09	12,500,000
28 November 2013*	30 November 2018	$0.09	5,000,000
23 December 2013	23 December 2016	$0.20	100,000
			43,898,005

*Options are unlisted

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no shares of Discovery Africa Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

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

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

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

Non-audit services

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

Officers of the company who are former audit partners of Hall Chadwick
There are no officers of the company who are former audit partners of Hall Chadwick.

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.

Auditor
Hall Chadwick continues in office in accordance with section 327 of the Corporations Act 2001.

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

Frank Knezovic
Executive Chairman

30 September 2014

DISCOVERY AFRICA LIMITED ACN 147 324 847
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF DISCOVERY AFRICA LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

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

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
SYDNEY NSW 2000

Drew Townsend
Partner
Dated: 30 September 2014

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As an integral part of its preparations to list on the Australian Securities Exchange ("**ASX**"), the Consolidated Entity has considered and set up a framework for embracing the ASX Corporate Governance Principles and Recommendations with 2010 amendments ("**Recommendations**"). The Group has followed each of the Recommendations where the Board has considered the practices appropriate, taking into account factors such as size of the Group and the Board, the resources available to the Group and the activities of the Group. Where, after due consideration the Group's corporate governance policies depart from the Recommendations, the Board has outlined the nature of, and reason for, the adoption of its own practice.

Further information about the Company's corporate governance practices is available on the Company's web site at www.discoveryafrica.com.au.

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Group's practices depart from the Recommendations. As the Group's activities develop in size, nature and scope, further consideration will be given by the Board to the implementation of additional corporate governance structures.

	PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT	
	Recommendation	**Discovery Africa Limited Current Practice**
1.1	Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions	Satisfied. The Directors have adopted a Board Charter which outlines the role of the Board. Executive Director Consultancy Agreements outline functions of the executive directors. Non-executive Director appointment letters outline the terms and conditions of non-executive director appointments. As the Group recruits additional management, the roles and responsibilities of these persons will be considered and documented
1.2	Companies should disclose the process for evaluating the performance of senior executives	Not currently applicable. Other than the Directors the Company does not currently employ any senior executives. The full Board will be responsible for the appointment and will regularly review the performance of senior executives having regard to the Nomination and Remuneration Charters
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1 outlined in the Recommendations	Satisfied. Board Charter available at www.discoveryafrica.com.au
	PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE	
	Recommendation	**Discovery Africa Limited Current Practice**
2.1	A majority of the board should be independent directors	Not satisfied. Currently there is one independent director and two non-independent directors. The Board has been structured such that its composition and size will enable it to effectively discharge its responsibilities and duties. Each Director has the relevant industry experience and specific expertise relevant to the Company's business and level of operations. The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history. The Company considers that the non independent directors possess the skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's operations, the Company's shareholders are better served by directors who have a vested interest in the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint additional independent directors as it deems appropriate

2.2	The chair should be an independent director	Not satisfied. While the Board recognises the importance of independence in decision making, it does not comply with Recommendation 2.2. the size and the limited resources of the Company there would be no value to shareholders or the Company in having an independent Chairman at this point in time. This will be revisited should the nature or size of the operations change substantially. The Board believes that Mr Knezovic is the most appropriate person for the position as Chairman because of his experience and knowledge of the Company's operations and mineral projects
	Recommendation	**Discovery Africa Limited Current Practice**
2.3	Roles of chair and chief executive officer should not be exercised by same individual	Satisfied. The role of chairperson of the Board is exercised by Frank Knezovic and the role of the CEO is exercised by Peter Lloyd.
2.4	The board should establish a nomination committee	Not satisfied. The Company does not currently 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 Committee Charter setting out the board processes 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
2.5	Companies should disclose the process for evaluating the performance of its board, its committees and individual directors	Not satisfied. The Company has not yet established formal performance review measures or induction procedures for key executives nor has it established a separate nomination committee given the size and stage of the Company's operations. The full Board will review the performance of Directors and key executives on a regular basis
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2 outlined in the Recommendations	The skills and experience of directors are set out in the Company's Annual Report and on its website.
	PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING	
	Recommendation	**Discovery Africa Limited Current Practice**
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code.	Satisfied. Code of conduct and Trading in securities policy available at www.discoveryafrica.com.au
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Not Satisfied. After discussing the possibility of adopting a diversity policy at Board level it was determined that due to the nature and size of the current operation this would be of no value to the organisation. Currently there are only three board members, the Company Secretary and no other permanent members of staff. There are no immediate plans to increase the board size or staff in the organisation or to replace current employees or directors.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Not Satisfied. These have not been set as per above, due to the size and nature of the Company.

3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior positions and women on the board.	

	2013 No.	2013 %	2014 No.	2014 %
Women on the Board	0	0	0	0
Women in senior management roles	0	0%	0	0%
Women employees in the Company	0	0%	0	0%

3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3 outlined in the Recommendations	Reported in this Corporate Governance Statement.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

	Recommendation	Discovery Africa Limited Current Practice
4.1	The board should establish an audit committee	Satisfied. An audit committee has been established
4.2	The audit committee should be structured such that it: •Consists only of non-executive directors; •Consists of a majority of independent directors; •Is chaired by an independent chair, who is not the chair of the board; •Has at least three members	Not satisfied. The audit committee currently consists of the full board with two being non-executive directors. The Chairman of the Board is not the Chairman of the Audit Committee. The Board notes that ASX Corporate Governance Council recommends the audit committee have at least three members with the majority being independent non-executive directors however considering the current size of the Company and composition of the Board, the Board considers the current audit committee size and composition is sufficient at this stage
4.3	The audit committee should have a formal charter	Satisfied. Available at www.discoveryafrica.com.au
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4 outlined in the Recommendations.	Satisfied. The Company's Audit Committee Charter is available at www.discovery.com.au

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

	Recommendation	Discovery Africa Limited Current Practice
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy and Securities trading policy available at www.discoveryafrica.com.au
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5 outlined in the Recommendations	Satisfied. Refer 5.1

	PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS	
	Recommendation	**Discovery Africa Limited Current Practice**
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Satisfied. Communications with shareholders policy available at www.discoveryafrica.com.au
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6 outlined in the Recommendations	Satisfied. Refer 6.1
	PRINCIPLE 7 – RECOGNISE AND MANAGE RISK	
	Recommendation	**Discovery Africa Limited Current Practice**
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	Satisfied. Risk management program available at www.discoveryafrica.com.au The Board has considered the material risks impacting the Company and its Shares. Key risks impacting the Company will be reviewed and considered by management and the Board on a regular basis
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	Satisfied. The Board routinely consider risk management matters.
	Recommendation	**Discovery Africa Limited Current Practice**
7.3	The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the management system is operating effectively in all material aspects in relation to financial reporting	Satisfied. The Board has received a Section 295A declaration pursuant to the 2014 financial period.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Satisfied. Refer above

	PRINCIPLE 8 – REMUNERATE FARILY AND RESPONSIBLY	
	Recommendation	**Discovery Africa Limited Current Practice**
8.1	The board should establish a remuneration committee	Not satisfied. The Company currently does not have a separate Remuneration Committee and the full Board will consider matters of remuneration, in accordance with the Remuneration Committee Charter. The Company has adopted a Remuneration Committee Charter setting out the board processes to raise the issues that would otherwise be considered by the remuneration committee. Due to the structure of the Board, a separate remuneration committee is not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives. The Board considers that it is more appropriate that it set aside time at Board meetings to address matter that would normally fall to the remuneration committee. In addition all matter of remuneration will continue to be determined in accordance with the Corporations Act requirements, especially in relation to related party transactions. That is no director will participate in any deliberations regarding their own remuneration or related issues.
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors • Is chaired by an independent chair • Has at least three members	Not applicable – there is no remuneration committee. Refer 8.1 above.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Satisfied. The structure of directors remuneration is disclosed in the remuneration report of the Annual Report.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8 outlined in the Recommendations	Refer to the Remuneration Report in the Company's Annual Report. The Remuneration Committee Charter is available at www.discoveryafrica.com.au

Discovery Africa Limited
30 June 2014
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Revenue	5	50,699	503,092
Other income	6	60,702	19,263
Expenses			
Administration expenses		(274,099)	(110,589)
Corporate expenses		(776,025)	(307,355)
Employee benefits expense		(1,186,240)	(559,599)
Share-based payments		(11,220)	(23,140)
Exploration and evaluation expenditure		(407,899)	(803,673)
Impairment of Exploration Assets		(4,214,157)	-
Loss before income tax expense		(6,758,239)	(1,282,001)
Income tax expense	8	-	-
Loss after income tax expense for the year attributable to the owners of Discovery Africa Limited		(6,758,239)	(1,282,001)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Loss on the revaluation of available-for-sale financial assets, net of tax		(96,382)	(148,499)
Foreign currency translation		-	(769)
Other comprehensive income for the year, net of tax		(96,382)	(149,268)
Total comprehensive income/(loss) for the year		(6,854,621)	(1,431,269)
Net (loss) attributable to:			
Members of parent entity		(6,700,608)	(1,282,001)
Non-Controlling Interest		(57,631)	-
		(6,758,239)	(1,282,001)
Total comprehensive (loss) attributable to:			-
Members of the parent entity		(6,796,990)	(1,431,269)
Non-Controlling Interest		(57,631)	-
		(6,854,621)	(1,431,269)
		Cents	**Cents**
Basic earnings per share	30	(4.84)	(2.57)
Diluted earnings per share	30	(4.84)	(2.57)

The accompanying notes form part of these consolidated financial accounts

Discovery Africa Limited
30 June 2014
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 $	2013 $
Assets			
Current assets			
Cash and cash equivalents	9	200,999	2,034,266
Trade and other receivables	10	61,473	938,448
Available-for-sale financial assets	11	80,700	221,510
Other		8,989	126,607
Total current assets		352,161	3,320,831
Non-current assets			
Property, plant and equipment	13	2,807	2,621
Exploration and evaluation	14	2,715,579	89,990
Other	15	-	15,000
Total non-current assets		2,718,386	107,611
Total assets		3,070,547	3,428,442
Liabilities			
Current liabilities			
Trade and other payables	16	399,973	106,078
Total current liabilities		399,973	106,078
Total liabilities		399,973	106,078
Net assets		2,670,574	3,322,364
Equity			
Issued capital	17	12,348,620	5,893,325
Reserves	18	93,799	128,961
Accumulated losses		(9,458,161)	(2,699,922)
Parent Entity Interest		2,984,258	3,322,364
Non-Controlling interest		(313,684)	-
Total equity		2,670,574	3,322,364

The accompanying notes form part of these consolidated financial accounts

Discovery Africa Limited
30 June 2014
Statement of changes in equity
For the year ended 30 June 2014

	Issued Capital $	Accumulated Losses $	Reserves $	Non Controlling Interest $	Total equity $
Consolidated					
Balance at 1 July 2012	5,893,325	(1,417,921)	255,089	-	4,730,493
Loss after income tax expense for the year	-	(1,282,001)	-	-	(1,282,001)
Other comprehensive income for the year, net of tax	-	-	(149,268)	-	(149,268)
Total comprehensive income for the year	-	(1,282,001)	(149,268)	-	(1,431,269)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 18)	-	-	-	-	-
Share-based payments	-	-	23,140	-	23,140
Balance at 30 June 2013	5,893,325	(2,699,922)	128,961	-	3,322,364

	Issued Capital $	Accumulated Losses $	Reserves $	Non-Controlling Interest $	Total equity $
Consolidated					
Balance at 1 July 2013	5,893,325	(2,699,922)	128,961	-	3,322,364
Loss after income tax expense for the year	-	(6,758,239)	-	(57,631)	(6,815,870)
Other comprehensive income for the year, net of tax	-	-	(96,382)	-	(96,382)
Total comprehensive income for the year	-	(6,758,239)	(96,382)	(57,631)	(6,912,252)
Transactions with owners in their capacity as owners:					
Share Based Payments	-	-	11,220	-	11,220
Share Issue	7,200	-	-	-	7,200
Acquisition of Argosy Minerals	5,138,830	-	50,000	-	5,188,830
Acquisition of Exploration Assets	1,338,750	-	-	-	1,338,750
Share Issue Costs	(29,485)	-	-	-	(29,485)
Recognition of NCI upon acquisition of subsidiary	-	-	-	(297,777)	(297,777)
De-recognition of NCI upon decreasing in ownership of Argosy from 88.7% to 76.2%	-	-	-	41,724	41,724
Balance at 30 June 2014	12,348,620	(9,458,161)	93,799	(313,684)	2,670,574

The accompanying notes form part of these consolidated financial accounts

Discovery Africa Limited
30 June 2014
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(1,725,922)	(924,590)
Interest received		50,699	282,300
Other revenue		-	13,715
Net cash used in operating activities	29	(1,675,223)	(628,575)
Cash flows from investing activities			
Payments for investments		-	(124,612)
Payments for available-for-sale financial assets		-	(2,845,848)
Proceeds from repayment of loan		605,000	
Payments for exploration and evaluation		(853,991)	(104,156)
Payments for property, plant and equipment		(1,805)	(3,325)
Proceeds from sale of available-for-sale financial assets		104,362	2,962,908
Net cash used in investing activities		(146,434)	(115,033)
Cash flows from financing activities			
Proceeds from issue of shares (Argosy)		29,485	-
Payments for capital raising costs		(41,095)	-
Net cash from financing activities		(11,610)	-
Net increase/(decrease) in cash and cash equivalents		(1,833,267)	(743,608)
Cash and cash equivalents at the beginning of the financial year		2,034,266	2,778,643
Effects of exchange rate changes on cash		-	(769)
Cash and cash equivalents at the end of the financial year	9	200,999	2,034,266

The accompanying notes form part of these consolidated financial accounts

Note 1. General information

The financial report covers Discovery Africa Limited as a consolidated entity consisting of Discovery Africa Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Discovery Africa Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Discovery Africa Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1
12 Kings Park Road
West Perth WA 6005
Ph : (08) 9226 4500

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 30 September 2014. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 Boar('AASB') that are mandatory for the current reporting period. The first time adoption of these standards did not result in any changes to the Groups financial statements.

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

Going concern

During the financial year the consolidated entity incurred a loss of $6,758,239, predominantly as a consequence of the impairment on the assets in Argosy Minerals Ltd of $4,214,157 upon consolidation. The cash outflows from operating and exploration activities amounted to $1,675,223 and $853,990 respectively. As at 30 June 2014 the consolidated entity had cash and cash equivalents of $200,999, with a working capital deficit of $47,813 being current assets less current liabilities. Subsequent to the end of the financial period, Discovery Africa received a $300,000 loan repayment from Argosy Resources, improving the working capital position of the Group.

The Group has reduced their outgoings to a bare minimum, with directors currently not being paid in order to conserve the capital of the group. The review of all current projects will determine how assets are developed and will place the Group in a better position to arrange capital raisings. The ability of the Company to continue as a going concern is principally dependent upon the ability of the Company to secure funds by raising capital and managing cashflow in line with available funds. Although the Company has yet to arrange any capital raisings, it is confident that as a listed vehicle it will be in a position to and have the capacity to raise funds by a number of means, including but not limited to share placements, rights issues or share purchase plans.

The directors are therefore of the opinion that the going concern basis is appropriate for the preparation of the annual financial statements for the financial year ended 30 June 2014.

Note 2. Significant Accounting Policies (continued)

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Discovery Africa Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Discovery Africa Limited and its subsidiaries together are referred to in these financial statements as 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. 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 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. Significant Accounting Policies (continued)

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.

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.

Note 2. Significant Accounting Policies (continued)

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.

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 2. 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 as follows:

Computer equipment	2.5 years

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 2. Significant Accounting Policies (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 remeasures 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 remeasured and its subsequent settlement is accounted for within equity.

Note 2. 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.

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 period ended 30 June 2014. 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.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 ‘Financial Instruments’, and the relevant amending standards	1 January 2017	30 June 2015
AASB 1031 ‘Materiality’ (2013)	1 January 2014	30 June 2015
AASB 2012-3 “Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities’	1 January 2014	30 June 2015
AASB 2013-3 “Amendments to AASB 135 – Recoverable Amount Disclosures for Non Financial Assets’	1 January 2014	30 June 2015
AASB 2013-5 “Amendments to Australian Accounting Standards – Investment Entities’	1 January 2014	30 June 2015
AASB 2013-9 “Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments’	1 January 2014	30 June 2015

Note 3. 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 2. Significant Accounting Policies (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.

Note 4. Operating segments

Identification of reportable operating segments
The consolidated entity is organised into one operating segment: exploration for graphite, specialty metals and other mineral commodities in Africa (previously the consolidated entity operated in the Australian coal sector). This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

Note 5. Revenue

	Consolidated	
	2014	**2013**
	$	**$**
Facility fee income	-	55,000
Commissions received	-	6,250
Dividends received	-	3,500
Interest revenue	50,699	434,377
Other income	-	3,965
Revenue	50,699	503,092

Note 6. Other income

	Consolidated	
	2014	**2013**
	$	**$**
Net fair value gain on available-for-sale financial assets	60,702	19,263

Note 7. Expenses

	Consolidated	
	2014	**2013**
	$	**$**
Loss before income tax includes the following specific expenses:		
Depreciation		
Computer equipment	1,619	704
Superannuation expense		
Defined contribution superannuation expense	45,654	18,883

Note 8. Income tax expense

	Consolidated	
	2014	**2013**
	$	**$**
Reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense		
Adjustment for Loss before income tax expense	(6,758,239)	(1,282,001)
Tax at the statutory tax rate of 30%	(2,027,472)	(384,600)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of Share-based payments	3,300	6,942
Effect of Exploration Expenditure	(635,241)	(5,779)
Effect of Legal Fees	117,874	
Effect of Capital Loss	1,418,576	
Effect of other	20,489	192,890
Effect of deferred tax assets not brought into account	1,102,574	190,547
Income tax attributable to operating loss	-	-
Income tax expense	-	-

	Consolidated	
	2014	**2013**
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	5,859,628	2,184,381

The benefit of these losses has not been brought to account at 30 June 2014 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 company 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 company 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 company and its subsidiaries in realising the benefit of the losses.

Note 9. Current assets - cash and cash equivalents

	Consolidated 2014 $	Consolidated 2013 $
Cash at bank	200,999	2,034,266

Note 10. Current assets - trade and other receivables

	Consolidated 2014 $	Consolidated 2013 $
Other receivables	22,829	66,026
Loans receivable	-	605,000
Interest receivable	-	252,197
GST receivable	38,644	15,225
	61,473	938,448

The average credit period on trade and other receivables is 30 days. Due to the short term nature of the receivables their carrying value is assumed to approximate their fair value. No collateral or security is held. No interest is charged on the receivables. The consolidated entity has financial risk management policies in place to ensure that all receivables are received within the credit timeframe.

During the 2012 financial year, the Company provided a loan to another entity with a principal amount of $550,000. The Company generated income of $55,000 in consideration for providing this loan by way of a facility during the previous year. The Company generated a further $55,000 in consideration for renewal of the loan during the current financial year. The interest amount payable on the outstanding Principal is 5% per month, payable without deduction. This loan was repaid in full on 24 July 2013, when the Company received in full the loan receivable of $605,000, plus the interest accrued of $245,000.

Note 11. Current assets - available-for-sale financial assets

	Consolidated 2014 $	Consolidated 2013 $
Shares in listed entities	80,700	221,510

Reconciliation

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

	2014 $	2013 $
Opening fair value	221,510	467,805
Additions	-	2,845,848
Disposals	(43,659)	(2,943,644)
Revaluation decrements	(97,151)	(148,499)
Closing fair value	80,700	221,510

Refer to note 19 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 12. Current assets – other

	Consolidated 2014 $	Consolidated 2013 $
Prepayments	2,123	126,607
Loan Receivable	6,866	-
	8,989	126,607

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2014 $	Consolidated 2013 $
Computer equipment - at cost	5,130	3,325
Less: Accumulated depreciation	(2,323)	(704)
	2,807	2,621
	2,807	2,621

Reconciliations

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

Consolidated	**Computer Equipment $**	**Total $**
Balance at 1 July 2012	-	-
Additions	3,325	3,325
Depreciation Expense	(704)	(704)
Balance at 30 June 2013	2,621	2,621
Additions	1,805	1,805
Depreciation expense	(1,619)	(1,619)
Balance at 30 June 2014	2,807	2,807

Note 14. Non-current assets - exploration and evaluation

	Consolidated 2014 $	Consolidated 2013 $
Exploration and evaluation	2,715,579	89,990

Reconciliations

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

Consolidated	Exploration & Evaluation $	Total $
Balance at 1 July 2012	855,531	855,531
Expenditure during the year	38,132	38,132
Write off of assets	(803,673)	(803,673)
Balance at 30 June 2013	89,990	89,990
Additions through Argosy Minerals takeover	5,815,454	884,747
Expenditure	1,432,191	2,148,741
Impairment of Exploration Assets in Argosy	(4,214,157)	-
Write off of Exploration Expenditure	(407,899)	(233,443)
Balance at 30 June 2014	2,715,579	2,890,035

During the previous year, the consolidated entity relinquished the exploration permits for coal in the West Galilee project. As a result of this relinquishment, the initial investment amounts and subsequent exploration costs incurred has been written off.

Note 15. Non-current assets – other

	Consolidated 2014 $	Consolidated 2013 $
Security deposits	-	15,000

Note 16. Current liabilities - trade and other payables

	Consolidated 2014 $	Consolidated 2013 $
Trade payables	366,948	59,608
Other payables	33,025	46,470
	399,973	106,078

Refer to note 19 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 17. Equity - issued capital

	Consolidated		Consolidated	
	2014 Shares	2013 Shares	2014 $	2013 $
Ordinary shares - fully paid	200,734,698	49,796,009	12,348,620	5,850,427
Options over shares		-	-	42,898
	200,734,698	49,796,009	12,348,620	5,893,325

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2012	49,976,009		5,893,325
Balance	30 June 2013	49,796,009		5,893,325
Share Issue Argosy – 1st tranche	7 October 2013	92,678,710	$0.046	4,263,221
Share Issue Argosy – 2nd Tranche	8 November 2013	17,188,377	$0.046	790,435
Share Issue – purchase Argosy tenement	8 November 2013	1,025,000	$0.030	30,750
Share Issue Argosy – 3rd Tranche	9 December 2013	1,851,602	$0.046	85,174
Share Issue – consultants fee	10 December 2013	200,000	$0.036	7,200
Share Issue – Hatua Acquisition	20 March 2014	10,000,000	$0.036	300,000
Share Issue – Ugandan Tenements	4 April 2014	28,000,000	$0.036	1,008,000
Less costs of raising capital		-		(29,485)
Balance	30 June 2014	200,734,698		12,348,620

Ordinary shares

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.

Options on issue
There are no participating rights or entitlements inherent in the options and optionholders will not be entitled to participate in new issues of capital to Shareholders during the currency of the options.

A option does not confer the right to a change in exercise price or change in the number of underlying securities over which the option be exercised.

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

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.

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 18. Reserves

	Consolidated	
	2014	**2013**
	$	**$**
Available-for-sale reserve	(446,735)	(349,584)
Foreign currency reserve	-	(769)
Option reserve	540,534	479,314
	93,799	128,961

	Foreign currency	Available-for-sale	Options	Total
	$	$	$	$
Consolidated				
Balance at 1 July 2012		(201,085)	456,174	255,089
Revaluation - gross	-	(148,499)	-	(148,499)
Foreign currency translation	(769)	-	-	(769)
Share based payments	-	-	23,140	23,140
Balance at 30 June 2013	(769)	(349,584)	479,314	128,961
Revaluation - gross	-	(97,151)	-	(97,151)
Foreign currency translation	769	-	-	(769)
Share based payments	-	-	61,220	61,220
Balance at 30 June 2014	-	(446,735)	540,534	93,799

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

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

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 19. Financial instruments

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, in relation to its Singapore-based subsidiary Baru Resources Pte Ltd.

The transactions entered into by, and the financial assets and liabilities of, Discovery Africa Pte Ltd are not significant in the current or prior financial 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. Loans advanced are at fixed rates and therefore not subject to interest rate risk.

As at the reporting date, the consolidated entity had the following variable rate borrowings and interest rate swap contracts outstanding:

	2014		2013	
	Weighted average interest rate	**Balance**	**Weighted average interest rate**	**Balance**
Consolidated	**%**	**$**	**%**	**$**
Cash at bank	2.08	200,999	3.43	2,034,266
Net exposure to cash flow interest rate risk		200,299		2,034,266

Note 19. Financial Instruments – continued

Consolidated - 2014	Basis points increase: Basis points change	Effect on profit before tax	Effect on equity	Basis points decrease: Basis points change	Effect on profit before tax	Effect on equity
Cash at bank	100	24,622	24,622	100	(24,622)	(24,622)

Consolidated - 2013	Basis points increase: Basis points change	Effect on profit before tax	Effect on equity	Basis points decrease: Basis points change	Effect on profit before tax	Effect on equity
Cash at bank	75	15,257	15,257	75	(15,257)	(15,257)

An increase/decrease in interest rates of 75 basis points (0.75%) would have a favourable/adverse affect on profit before tax of $24,622 per annum. 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.

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 – 2014	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	399,973	-	-	-	399,973
Total non-derivatives		399,973	-	-	-	399,973

Note 19. Financial Instruments (continued

Consolidated – 2013	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	106,078	-	-	-	106,078
Total non-derivatives		106,078	-	-	-	106,078

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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 - 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available-for-sale financial assets - shares in listed entities	80,700	-	-	80,700
Total assets	80,700	-	-	80,700

Consolidated - 2013	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Available-for-sale financial assets - shares in listed entities	221,510	-	-	221,510
Total assets	221,510	-	-	221,510

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 20. Key management personnel disclosures

Directors

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

- Mr Andrew Bald resigned on 20 August 2013
- Mr Martin Bennett was appointed and resigned as Alternate Non Executive Director on 20 August 2013
- Mr Peter Avery resigned on 29 October 2013
- Mr Ian Lovett was appointed on 2 July 2013 and resigned 9 April 2014
- Mr Danie Van Den Bergh was appointed on 3 October 2013 and resigned 9 April 2014
- Mr Kevin Nichol resigned 9 April 2014
- Mr Philip Thick was appointed on 3 October 2013 and resigned 10 April 2014
- Mr Frank Knezovic was appointed on 10 April 2014
- Mr Peter Lloyd was appointed on 10 April 2014
- Mr Graham Walker was appointed on 10 April 2014

Note 20. Key management personnel disclosures (continued)

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:

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2014	2013
	$	$
Short-term employee benefits	446,391	618,133
Post-employment benefits	4,495	18,883
Termination benefits	460,179	59,455
Share-based payments	11,000	23,140
	922,065	719,611

Shareholding

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:

2014	Balance at the start of the year/ Appointment	Received as part of remuneration	Additions	Other	Balance at the end of the year
Ordinary shares					
Frank Knezovic (appointed 10/4/14)	-	-	-	-	-
Peter Lloyd (appointed 10/4/14)	-	--	18,123,257	-	18,123,257
Graham Walker (appointed 10/4/14)	-	-	9,200,000	-	9,200,000
Phillip Thick (resigned 10/4/14)	-	-	2,790,000	(2,790.000)	-
Kevin Nichol (resigned 9/4/14)	2,489,800	-	-	(2,489,800)	-
Danie Van Den Bergh (resigned 9/4/14)	-	-	411,600	(411,600)	-
Ian Lovett (resigned 9/4/14)	-	-	102,424	(102,424)	-
Peter Avery (resigned 29/10/13)	3,000,003	-	5,465,000	(8,465,003)	-
Martin Bennett (resigned 20/8/13)	-		-	-	-
Andrew Bald (resigned 20/8/13)	926,731	-	-	(926,731)	-
	6,416,534	-	36,092,281	(15,185,558)	27,323,257

2013	Balance at the start of the year	Received as part of Remuneration	Additions	Other	Balance at the end of the year
Ordinary shares					
Richard Anthon (resigned 25/7/12)	3,700,003	-	-	(3,700,033)	-
Kevin Nichol	1,000,003	-	1,489,797	-	2,489,800
Peter Avery	3,000,003	-	-	-	3,000,003
Andrew Bald	-	-	926,731	-	926,731
Matthew Bull (resigned)	956,077	-	-	(956,077)	-
	8,656,086	-	2,416,528	(4,656,080)	6,416,534

Note 20. Key management personnel disclosures (continued)

Option holding
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:

2014	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other	Balance at the end of the year
Options over ordinary shares					
Peter Avery (resigned 29/10/13)	1,500,001	-	-	(1,500,001)	-
Kevin Nichol (resigned 9/4/14)	-	5,000,000	-	(5,000,000)	-
Phillip Thick (resigned 10/4/14)	-	1,000,000		(1,000,000)	-
Danie Van Den Bergh (resigned 9/4/14)	-	4,000,000		(4,000,000)	-
	1,500,001	10,000,000	-	(6,500,001)	-

2014	Vested and exercisable	Vested and Unexercisable	Vested at the end of the year
Options over ordinary shares			
Peter Avery (resigned 29/10/13)	1,500,001	-	1,500,001
Kevin Nichol (resigned 9/4/14)	5,000,000	-	5,000,000
Phillip Thick (resigned 10/4/14)	1,000,000		1,000,000
Danie Van Den Bergh (resigned 9/4/14)	4,000,000		4,000,000
	11,500,001	-	11,500,001

2013	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Peter Avery	1,500,001	-	-	-	1,500,001
Matthew Bull (resigned)	1,068,563	1,000,000	-	(2,068,563)	-
	2,568,564	1,000,000	-	(2,068,563)	1,500,001

Related party transactions
Related party transactions are set out in note 24.

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Hall Chadwick, the auditor of the company:

	Consolidated	
	2014	**2013**
	$	**$**
Audit services - Hall Chadwick		
Audit or review of the financial statements	27,800	32,645

Note 22. Contingent liabilities

The consolidated entity had no contingent liabilities at 30 June 2014 and 2013.

Note 23. Commitments

	Consolidated	
	2014	2013
	$	$
Exploration and evaluation assets		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	92,092	145,600
One to five years	84,184	582,500
	176,276	728,100

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

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.

Note 24. Related party transactions

Parent entity
Discovery Africa Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 27..

Key management personnel
Disclosures relating to key management personnel are set out in note 20 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2014	2013
	$	$
Payment for other expenses:		
Consulting fees paid to Kevin Nichol in relation to his management of the Singapore entity	17,000	-
Consulting fees paid to Sindise Mining in relation to consulting fees, a related party to Danie Van Den Bergh	87,500	-

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2014	2013
	$	$
Loss after income tax	(6,512,288)	(1,409,608)
Total comprehensive income	(6,512,288)	(1,409,608)

Statement of financial position

	Parent	
	2014	2013
	$	$
Total current assets	668,669	3,197,192
Total non-current assets	2,840,243	93,295
Total assets	3,508,912	3,290,487
Total current liabilities	328,828	83,502
Total liabilities	328,828	83,502
Equity		
Issued capital	12,348,620	5,893,325
Available-for-sale reserve	(446,735)	(349,584)
Share-based payments reserve	540,534	479,314
Accumulated losses	(9,262,335)	(2,816,070)
Total equity	3,180,084	4,741,952

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its controlled entities as at 30 June 2014 and 2013.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2014 and 2013.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment.

Note 26. Business Combinations

On 2 July 2013 the company announced that it had signed a Takeover Bid Implementation Deed under which proposed that Discovery Africa Limited would acquire all of the issued shares of Argosy Minerals Limited ("Argosy") in a share based transaction by way of an off-market takeover offer. Under the offer Argosy shareholders were to receive one new Discovery Africa share for every one Argosy share held.

As at 31 December 2013, Discovery Africa had issued 111,713,689 ordinary shares in exchange for Argosy shares, to obtain a controlling interest of 88.64% of Argosy's share capital.

On 14 April 2014 Argosy Minerals announced that it had completed its Rights Issue, which Discovery Africa did not participate in. This resulted in Argosy issuing 20,547,284 shares, which then reduced the shareholding Discovery Africa held in Argosy to 76.22%.

Subsequent to the financial year end, on 4 July 2014, Argosy announced to the market that it had entered into a capital raising agreement for the recapitalisation of Argosy with new independent and sophisticated investors. The recapitalisation included the immediately placement of 213,510,926 shares and a subsequent raising of $300,000 through a convertible notes issue.

The issue of the Argosy Shares was completed on 10 July 2014 and as a result the shareholding in Argosy, held by Discovery Africa reduced to 29.55%. At this date Argosy Minerals Ltd ceased being a subsidiary of Discovery Africa Ltd.

Details of the Acquisition are as follows:

	Fair value
	$
Cash and Cash Equivalents	59,247
Other receivables	19,355
Plant and Equipment	7,322
Exploration and Evaluation	5,815,454
Trade Payables	(29,138)
Other Payables	(24,901)
Net assets acquired	5,847,339
Subsequent impairment of Exploration & Evaluation Assets	(4,214,157)
Goodwill	(314,075)
	1,319,107
Acquisition- date fair value of the total consideration transferred:	
Representing	
Discovery Africa Limited shares issue to vendor	5,188,830
Discovery Africa Shares issued for tenement acquisition	30,750
Subsequent Impairment of exploration assets	(4,214,157)
Non-controlling interest	313,684
	1,319,107

Note 27. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name of entity	Country of incorporation	Equity holding 2014 %	Equity holding 2013 %
Baru Resources Pte Ltd*	Singapore	100.00	100.00
West Galilee Exploration Pty Ltd **	Australia	100.00	100.00
Argosy Minerals Ltd***	Australia	76.22%	-

* Incorporated on 28 January 2011.
** Acquired on 2 April 2012
*** Included as subsidiary on 1 October 2013

Note 28. Events after the reporting period

On the 10 July 2014, Argosy Minerals announced it have completed a recapitalisation which included the immediate placement of 213,510,926 shares and a subsequent raising of $300,000 through a convertible notes issue. As a result the shareholding in Argosy, held by Discovery Africa reduced to 29.55% and Argosy Minerals Ltd ceased being a subsidiary of Discovery Africa Ltd.

Upon the successful convertible notes issue by Argosy Minerals, Argosy repaid $300,000 to Discovery Africa and will issue 50,000,000 fully paid ordinary shares at a deemed issue price of $0.002 to Discovery Africa as full and final satisfaction of the remaining loan outstanding to Discovery Africa. The share issue to Discovery Africa will be subject to shareholder approval. These shares have yet to be issued.

On 21 July 2014, the Company appointed Ranko Matic as Company Secretary, with Melanie Leydin subsequently resigning and changed its Registered address to Level 1, 12 Kings Park Road, West Perth WA 6005. The Company also changed the management of its share registry to Automic Registry Services

No other matters or circumstances have arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 29. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2014 $	Consolidated 2013 $
Loss after income tax expense for the year	(6,758,239)	(1,282,001)
Adjustments for:		
Depreciation and amortisation	1,619	704
Share-based payments	11,220	23,140
Exploration expenditure written off	407,899	803,673
Impairment of exploration expenditure	4,214,157	-
Loss on sale of available-for-sale financial assets	(60,702)	(19,263)
Facility fee income	-	(55,000)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	271,975	(156,739)
Decrease/(increase) in prepayments	124,484	13,731
Increase/(decrease) in trade and other payables	112,364	50,009
Decrease in employee benefits	-	(6,829)
Net cash used in operating activities	(1,675,223)	(1,048,231)

Note 30. Earnings per share

	Consolidated	
	2014	**2013**
	$	**$**
Loss after income tax attributable to the owners of Discovery Africa Limited	(6,758,239)	(1,282,001)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	139,619,495	49,796,009
Weighted average number of ordinary shares used in calculating diluted earnings per share	139,619,495	49,796,009
	Cents	**Cents**
Basic earnings per share	(4.84)	(2.57)
Diluted earnings per share	(4.84)	(2.57)

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.

Discovery Africa Limited

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 2 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 2014 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

Frank Knezovic
Executive Director

30 September 2014

DISCOVERY AFRICA LIMITED
ACN 147 324 847
AND CONTROLLED ENTITIES

INDEPENDENT AUDIT REPORT TO
THE MEMBERS OF DISCOVERY AFRICA LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Discovery Africa Limited which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

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 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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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HALLCHADWICK

DISCOVERY AFRICA LIMITED
ACN 147 324 847
AND CONTROLLED ENTITIES

INDEPENDENT AUDIT REPORT TO
THE MEMBERS OF DISCOVERY AFRICA LIMITED

Auditor's Opinion

In our opinion:

a. the financial report of Discovery Africa Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entities financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 "Going Concern" in the financial report which indicates that the consolidated entity incurred a net loss of $6,758,239 during the period ended 30 June 2014 with a net cash outflow of $1,675,223 These conditions, along with other matters as set forth in Note 2 "Going Concern" indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 30 June 2014**.** 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.

Auditor's Opinion

In our opinion, the remuneration report of Discovery Africa Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
SYDNEY NSW 2000

Drew Townsend
Partner
Date: 30 September 2014

Discovery Africa Limited
30 June 2014
Shareholder information

The shareholder information set out below was applicable as at 26 September 2014.

Distribution of equitable securities

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

	Number of holders of ordinary Shares	Number Of holders Of listed Options
1 to 1,000	130	0
1,001 to 5,000	298	95
5,001 to 10,000	295	26
10,001 to 100,000	527	163
100,001 and over	264	59
	1,514	343
Holding less than a marketable parcel	1,436	343

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 Issued
Michael John Cross	18,500,000	9.22
Sunbreaker Holdings Pty Ltd <Lloyd Super Fund A/C>	16,786,546	8.36
Graham Geoffrey Walker & Thelma Jean Walker <Walker super fund a/c>	4,700,000	2.34
Graham Geoffrey Walker & Thelma Jean Walker	4,100,000	2.04
Dawesville Nominees Pty Ltd <Peter Avery Super Fund A/C>	3,880,000	1.93
J & TW Dekker Pty Ltd <J & TW Dekker Family A/C>	3,700,000	1.84
Westoria Resources Investments Limited	3,333,333	1.66
Didier Marcel Murcia <Artemis Corporate Ltd A/C>	3,333,333	1.66
Kabunga Holdings Pty Ltd <Kabunga Family A/c>	3,166,667	1.58
Frontier Exploration 2Limited	3,133,138	1.56
Namibia Pty Ltd <The Anthon Family S/Fund A/C>	3,000,003	1.49
Dawesville Nominees Pty Ltd <Peter Avery Super Fund A/C>	3,000,003	1.49
E C Dawson Super Pty Ltd <The Dawson Super Fund A/C>	2,340,000	1.17
Citicorp Nominees Pty Limited	2,159,338	1.08
Frollo Enterprises Limited	2,139,000	1.07
Mr Peter Avery	2,000,000	1.00
Beny Manuru	2,000,000	1.00
Mr Frengky Manuru	1,989,800	0.99
Mr Steven Panomarenko	1,501,065	0.75
Gaje Pty Ltd <Laguna Super Fund>	1,500,000	0.75
	86,262,226	42.97

	Options over ordinary shares (BACO) Number held	% of total Options Issued
Hawera Pty Ltd <The Bailey Family A/C>	4,570,700	10.39
Beny Manuru	3,000,000	6.82
Tranaj Nominees Pty Ltd <FT Family A/C>	2,518,500	5.72
Mr Matthew N Bull	2,020,000	4.59
Dawesville Nominees Pty Ltd <Peter Avery Super Fund A/C>	1,620,001	3.68
Namibia Pty Ltd <The Anthon Family Super Fund A/C>	1,500,001	3.41
Songlake Pty Ltd <Songlake Super Fund A/C>	1,395,000	3.17
PT Sarana M Adijaya	1,244,700	2.83
Nambia Pty Ltd <The Anthon Family Super Fund A/C>	1,200,000	2.73
Frengky Manuru	1,061,900	2.41
Mr Peter James Avery	1,000,000	2.27
Smongo Pty Ltd <Smongo Super Fund A/C>	1,000,000	2.27
Gold Coast City Developments Pty Ltd	972,181	2.21
Hawera Pty Ltd	844,724	1.91
PT Sarana Mukti Adijaya	840,724	1.91
Treluc Investments Pty Ltd	791,000	1.80
Mr Kong H Tan & Mrs Mary M W Ang	662,500	1.51
Vaplan Pty Ltd <Troy R Valentine FAM S/F A/C>	655,530	1.49
Soprano Investments (WA) Pty Ltd <MJ Marano Superfund A/C>	650,000	1.48
J & TW Dekker Pty Ltd <J & TW Dekker Family A/C>	600,000	1.36
	28,147,281	63.97

Unquoted equity securities

	Number on issue	Number of holders
Options exercisable at $0.09 (9 cents) on or before 13 June 2017	12,500,000	3
Options exercisable at $0.09 (9 cents) on of before 30 November 2018	5,000,000	1

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares Number held	% of total Shares Issued
Mr John Cross	18,500,000	9.22
Sunbreaker Holdings Pty Ltd <Lloyd Super Fund A/C>	16,786,546	8.36

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.