



DISCOVERY
africa

Discovery Africa Limited

ACN 147 324 847

Half-year Financial Report - 31 December 2019

Discovery Africa Limited
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Discovery Africa Limited
Corporate Directory
31 December 2019

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 2019

The directors present their report, together with the financial statements of Discovery Africa Limited ("DAF" or "the Company"), for the half year ended 31 December 2019.

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 Zuvela (Non-Executive Director)

Review of Operations

Principal Activities

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

The net profit of the Company after income tax for the half-year ended 31 December 2019 amounted to \$1,708,418 (31 December 2018: net loss of \$476,624).

Operations Report

Pinyalling Gold Project

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 Pinyalling Gold Project 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, with key terms of the Agreement remaining similar.

In October 2019, the Company entered into an agreement with Bruce Robert Legendre to acquire 100% interest in the Pinyalling Gold Project tenement for a cash consideration of \$5,000.

The Pinyalling Project consists of Exploration Licence 59/2112 covering 18 blocks (54km²) and is located ~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 completed a high level interpretation and review of open file aeromagnetic data over the Pinyalling Project area and immediate surrounds to delineate structural trends and zones of potential interest earlier this year and conducted works to consider an appropriate work programme to test the target areas identified from the geophysical review, and also follow up anomalous results obtained from the 2018 soil sampling programme. Field inspection of the targets may include preliminary soil sampling to ascertain the presence of any gold anomalism.

Following the tenement purchase, the Company is preparing a field work program to further advance the works conducted during the past year.

Other

The Company continues to work to identify and review 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

On 26 June 2019 the Company announced that the ongoing legal proceedings against former directors, Mr Kevin Nichol, Mr Danie Van den Bergh, Mr Phillip Thick and Mr Peter Avery, and solicitors, CBP Pty Ltd were resolved, with no admission of liability, by a payment to the Company of \$2 million and mutual releases between all parties.

During the half-year ended 31 December 2019, the Company received net funds of \$1.85 million in settlement of the legal dispute, thereby finalising the matter in full.

Capital Raising

In August 2019, the Company finalised a placement of 10 million fully paid ordinary shares at 1 cent each, raising \$100,000, to assist with on-going working capital.

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.

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
4 March 2020
Perth

*R*OTHSAY

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

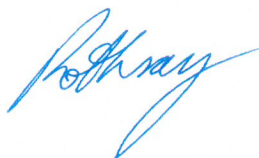
Dear Directors

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 2019 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the review.



Rolf Garda FCA (Lead auditor)



Rothsay Auditing

Dated th4 March 2020

Discovery Africa Limited
Statement of Profit or Loss and Other comprehensive Income
For the half-year ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Revenue			
Royalty income		-	4,252
Interest income		3,769	2,323
Proceeds from settlement of legal dispute		1,925,798	-
Expenses			
Administration expenses		(2,077)	(5,417)
Litigation expenses		(92,460)	(135,748)
Employment expenses		(58,636)	(101,136)
Corporate expenses		(67,976)	(84,898)
Share based payment		-	(156,000)
Profit/(loss) before income tax expense		1,708,418	(476,624)
Income tax expense		-	-
Profit/(loss) after income tax expense for the half-year		1,708,418	(476,624)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Profit/(loss) on the revaluation of financial assets, net of tax		1,816	(24,947)
Other comprehensive income for the half-year, net of tax		1,816	(24,947)
Total comprehensive income/(loss) for the half-year		1,710,234	(501,571)
Earnings per Share			
		Cents	Cents
Basic earnings/(loss) per share		0.90	(0.26)
Diluted earnings/(loss) per share		0.90	(0.26)

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

Discovery Africa Limited
Statement of Financial Position
As at 31 December 2019

	Note	31 December 2019 \$	30 June 2019 \$
Assets			
Current Assets			
Cash and cash equivalents	4	2,089,490	334,102
Trade and other receivables	5	8,597	93,088
Other financial assets	6	21,948	20,132
Total Current Assets		<u>2,120,035</u>	<u>447,322</u>
Non-Current Assets			
Capitalised exploration and evaluation expenditure	7	30,965	21,456
Total Non-Current Assets		<u>30,965</u>	<u>21,456</u>
Total Assets		<u>2,151,000</u>	<u>468,778</u>
Liabilities			
Current Liabilities			
Trade and other payables		31,275	159,287
Total Current Liabilities		<u>31,275</u>	<u>159,287</u>
Total Liabilities		<u>31,275</u>	<u>159,287</u>
Net Assets		<u>2,119,725</u>	<u>309,491</u>
Equity			
Issued capital	8	12,337,620	12,237,620
Reserves	9	805,951	804,135
Accumulated losses		<u>(11,023,846)</u>	<u>(12,732,264)</u>
Total Equity		<u>2,119,725</u>	<u>309,491</u>

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

Discovery Africa Limited
Statement of Changes in Equity
For the half year ended 31 December 2019

	Contributed equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance as at 1 July 2018	12,237,620	688,461	(11,981,991)	944,090
Other Comprehensive Income				
Profit/(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	-	(24,947)	(476,624)	(501,571)
Transactions with owners in their capacity as owners				
Issue of shares and options during the period	-	156,000	-	156,000
Total contributions by owners	-	156,000	-	156,000
Balance as at 31 December 2018	<u>12,237,620</u>	<u>819,514</u>	<u>(12,458,615)</u>	<u>598,519</u>
Balance as at 1 July 2019	12,237,620	804,135	(12,732,264)	309,491
Other Comprehensive Income				
Profit/(loss) after income tax expense for the half-year	-	-	1,708,418	1,708,418
Other comprehensive income for the half-year, net of tax	-	1,816	-	1,816
Total comprehensive income/(loss) for the half-year	-	1,816	1,708,418	1,710,234
Transactions with owners in their capacity as owners				
Issue of shares and options during the period	100,000	-	-	100,000
Total contributions by owners	100,000	-	-	100,000
Balance as at 31 December 2019	<u>12,337,620</u>	<u>805,951</u>	<u>(11,023,846)</u>	<u>2,119,725</u>

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

Discovery Africa Limited
Statement of Cash Flows
For the half year ended 31 December 2019

	Note	31 December 2019 \$	31 December 2018 \$
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		(191,173)	(373,015)
Payments for exploration and evaluation		(9,509)	(4,299)
Interest received		3,769	2,323
Royalties		-	4,252
Net proceeds from settlement of legal dispute		1,852,301	-
Net cash received/(used in) operating activities		<u>1,655,388</u>	<u>(370,739)</u>
Cash flows from investing activities			
Net cash from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares		<u>100,000</u>	<u>-</u>
Net cash provided by financing activities		<u>100,000</u>	<u>-</u>
Net increase in cash and cash equivalents		1,755,388	(370,739)
Cash and cash equivalents at the beginning of the financial half-year		<u>334,102</u>	<u>903,492</u>
Cash and cash equivalents at the end of the financial half-year	4	<u>2,089,490</u>	<u>532,753</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 2019

Note 1. General information

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

The Company previously prepared the financial reports incorporating its controlled entity, Hatua Resources (Tanzania) Ltd. However this subsidiary has been dormant for some years and was relinquished in the year ended 30 June 2019.

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 Company'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 4 March 2020. 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 2019 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 2019 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 accounting standards and interpretations

In the half-year ended 31 December 2019, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019.

Adoption of new and amended accounting standards

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of the adoption of the following standard:

- AASB 16 Leases

The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 16 Leases - Impact of Adoption

AASB 16 replaces the existing guidance in AASB 117 Leases. For lessees, all leases other than short term leases and low value leases will be recognised on the balance sheet. The new standard is effective for annual reporting periods commencing on or after 1 January 2019. The standard will see all leases, held by a lessee, record obligations as a liability and a corresponding right of use asset, both current and non-current, for the term of the lease.

The adoption of AASB 16 from 1 July 2019 resulted in no material changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Discovery Africa Limited
Notes to the Financial Statements
31 December 2019

Note 2. Significant accounting policies (continued)

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 Company operates predominately in one business segment, which is the exploration for gold, and predominately in one geographical area which is Western Australia. The operating segment is 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.

The Company is domiciled in Australia. All revenue from external parties is generated from Australia only. All the assets are located in Australia.

Note 4. Current Assets – Cash and Cash Equivalents

	31 December 2019	30 June 2019
	\$	\$
Cash at bank	2,089,490	334,102
	<u>2,089,490</u>	<u>334,102</u>

Note 5. Current Assets – Trade and Other Receivables

	31 December 2019	30 June 2019
	\$	\$
Funds held in trust	-	74,202
GST receivable	8,597	18,886
	<u>8,597</u>	<u>93,088</u>

Note 6. Current Assets – Other Financial Assets

	31 December 2019	30 June 2019
	\$	\$
Opening Fair Value	20,132	60,458
Revaluation increments/(decrements)	1,816	(40,326)
	<u>21,948</u>	<u>20,132</u>
Closing Fair Value	<u>21,948</u>	<u>20,132</u>

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

	31 December 2019	30 June 2019
	\$	\$
Opening Balance	21,456	31,365
Expenditure during the period	9,509	6,874
Write Off of Exploration Expenditure	-	(16,783)
	<u>30,965</u>	<u>21,456</u>
Closing Balance	<u>30,965</u>	<u>21,456</u>

Discovery Africa Limited
Notes to the Financial Statements
31 December 2019

Note 8. Equity – Issued Capital

(a) Shares

	31 December 2019 Shares	30 June 2019 Shares	31 December 2019 \$	30 June 2019 \$
Fully paid ordinary shares	192,234,698	182,234,698	12,337,620	12,237,620
	<u>192,234,698</u>	<u>182,234,698</u>	<u>12,337,620</u>	<u>12,237,620</u>

Period ended 31 December 2019

	Issue Price	Fully Paid Ordinary Shares	\$
Balance as at 1 July 2019		182,234,698	12,237,620
Issue of shares via placement	\$0.01	<u>10,000,000</u>	<u>100,000</u>
Balance as at 31 December 2019		<u>192,234,698</u>	<u>12,337,620</u>

Period ended 31 December 2018

There were no changes to issued capital.

(b) Options

As at 31 December 2019, 20,000,000 unlisted options were on issue. The options are exercisable at 3.2 cents and expire on 6 December 2021.

Note 9. Equity – Reserves

	31 December 2019 \$	30 June 2019 \$
Financial assets reserve	109,417	107,601
Option reserve	<u>696,534</u>	<u>696,534</u>
	<u>805,951</u>	<u>804,135</u>

Financial assets reserve

The reserve was used to recognise increments and decrements in the fair value of 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.

Movements in reserves

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

	Financial Assets \$	Options \$	Total \$
Balance as at 1 July 2019	107,601	696,534	804,135
Revaluation of financial assets	<u>1,816</u>	<u>-</u>	<u>1,816</u>
Balance as at 31 December 2019	<u>109,417</u>	<u>696,534</u>	<u>805,951</u>

Note 10. Contingencies

The Company had no contingent assets or liabilities as at 31 December 2019.

Note 11. Events after reporting period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Discovery Africa Limited
Directors' Declaration
31 December 2019

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 Company's financial position as at 31 December 2019 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
4 March 2020
Perth



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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 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 2019.

The Company's directors are responsible for the preparation and fair presentation of the 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the financial position as at 31 December 2019 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 financial report of Discovery Africa Ltd is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the financial position as at 31 December 2019 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

**Rolf Garda FCA
Lead Auditor**

Dated 4th March 2020

