



DISCOVERY
africa

QUARTERLY ACTIVITIES REPORT SEPTEMBER 2017

Discovery Africa Limited (ASX: DAF) ("the Company"), is an Australian based mineral exploration company with an interest in three projects - the Cue and Pinyalling Gold Projects in Western Australia (via an option to purchase a 100% interest in both projects) and the Nachingwea Graphite Project in Tanzania (100% interest).

The Company provides the following update for the Quarter;

Exploration Activities

Gold Projects (Western Australia)

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

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

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

Further details on the acquisition of these Projects are contained in the Company's announcement dated 7 April 2017.

Pinyalling Gold Project

During the Quarter the Company carried out open file searches of historical data, and acquired and re-processed multi-client aerial magnetic data from the Pinyalling tenement area. The aerial magnetic data set provides substantially higher resolution imagery to aid interpretation of the geological setting of the Pinyalling Project, including key features such as:

- the granite-greenstone margin;
- regional shears and localised structures; and
- areas that may be underlain by remnant slivers of greenstone belt separated during regional deformation.





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During September, a field visit to the Pinyalling Project was conducted. As well as providing a first pass reconnaissance of access and the geological setting, an initial soil and auger sampling program was conducted. The program aimed to verify historical soil sampling results - firstly by confirming their geographical location, but also by using auger sampling to compare any variation between surface and sub-surface samples. Samples were delivered to ALS Perth laboratory, and results are awaited.



Photo 1. Pinyalling Gold Project.

Nachingwea Graphite Project

The Nachingwea Graphite Project is located in southeast Tanzania. In July 2017, the Company resolved to relinquish its interest in this Project and the remaining tenement PL10253/2014.

Legal Proceedings

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

As previously noted, in February 2017 the company received an amount of \$187,819 into its solicitor's trust account in part satisfaction of summary judgements awarded against Mr Van den Bergh in December 2015.

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



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Investments

In accordance with its prior position, shares held by DAF in Argosy Minerals Ltd (Argosy) were further sold down during the Quarter, in order to provide funding for the Company.

Approximately 2.75 m shares were sold during the June Quarter realising \$398,000, and as at 30 September 2017 DAF held a remaining 250,000 shares in Argosy, valued at approximately \$57,000 (as at 31/10/2017).

ENDS

For further information:

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Appendix A: Discovery Africa Limited - Interest in Mining Tenements

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

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

¹ Interest in mining tenement held through 100% shareholding in Hatua Resources (Tanzania) Limited, a Tanzanian incorporated. This tenement is in the process of being relinquished.

² Interest in mining tenement held by Bruce Robert Legendre.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

DISCOVERY AFRICA LIMITED

ABN

50 147 324 847

Quarter ended ("current quarter")

30 September 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (11) | (11) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | - | - |
| (e) administration and corporate costs | (97) | (97) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | 1 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | - |
| 1.8 Other – Net GST (paid)/refunded | 6 | 6 |
| 1.9 Net cash from / (used in) operating activities | (101) | (101) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | - | - |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |

Mining exploration entity and oil and gas exploration entity quarterly report

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | 398 | 398 |
| | (d) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | 398 | 398 |

| | | | |
|-------------|---|----------|----------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | - | - |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | - | - |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | - | - |
| 3.10 | Net cash from / (used in) financing activities | - | - |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,190 | 1,190 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (101) | (101) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 398 | 398 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 1,487 | 1,487 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Bank balances | 1,373 | 1,076 |
| 5.2 Call deposits | 114 | 114 |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) | - | - |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 1,487 | 1,190 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

| Current quarter \$A'000 |
|----------------------------|
| NIL |
| NIL |

N/A

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

| Current quarter \$A'000 |
|----------------------------|
| NIL |
| NIL |

N/A

Mining exploration entity and oil and gas exploration entity quarterly report

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | - | - |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

N/A

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | 50 |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | - |
| 9.5 Administration and corporate costs | 80 |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | 130 |

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|--|--|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | PL10253/2014-Tanzania | Interest in Project being relinquished | 100 | 100 |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | NIL | | | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Company secretary)

Date: 31st October 2017

Print name: Alan Edward Thomas

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.