



DISCOVERY
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Discovery Africa Limited

ACN 147 324 847

Half-year Financial Report - 31 December 2018

Discovery Africa Limited
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31 December 2018

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Discovery Africa Limited
Corporate Directory
31 December 2018

Directors	Peter Lloyd (Non-Executive Director) Graham Walker (Non-Executive Director) Jerko Zuvella (Non-Executive Director)
Company Secretary	Alan Thomas
Registered Office	18 Sangiorgio Court Osborne Park WA 6017
Principal place of business	18 Sangiorgio Court Osborne Park WA 6017
Share Register	Automatic Registry Services Level 2 267 St Georges Terrace Perth WA 6000
Auditor	Rothsay Chartered Accountants Level 1, Lincoln House 4 Ventnor Ave West Perth WA 6005
Bankers	National Australia Bank Level 1 1238 Hay Street West Perth WA 6005
Securities Exchange Listing	Discovery Africa Limited shares are listed on the Australian Securities Exchange (ASX code: DAF)
Website	www.discoveryafrica.com.au

Discovery Africa Limited
Directors' Report
31 December 2018

The directors present their report, together with the financial statements of the consolidated entity consisting of Discovery Africa Limited ("DAF" or "the Company") and the entity it controls ("the Group") for the half year ended 31 December 2018.

Directors

The names of the directors in office at any time during the whole of the half year and up to the date of this report are:-

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

Review of Operations

Principal Activities

The principal activity for the Group for the financial period was mineral exploration, with a focus in Australia. There were no significant changes in the nature of the Group's principal activities during the half year.

The consolidated net loss of the Group after income tax for the half year ended 31 December 2018 amounted to \$476,624 (31 December 2017: net profit of \$97,382).

Operations Report

Gold Projects (Western Australia)

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

This option period was extended in April 2018 for a further 6 months, and in October 2018 it was extended for a further 12 months in respect of the Pinyalling Gold Project, with key terms of the Agreement remaining similar. The Cue Gold Project was relinquished in the September 2018 quarter.

Pinyalling Gold Project

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

The Company is planning to conduct further interpretation of the initial soil and auger sampling program results (as reported in previous periods) to determine where additional sampling may be required, to test extensions to the anomalous gold detected in surface sampling, and in parallel, the Company will review and rank the targets generated at the Pinyalling Project from the reprocessed aerial magnetic data.

Other

The Company continues to work to identify and review other new projects or asset acquisition opportunities, to enhance its project portfolio with an aim to increase the overall value proposition of the Company and ensure it is best placed to deliver value and upside potential for all its shareholders.

Legal Proceedings

The Company continued legal proceedings during the half-year against former directors, Mr Kevin Nichol (Mr Nichol) and Mr Danie Van den Bergh (Mr Van den Bergh) as previously disclosed.

The Company is also pursuing legal proceedings against Mr Phillip Thick and Mr Peter Avery and solicitors, CBP Pty Ltd.

On 26 March 2018, a court mandated mediation occurred. The parties were unable to resolve the matter. The Company continues to pursue its claims.

Dividends Paid or Recommended

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

Discovery Africa Limited
Directors' Report
31 December 2018

Events After the Balance Sheet Date

No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Lloyd
Non-Executive Director
26 February 2019
Perth

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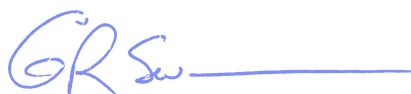
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Discovery Africa Limited
18 Sangiorgio Court
Osborne Park WA 6017

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the 31 December 2018 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



Graham R Swan FCA (Lead auditor)

Rothsay Auditing

Dated 26th February 2019



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Discovery Africa Limited
Consolidated Statement of Profit or Loss and Other comprehensive Income
For the half-year ended 31 December 2018

	Note	Consolidated 31 December 2018 \$	31 December 2017 \$
Revenue			
Royalty income		4,252	-
Interest income		2,323	1,564
Profit on sale of available-for-sale financial assets		-	392,573
Expenses			
Administration expenses		(5,417)	(5,914)
Litigation expenses		(135,748)	(117,439)
Employment expenses		(101,136)	(100,000)
Corporate expenses		(84,898)	(73,402)
Share based payment	10	<u>(156,000)</u>	<u>-</u>
Profit/(loss) before income tax expense		(476,624)	97,382
Income tax expense		<u>-</u>	<u>-</u>
Profit/(loss) after income tax expense for the half-year		(476,624)	97,382
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Profit/(loss) on the revaluation of available-for-sale financial assets, net of tax		<u>(24,947)</u>	<u>(166,500)</u>
Other comprehensive income for the half-year, net of tax		<u>(24,947)</u>	<u>(166,500)</u>
Total comprehensive income/(loss) for the half-year		<u>(501,571)</u>	<u>(69,118)</u>
Earnings per Share			
		Cents	Cents
Basic earnings/(loss) per share		(0.26)	0.05
Diluted earnings/(loss) per share		(0.26)	0.05

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Discovery Africa Limited
Consolidated Statement of Financial Position
As at 31 December 2018

	Note	Consolidated 31 December 2018 \$	30 June 2018 \$
Assets			
Current Assets			
Cash and cash equivalents	4	532,753	903,492
Trade and other receivables	5	289,337	316,292
Available-for-sale financial assets	6	35,510	60,458
Total Current Assets		<u>857,600</u>	<u>1,280,242</u>
Non-Current Assets			
Capitalised exploration and evaluation expenditure	7	35,664	31,365
Total Non-Current Assets		<u>35,664</u>	<u>31,365</u>
Total Assets		<u>893,264</u>	<u>1,311,607</u>
Liabilities			
Current Liabilities			
Trade and other payables		294,745	367,517
Total Current Liabilities		<u>294,745</u>	<u>367,517</u>
Total Liabilities		<u>294,745</u>	<u>367,517</u>
Net Assets		<u>598,519</u>	<u>944,090</u>
Equity			
Issued capital	8	12,237,620	12,237,620
Reserves	9	819,514	688,461
Accumulated losses		<u>(12,458,615)</u>	<u>(11,981,991)</u>
Total Equity		<u>598,519</u>	<u>944,090</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Discovery Africa Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2018

	Contributed equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Consolidated				
Balance as at 1 July 2017	12,348,620	877,104	(11,706,593)	1,519,131
Other Comprehensive Income				
Loss after income tax expense for the half-year	-	-	97,382	97,382
Other comprehensive income for the half-year, net of tax	-	(166,500)	-	(166,500)
Total comprehensive income/(loss) for the half-year	<u>-</u>	<u>(166,500)</u>	<u>97,382</u>	<u>(69,118)</u>
Transactions with owners in their capacity as owners				
Shares cancelled during the half-year	(111,000)	-	-	(111,000)
Total contributions by owners	<u>(111,000)</u>	<u>-</u>	<u>-</u>	<u>(111,000)</u>
Balance as at 31 December 2017	<u>12,237,620</u>	<u>710,604</u>	<u>(11,609,211)</u>	<u>1,339,013</u>
Balance as at 1 July 2018	12,237,620	688,461	(11,981,991)	944,090
Other Comprehensive Income				
Loss after income tax expense for the half-year	-	-	(476,624)	(476,624)
Other comprehensive income for the half-year, net of tax	-	(24,947)	-	(24,947)
Total comprehensive income/(loss) for the half-year	<u>-</u>	<u>(24,947)</u>	<u>(476,624)</u>	<u>(501,571)</u>
Transactions with owners in their capacity as owners				
Issue of shares and options during the period	-	156,000	-	156,000
Total contributions by owners	<u>-</u>	<u>156,000</u>	<u>-</u>	<u>156,000</u>
Balance as at 31 December 2018	<u>12,237,620</u>	<u>819,514</u>	<u>(12,458,615)</u>	<u>598,519</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Discovery Africa Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2018

	Note	Consolidated 31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(373,015)	(241,492)
Payments for exploration and evaluation		(4,299)	(14,719)
Interest received		2,323	1,564
Royalties		4,252	-
		<u>(370,739)</u>	<u>(254,647)</u>
Net cash (used in) operating activities			
Cash flows from investing activities			
Proceeds from sale of investments		-	398,073
		<u>-</u>	<u>398,073</u>
Net cash from investing activities			
Net increase in cash and cash equivalents		(370,739)	143,426
Cash and cash equivalents at the beginning of the financial half-year		903,492	1,190,364
Reclassification of amounts held in trust		-	(83,911)
		<u>-</u>	<u>(83,911)</u>
Cash and cash equivalents at the end of the financial half-year	4	<u>532,753</u>	<u>1,249,879</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Discovery Africa Limited
Notes to the Financial Statements
31 December 2018

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:

18 Sangiorgio Court
Osborne Park WA 6017
Ph : (08) 6168 8000

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 26 February 2019. The directors have the power to amend and reissue the financial report.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

Reporting Basis and Conventions

The half year financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Note 3. Operating segments

Identification of reportable operating segments

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

Discovery Africa Limited
Notes to the Financial Statements
31 December 2018

Note 3. Operating segments (continued)

Identification of reportable operating segments (continued)

31 December 2018	Graphite	Gold	Unallocated	Total
	\$	\$	\$	\$
Revenue	-	4,252	2,323	6,575
Profit/(loss) before income tax	-	4,252	(480,876)	(476,624)
Total segment assets	-	35,664	857,600	893,264
Total segment liabilities	-	-	294,745	294,745

30 June 2018	Graphite	Gold	Unallocated	Total
	\$	\$	\$	\$
Revenue	-	7,562	395,782	403,344
Profit/(loss) before income tax	-	7,562	(282,960)	(275,398)
Total segment assets	-	31,365	1,280,242	1,311,607
Total segment liabilities	-	-	367,517	367,517

Note 4. Current Assets – Cash and Cash Equivalents

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Cash at bank	532,753	903,492
	<u>532,753</u>	<u>903,492</u>

Note 5. Current Assets – Trade and Other Receivables

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Funds held in trust	83,911	83,911
Prepayments	-	14,192
GST receivable	17,607	30,370
Sundry receivable – legal trust account	187,819	187,819
	<u>289,337</u>	<u>316,292</u>

Note 6. Current Assets – Available-for-sale Financial Assets

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Opening Fair Value	60,458	254,600
Disposals	-	(398,073)
Reclassification of other investments	-	-
Revaluation increments/(decrements)	(24,948)	203,931
Closing Fair Value	<u>35,510</u>	<u>60,458</u>

Discovery Africa Limited
Notes to the Financial Statements
31 December 2018

Note 7. Non-current Assets – Capitalised Exploration and Evaluation Expenditure

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Opening Balance	31,365	15,236
Expenditure during the period	4,299	16,129
Write Off of Exploration Expenditure	-	-
	<hr/>	<hr/>
Closing Balance	<u>35,664</u>	<u>31,365</u>

Note 8. Equity – Issued Capital

(a) Shares

	Consolidated		Consolidated	
	31 December	30 June	31 December	30 June
	2018	2018	2018	2018
	Shares	Shares	\$	\$
Fully paid ordinary shares	<u>182,234,698</u>	<u>182,234,698</u>	<u>12,237,620</u>	<u>12,237,620</u>
	<u>182,234,698</u>	<u>182,234,698</u>	<u>12,237,620</u>	<u>12,237,620</u>

There were no changes to issued capital in the period ended 30 June 2018 or 31 December 2018.

(b) Options

As at 31 December 2018, 20,000,000 unlisted options were on issue. The options are exercisable at 3.2 cents and expire on 6 December 2021.

Refer to Note 10 for further details regarding the issue of unlisted options.

Note 9. Equity – Reserves

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Available-for-sale reserve	122,980	147,927
Option reserve	<u>696,534</u>	<u>540,534</u>
	<hr/>	<hr/>
	<u>819,514</u>	<u>688,461</u>

Available-for-sale reserve

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

Option reserve

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

Discovery Africa Limited
Notes to the Financial Statements
31 December 2018

Note 9. Equity – Reserves (continued)

Movements in reserves

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

	Available- for-sale \$	Options \$	Total \$
Consolidated			
Balance as at 1 July 2018	147,927	540,534	688,461
Revaluation of available-for-sale investments	(24,947)	-	(24,947)
Issue of unlisted options – refer to Note 10	-	156,000	156,000
	<u>122,980</u>	<u>696,534</u>	<u>819,514</u>
Balance as at 31 December 2018	<u>122,980</u>	<u>696,534</u>	<u>819,514</u>

Note 10. Share Based Payment

On 6 December 2018, 20,000,000 unlisted options were issued to Directors and the Company Secretary in accordance with the Company's Notice of Annual General Meeting dated 29 October 2018.

During the half-year ended 31 December 2018, \$156,000 was expensed as a share based payment.

The fair value of these options granted was calculated by using the Black-Scholes option valuation methodology and applying the following inputs:

Weighted average exercise price (cents)	3.2
Weighted average life of the options (years)	3
Weighted average underlying share price (cents)	1.6
Expected share price volatility	100%
Risk-free interest rate	2.60%
Expiry date	6 December 2021

Note 11. Contingencies

In 2014 the consolidated entity commenced legal proceedings against former Directors and advisors. During the period ended 31 December 2018 these proceedings continued.

As at the date of the report the Directors are unable to assess or estimate the likelihood of success in these proceedings, and disclosure of further details would be prejudicial to the proceedings.

The consolidated entity had no other contingent assets or liabilities as at 31 December 2018.

Note 12. Events after reporting period

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Discovery Africa Limited
Directors' Declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Peter Lloyd
Non-Executive Director
26 February 2019
Perth



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

Independent Review Report to the Members of Discovery Africa Ltd

The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Discovery Africa Ltd for the half-year ended 31 December 2018.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 31 December 2018 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Discovery Africa Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Discovery Africa Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 31 December 2018 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay Auditing

**Graham Swan FCA
Partner**

Dated 26th February 2019

