

# **Discovery Africa Limited**

**(Formerly known as Baru Resources Limited)**

**ACN 147 324 847**

**Half-year Financial Report - 31 December 2013**

**Discovery Africa Limited**  
**(Formerly known as Baru Resources Limited)**

**Contents**

**31 December 2013**

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**Discovery Africa Limited**  
**(Formerly known as Baru Resources Limited)**  
**Corporate directory**  
**31 December 2013**

|                             |  |
|-----------------------------|--|
| Directors                   | Danie van den Bergh (Executive Chairman)<br>Kevin Nichol (Managing Director)<br>Ian Lovett (Non-executive Director)<br>Philip Thick (non-executive Director) |
| Company secretary           | Melanie Leydin   |
| Registered office           | Level 4<br>100 Albert Road<br>South Melbourne VIC 3205   |
| Principal place of business | Level 4<br>100 Albert Road<br>South Melbourne VIC 3205   |
| Share register              | Advanced Share Registry Ltd<br>150 Stirling Highway<br>Nedlands WA 6009  |
| Auditor                     | Hall Chadwick<br>Level 40<br>2 Park Street<br>Sydney NSW 2000  |
| Bankers                     | Macquarie Bank Limited<br>Level 26<br>101 Collins Street<br>Melbourne Vic 3000   |
| Stock exchange listing      | Discovery Africa Limited shares are listed on the Australian Securities Exchange<br>(ASX code: DAF)<br>(ASX Code Options: DAFO)                              |
| Website                     | <a href="http://www.baru.com.au">www.baru.com.au</a>   |

**CORPORATE**

During the half-year to December 2013 Discovery Africa Limited ('Discovery', 'DAF' or 'the Company'), formerly Baru Resources Limited, conducted an Off-market takeover Offer of Argosy Minerals Limited ('Argosy') (ASX Code: AGY) whereby Argosy shareholders were offered one (1) share in Discovery for every one (1) share held in Argosy. The offer closed on 30 November 2013 and Discovery issued a total of 111,713,689 fully paid ordinary shares in consideration for an 88.64% shareholding in Argosy.

The Company appointed Mr Philip Thick and Mr Danie Van Den Bergh as Directors of the Company as part of the takeover of Argosy on 3 October 2013.

On 3 October the Company issued 12,500,000 unlisted options exercisable at \$0.09 (9 cents) on or before 13 June 2017 as consideration for the options held in Argosy.

On 8 November 2013, the Company issued 1,025,000 fully paid ordinary shares in consideration for 100% of the issued capital in the vendor companies which owned the Argosy Namibian Graphite assets.

The following projects were acquired during the half-year to 31 December 2013.

**New Graphite Project (Uganda – Kitgum Graphite)**

During the half-year, the Company executed an exclusive Option Agreement ('Option') providing the Company with approximately 3 months to 31 March 2014 to complete due diligence on Exploration Licence 1025, located near Kitgum in Uganda, Africa. The Exploration Licence is highly prospective for Graphite and the Company is excited with this opportunity.

Below is a map showing the location of the project near the town of Kitgum, Uganda:



**Figure 1: Location map of Kitgum Graphite Project, Uganda**

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**(Formerly known as Baru Resources Limited)**  
**Review of operations**  
**31 December 2013**

Kitgum town is accessed by the Kampala-Gulu-Kitgum highway which is a 332km drive. The Rom Mountains are located in Orom sub-country which is 73km from Kitgum and Lochomo village is a further 27km from Orom trading centre. The roads in the sub-country are passable.

The location of the first exploration site was accessed via a footpath through the lower slopes of the mountain range.

The cost of the option is USD\$50,000. The first payment of USD\$25,000 was paid immediately and the final USD\$25,000 will be paid at the conclusion of the due diligence phase.

The Company agreed to a site visit with the vendor to begin the due diligence. Exploration due diligence was scheduled to commence in January 2014 when a DAF geological team went out on site. The initial USD\$25,000 paid to the vendor was agreed to be used on the following activities:

- Full access to the mine site EL1025
- Engage and pay for local labour recruitment, to dig pits where directed to obtain samples
- Pay for local management services to supervise the pitting and trenching program
- Provide hand tools to diggers
- Rental costs for vehicles including drivers
- Pay for security guards throughout the mine visit
- Provide maps and geological data already sourced
- Organise hotel accommodation for all representatives



**Figure 2: Graphite layers in exploration pit**



**Area 51 Graphite Project**

Below is a map showing the location of the Area 51 Graphite Project in Namibia:



**Figure 3: Location Map of the Area 51 Graphite Project in Namibia**

The following exploration activities were carried out during the half-year on the Area 51 Project, which is owned by Argosy Minerals Limited (ASX Code: AGY):

- Geological mapping exercise has now completed;
- The geophysics program was completed by mid-December 2013;
- Both the initial geology and geophysics results indicate both higher and lower grade areas which will provide the Company with defined drilling targets;
- A Drilling contractor was appointed with the first 10 Diamond drill holes to begin in January 2014; and
- The strike length of the outcropping formation area is approximately 5 kilometers.



**Figure 4: Outcropping formation at Area 51 Graphite Project**

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Figure 4 represents the typical outcropping formation which occurs extensively over the project area and hosts the Graphite in marble.

**Lithium Project**

During the half-year, the Company entered into a Memorandum of Understanding (**'MOU'**) with respect to the acquisition of six Mining Claims in Namibia which are highly prospective for Lithium. Under the terms of the MOU, the Company will:

- Conduct due diligence over a period of 12 months, commencing in the second week of January 2014, pursuant to completion of an Environmental Management Program, if required; and
- Within 12 business days from execution of the MOU and when the Company is satisfied that the licences are in good standing, pay the sum of \$25,000 in cash to the vendors.

Further details on these Mining Claims will be provided once due diligence has been completed.

**Myanmar Project**

In February 2013, Discovery Africa acquired an option to acquire a 100% interest in Horizon Mines, which holds six exploration applications which are prospective for copper/gold mineralisation in Myanmar.

Discovery is currently awaiting the grant of these exploration licences.

**Longreach Project**

Discovery previously held the Longreach Project which consisted of one (1) EPC and three (3) EPCAs approximately 3,241.2km<sup>2</sup> and is located in Central Queensland, near the township of Longreach 716 km west of Gladstone.

Following a review of the project and depth of the coal, the Company has decided to relinquish these projects during the half-year.

**Discovery Africa Limited**  
**(Formerly known as Baru Resources Limited)**  
**Directors' report**  
**31 December 2013**

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 half-year ended 31 December 2013.

**Directors**

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

Mr Danie van den Bergh (Chairman and Executive Director, appointed as a Director on 3 October 2013, appointed Chairman on 29 October 2013)  
Mr Kevin Nichol (Managing Director)  
Mr Ian Lovett (Non-executive Director, appointed 2 July 2013)  
Mr Philip Thick (Non-executive Director, appointed 3 October 2013)  
Mr Peter Avery (Chairman and Non-executive Director, resigned 29 October 2013)  
Mr Andrew Bald (Non-executive Director, resigned 20 August 2013)  
Mr Martin Bennett (Alternate Director, appointed and resigned 20 August 2013)

**Principal activities**

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- graphite exploration in Africa.

**Review of operations**

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$1,132,414 (31 December 2012: \$971,803).

During the half-year the consolidated entity completed the acquisition of 88.64% of the issued capital of Argosy Minerals Limited by issuing shares to the shareholders of Argosy Minerals Limited in exchange for the shares held in that entity. Through Argosy Minerals Limited the consolidated entity completed the acquisition of graphite exploration licences in Namibia. The value attributed to the assets through the acquisition was \$5,737,729. A further \$30,750 was paid through the issue of shares in Discovery Africa Limited to the vendors of the Namibian assets to secure the rights.

**Financial Position**

At 31 December 2013 the consolidated entity had net assets of \$7,938,281, an increase of \$4,615,917 on net assets at 30 June 2013 (\$3,322,364). This increase was largely attributable to the Namibian assets, with exploration and evaluation assets of \$6,023,655 at 31 December 2013 (30 June 2013: \$89,990). Working capital at 31 December 2013 was \$1,896,760 (30 June 2013: \$3,214,753), with cash and cash equivalents available of \$1,695,632 (30 June 2013: \$2,034,266). There was no significant share trading during the period, with investments in other financial assets being \$186,722 at 31 December 2013 (30 June 2013: \$221,510).

The directors are satisfied that the consolidated entity is now in a strong position to develop current and future opportunities as they are identified.

A review of operations for the half year has been presented preceeding this Directors' Report.

**Significant changes in the state of affairs**

On 2 July 2013 the company announced that it had signed a Takeover Bid Implementation Deed under which it is proposed that Discovery Africa Limited will 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 will receive one new Discovery Africa Limited share for every one Argosy share held, plus one Discovery Africa Limited share option for every Argosy share option held. At the date of the signing of the agreement Argosy has on issue 126,029,105 shares and 12,500,000 share options. A copy of the bidder's statement was dispatched to the Argosy shareholders on 3 September 2013, which is the date of the offer. On 17 September 2013 Discovery Africa Limited announced that it had received acceptances in excess of 50.1% and that the offer was now unconditional.



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**Directors' report**  
**31 December 2013**

Subsequently, Discovery Africa Limited has issued 111,713,689 ordinary shares in exchange for Argosy shares, to obtain a controlling interest of 88.64% of Argosy's share capital. In addition, 12,500,000 share options have been issued in exchange for Argosy share options. As a result, Argosy is now a subsidiary of Discovery Africa Limited and the financial results and assets and liabilities of Argosy are consolidated in the financial report. Details of the acquisition are contained in note 12 to the financial report.

On 28 November 2013 the Company changed its name from Baru Resources Limited to Discovery Africa Limited. This was to reflect the focus of the activities of the entity on the assets acquired in Namibia as part of the acquisition of Argosy.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

**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



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Kevin Nichol  
Managing Director

14 March 2014  
Melbourne

**DISCOVERY AFRICA LIMITED  
ACN 147 324 847  
AND CONTROLLED ENTITIES**

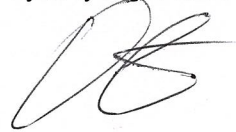
**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF DISCOVERY AFRICA LIMITED  
AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the half year ended 31 December 2013 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

*Hall Chadwick*

Hall Chadwick  
Level 40, 2 Park Street,  
Sydney NSW 2000



**DREW TOWNSEND**  
Partner

Date: 14 March 2014

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**Discovery Africa Limited**  
**(Formerly known as Baru Resources Limited)**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2013**

|  |             | <b>Consolidated</b>     |                         |
|--|-------------|-------------------------|-------------------------|
|  | <b>Note</b> | <b>31 December 2013</b> | <b>31 December 2012</b> |
|  |             | <b>\$</b>               | <b>\$</b>               |
| <b>Revenue</b>   | 4           | 39,646                  | 289,516                 |
| Other income   | 5           | 24,046                  | 41,112                  |
| <b>Expenses</b>  |             |                         |                         |
| Administration expenses  |             | (133,315)               | (88,280)                |
| Corporate expenses   |             | (358,037)               | (166,718)               |
| Employee benefits expense  |             | (502,805)               | (334,704)               |
| Share based payments   |             | (11,220)                | -                       |
| Depreciation and amortisation expense                                      |             | (413)                   | (320)                   |
| Write off of exploration expenditure                                       |             | (234,545)               | (712,409)               |
| <b>Loss before income tax expense</b>                                      |             | (1,176,643)             | (971,803)               |
| Income tax expense   |             | -                       | -                       |
| <b>Loss after income tax expense for the half-year</b>                     |             | (1,176,643)             | (971,803)               |
| <b>Other comprehensive income</b>  |             |                         |                         |
| <i>Items that may be reclassified subsequently to profit or loss</i>       |             |                         |                         |
| Gain on the revaluation of available-for-sale financial assets, net of tax |             | -                       | 16,083                  |
| Loss on the revaluation of available-for-sale financial assets, net of tax |             | (86,453)                | -                       |
| Foreign currency translation   |             | 769                     | -                       |
| Other comprehensive income for the half-year, net of tax                   |             | (85,684)                | 16,083                  |
| <b>Total comprehensive income for the half-year</b>                        |             | <u>(1,262,327)</u>      | <u>(955,720)</u>        |
| Loss for the half-year is attributable to:                                 |             |                         |                         |
| Non-controlling interest   |             | (44,229)                | -                       |
| Owners of Discovery Africa Limited   |             | (1,132,414)             | (971,803)               |
|  |             | <u>(1,176,643)</u>      | <u>(971,803)</u>        |
| Total comprehensive income for the half-year is attributable to:           |             |                         |                         |
| Non-controlling interest   |             | (44,229)                | -                       |
| Owners of Discovery Africa Limited   |             | (1,218,098)             | (955,720)               |
|  |             | <u>(1,262,327)</u>      | <u>(955,720)</u>        |
|  |             | <b>Cents</b>            | <b>Cents</b>            |
| Basic earnings per share   |             | (1.14)                  | (1.95)                  |
| Diluted earnings per share   |             | (1.14)                  | (1.95)                  |

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

**Discovery Africa Limited  
(Formerly known as Baru Resources Limited)  
Statement of financial position  
As at 31 December 2013**

|   |             | <b>Consolidated</b>         |                     |
|---|-------------|-----------------------------|---------------------|
|   | <b>Note</b> | <b>31 December<br/>2013</b> | <b>30 June 2013</b> |
|   |             | <b>\$</b>                   | <b>\$</b>           |
| <b>Assets</b>   |             |                             |                     |
| <b>Current assets</b>   |             |                             |                     |
| Cash and cash equivalents                                     |             | 1,695,632                   | 2,034,266           |
| Trade and other receivables                                   |             | 70,663                      | 938,448             |
| Available-for-sale financial assets                           |             | 186,722                     | 221,510             |
| Other   |             | 55,651                      | 126,607             |
| <b>Total current assets</b>                                   |             | <u>2,008,668</u>            | <u>3,320,831</u>    |
| <b>Non-current assets</b>                                     |             |                             |                     |
| Property, plant and equipment                                 |             | 2,866                       | 2,621               |
| Exploration and evaluation                                    | 6           | 6,023,655                   | 89,990              |
| Other   |             | 15,000                      | 15,000              |
| <b>Total non-current assets</b>                               |             | <u>6,041,521</u>            | <u>107,611</u>      |
| <b>Total assets</b>   |             | <u>8,050,189</u>            | <u>3,428,442</u>    |
| <b>Liabilities</b>  |             |                             |                     |
| <b>Current liabilities</b>                                    |             |                             |                     |
| Trade and other payables                                      |             | 111,908                     | 106,078             |
| <b>Total current liabilities</b>                              |             | <u>111,908</u>              | <u>106,078</u>      |
| <b>Total liabilities</b>                                      |             | <u>111,908</u>              | <u>106,078</u>      |
| <b>Net assets</b>   |             | <u>7,938,281</u>            | <u>3,322,364</u>    |
| <b>Equity</b>   |             |                             |                     |
| Issued capital  | 7           | 11,051,762                  | 5,893,325           |
| Reserves  | 8           | 104,497                     | 128,961             |
| Accumulated losses  |             | (3,832,336)                 | (2,699,922)         |
| Equity attributable to the owners of Discovery Africa Limited |             | <u>7,323,923</u>            | <u>3,322,364</u>    |
| Non-controlling interest                                      |             | 614,358                     | -                   |
| <b>Total equity</b>   |             | <u>7,938,281</u>            | <u>3,322,364</u>    |

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

**Discovery Africa Limited**  
**(Formerly known as Baru Resources Limited)**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2013**

| <b>Consolidated</b>  | <b>Contributed equity</b><br><b>\$</b> | <b>Reserves</b><br><b>\$</b> | <b>Accumulated losses</b><br><b>\$</b> | <b>Non-controlling interest</b><br><b>\$</b> | <b>Total equity</b><br><b>\$</b> |
|--|--|------------------------------|--|--|----------------------------------|
| Balance at 1 July 2012                                       | 5,893,325                              | 255,089                      | (1,417,921)                            | -  | 4,730,493                        |
| Loss after income tax expense for the half-year              | -                                      | -                            | (971,803)                              | -  | (971,803)                        |
| Other comprehensive income for the half-year, net of tax     | -                                      | 16,083                       | -                                      | -  | 16,083                           |
| Total comprehensive income for the half-year                 | -                                      | 16,083                       | (971,803)                              | -  | (955,720)                        |
| Balance at 31 December 2012                                  | <u>5,893,325</u>                       | <u>271,172</u>               | <u>(2,389,724)</u>                     | -  | <u>3,774,773</u>                 |
|  |  |                              |  |  |                                  |
| <b>Consolidated</b>  | <b>Contributed equity</b><br><b>\$</b> | <b>Reserves</b><br><b>\$</b> | <b>Accumulated losses</b><br><b>\$</b> | <b>Non-controlling interest</b><br><b>\$</b> | <b>Total equity</b><br><b>\$</b> |
| Balance at 1 July 2013                                       | 5,893,325                              | 128,961                      | (2,699,922)                            | -  | 3,322,364                        |
| Loss after income tax expense for the half-year              | -                                      | -                            | (1,132,414)                            | (44,229)                                     | (1,176,643)                      |
| Other comprehensive income for the half-year, net of tax     | -                                      | (85,684)                     | -                                      | -  | (85,684)                         |
| Total comprehensive income for the half-year                 | -                                      | (85,684)                     | (1,132,414)                            | (44,229)                                     | (1,262,327)                      |
| <i>Transactions with owners in their capacity as owners:</i> |  |                              |  |  |                                  |
| Share-based payments   | 7,200                                  | 11,220                       | -                                      | -  | 18,420                           |
| Acquisition of Argosy Minerals Limited                       | 5,138,830                              | 50,000                       | -                                      | 658,587                                      | 5,847,417                        |
| Acquisition of exploration assets                            | 30,750                                 | -                            | -                                      | -  | 30,750                           |
| Capital raising costs  | (18,343)                               | -                            | -                                      | -  | (18,343)                         |
| Balance at 31 December 2013                                  | <u>11,051,762</u>                      | <u>104,497</u>               | <u>(3,832,336)</u>                     | <u>614,358</u>                               | <u>7,938,281</u>                 |

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

**Discovery Africa Limited**  
**(Formerly known as Baru Resources Limited)**  
**Statement of cash flows**  
**For the half-year ended 31 December 2013**

|   | <b>Consolidated</b>     |                         |
|---|-------------------------|-------------------------|
|   | <b>31 December</b>      | <b>31 December</b>      |
|   | <b>2013</b>             | <b>2012</b>             |
|   | <b>\$</b>               | <b>\$</b>               |
| <b>Cash flows from operating activities</b>                           |                         |                         |
| Payments to suppliers (inclusive of GST)                              | (1,003,323)             | (542,588)               |
| Interest received   | 281,084                 | 172,446                 |
| Other revenue   | -                       | 3,965                   |
|   | <u>-</u>                | <u>3,965</u>            |
| Net cash used in operating activities                                 | <u>(722,239)</u>        | <u>(366,177)</u>        |
| <b>Cash flows from investing activities</b>                           |                         |                         |
| Payments for investments  | (32,179)                | (1,273,995)             |
| Payments for property, plant and equipment                            | (907)                   | (1,921)                 |
| Payments for exploration and evaluation                               | (233,774)               | (116,599)               |
| Loans to other entities   | -                       | (59,392)                |
| Proceeds from sale of investments                                     | 4,561                   | 938,215                 |
| Repayments of loans   | 605,000                 | -                       |
| Net cash acquired in business combination                             | 59,247                  | -                       |
|   | <u>59,247</u>           | <u>-</u>                |
| Net cash from/(used in) investing activities                          | <u>401,948</u>          | <u>(513,692)</u>        |
| <b>Cash flows from financing activities</b>                           |                         |                         |
| Capital raising costs   | (18,343)                | -                       |
|   | <u>(18,343)</u>         | <u>-</u>                |
| Net cash used in financing activities                                 | <u>(18,343)</u>         | <u>-</u>                |
| Net decrease in cash and cash equivalents                             | (338,634)               | (879,869)               |
| Cash and cash equivalents at the beginning of the financial half-year | 2,034,266               | 2,778,643               |
|   | <u>2,034,266</u>        | <u>2,778,643</u>        |
| Cash and cash equivalents at the end of the financial half-year       | <u><u>1,695,632</u></u> | <u><u>1,898,774</u></u> |

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



**Discovery Africa Limited  
(Formerly known as Baru Resources Limited)  
Notes to the financial statements  
31 December 2013**

**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 4  
100 Albert Road  
South Melbourne VIC 3205  
Ph : (03) 9692 7222

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 14 March 2014. 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 2013 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 2013 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.

**Going concern**

During the half-year ended 31 December 2013 the consolidated entity incurred a loss of \$1,176,643 (31 December 2012: \$971,803), partly due to writing off \$234,545 in relation to exploration and evaluation assets. The cash outflows from operating and exploration activities amounted to \$722,239 and \$233,774 respectively. However, at 31 December 2013 the consolidated entity had cash and cash equivalents of \$1,695,632 and working capital, being current assets less current liabilities, of \$1,896,760 (30 June 2013: \$3,214,753). Accordingly, the directors believe the consolidated entity has sufficient funds to carry out exploration activities as planned and meet the debts of the consolidated entity, inclusive of expenditures and debts arising from the acquisition of Argosy Minerals Limited, as and when they are due and payable in the next 12 months from the date of this report. The directors are therefore of the opinion that the going concern basis is appropriate for the preparation of the annual financial statement for the half-year ended 31 December 2013.

**New, revised or amending Accounting Standards and Interpretations adopted**

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

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

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

**Discovery Africa Limited  
(Formerly known as Baru Resources Limited)  
Notes to the financial statements  
31 December 2013**

**Note 2. Significant accounting policies (continued)**

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 10 Consolidated Financial Statements*

The consolidated entity has applied AASB 10 from 1 January 2013. AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The consolidated entity is organised into one operating segments being exploration for graphite 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 4. Revenue**

|              | <b>Consolidated</b>         |                             |
|--------------|-----------------------------|-----------------------------|
|              | <b>31 December<br/>2013</b> | <b>31 December<br/>2012</b> |
|              | <b>\$</b>                   | <b>\$</b>                   |
| Interest     | 39,646                      | 234,516                     |
| Facility fee | -                           | 55,000                      |
|              | <hr/>                       | <hr/>                       |
| Revenue      | <u>39,646</u>               | <u>289,516</u>              |

**Note 5. Other income**

|  | <b>Consolidated</b>         |                             |
|--|-----------------------------|-----------------------------|
|  | <b>31 December<br/>2013</b> | <b>31 December<br/>2012</b> |
|  | <b>\$</b>                   | <b>\$</b>                   |
| Net foreign exchange gain                                  | -                           | 20                          |
| Net fair value gain on available-for-sale financial assets | 24,046                      | 37,127                      |
| Subsidies and grants                                       | -                           | 3,965                       |
|  | <hr/>                       | <hr/>                       |
| Other income   | <u>24,046</u>               | <u>41,112</u>               |

Gains on available-for-sale financial assets are realised gains transferred out of the Available-for-sale asset revaluation reserve.

**Discovery Africa Limited**  
**(Formerly known as Baru Resources Limited)**  
**Notes to the financial statements**  
**31 December 2013**

**Note 6. Non-current assets - exploration and evaluation**

|                            | <b>Consolidated</b> |                     |
|----------------------------|---------------------|---------------------|
|                            | <b>31 December</b>  | <b>30 June 2013</b> |
|                            | <b>2013</b>         | <b>2013</b>         |
|                            | <b>\$</b>           | <b>\$</b>           |
| Exploration and evaluation | <u>6,023,655</u>    | <u>89,990</u>       |

*Reconciliations*

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

| <b>Consolidated</b>                               | Exploration &<br>Evaluation<br>\$ | Total<br>\$      |
|---|-----------------------------------|------------------|
| Balance at 1 July 2013                            | 89,990                            | 89,990           |
| Additions   | 30,750                            | 30,750           |
| Additions through business combinations (note 12) | 5,815,454                         | 5,815,454        |
| Expenditure during the half-year                  | <u>87,461</u>                     | <u>87,461</u>    |
| Balance at 31 December 2013                       | <u>6,023,655</u>                  | <u>6,023,655</u> |

During the half year the company acquired a controlling interest in Argosy Minerals Limited, which holds the permits relating to the Area 51 Graphite Project in Namibia.

**Note 7. Equity - issued capital**

|                                  | <b>Consolidated</b> |                     |                    |                     |
|----------------------------------|---------------------|---------------------|--------------------|---------------------|
|                                  | <b>31 December</b>  | <b>30 June 2013</b> | <b>31 December</b> | <b>30 June 2013</b> |
|                                  | <b>2013</b>         | <b>2013</b>         | <b>2013</b>        | <b>2013</b>         |
|                                  | <b>Shares</b>       | <b>Shares</b>       | <b>\$</b>          | <b>\$</b>           |
| Ordinary shares - fully paid     | 162,734,698         | 49,796,009          | 11,008,864         | 5,850,427           |
| Options over shares - fully paid | 42,898,005          | 42,898,005          | 42,898             | 42,898              |
|                                  | <u>205,632,703</u>  | <u>92,694,014</u>   | <u>11,051,762</u>  | <u>5,893,325</u>    |

*Movements in ordinary share capital*

| <b>Details</b>   | <b>Date</b>      | <b>No of shares</b> | <b>Issue price</b> | <b>\$</b>         |
|--|------------------|---------------------|--------------------|-------------------|
| Balance  | 1 July 2013      | 49,796,009          |                    | 5,850,427         |
| Issue of shares in relation to the acquisition of the share capital of Argosy Minerals Ltd | 4 October 2013   | 92,678,710          | \$0.05             | 4,263,221         |
| Issue of shares in relation to the acquisition of the share capital of Argosy Minerals Ltd | 8 November 2013  | 17,183,377          | \$0.05             | 790,435           |
| Consideration for acquisition of Namibian company  | 8 November 2013  | 1,025,000           | \$0.03             | 30,750            |
| Issue of shares in relation to the acquisition of the share capital of Argosy Minerals Ltd | 9 December 2013  | 42,265              | \$0.05             | 1,944             |
| Issue of shares in relation to the acquisition of the share capital of Argosy Minerals Ltd | 9 December 2013  | 1,809,337           | \$0.05             | 83,230            |
| Share based payment  | 9 December 2013  | 200,000             | \$0.04             | 7,200             |
|  |                  | -                   | \$0.00             | (18,343)          |
| Balance  | 31 December 2013 | <u>162,734,698</u>  |                    | <u>11,008,864</u> |

**Discovery Africa Limited**  
**(Formerly known as Baru Resources Limited)**  
**Notes to the financial statements**  
**31 December 2013**

**Note 7. Equity - issued capital (continued)**

*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.

**Note 8. Equity - reserves**

|                              | <b>Consolidated</b> |                     |
|------------------------------|---------------------|---------------------|
|                              | <b>31 December</b>  | <b>30 June 2013</b> |
|                              | <b>2013</b>         | <b>2013</b>         |
|                              | <b>\$</b>           | <b>\$</b>           |
| Available-for-sale reserve   | (436,037)           | (349,584)           |
| Foreign currency reserve     | -                   | (769)               |
| Share-based payments reserve | 540,534             | 479,314             |
|                              | <u>104,497</u>      | <u>128,961</u>      |

*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. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Share-based payments reserve*

The reserve is used to recognise the value of 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:

| <b>Consolidated</b>  | Available-<br>for-sale<br>\$ | Foreign<br>currency<br>\$ | Share based<br>payments<br>\$ | Total<br>\$    |
|--|------------------------------|---------------------------|-------------------------------|----------------|
| Balance at 1 July 2013   | (349,584)                    | (769)                     | 479,314                       | 128,961        |
| Revaluation - gross  | (86,453)                     | -                         | -                             | (86,453)       |
| Foreign currency translation                                   | -                            | 769                       | -                             | 769            |
| Share based payments   | -                            | -                         | 11,220                        | 11,220         |
| Share options issued on acquisition of Argosy Minerals Limited | -                            | -                         | 50,000                        | 50,000         |
| Balance at 31 December 2013                                    | <u>(436,037)</u>             | <u>-</u>                  | <u>540,534</u>                | <u>104,497</u> |

**Note 9. Equity - dividends**

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

**Discovery Africa Limited  
(Formerly known as Baru Resources Limited)  
Notes to the financial statements  
31 December 2013**

**Note 10. Contingent liabilities**

The consolidated entity had no contingent liabilities at 31 December 2013.

**Note 11. Commitments**

|   | <b>Consolidated</b> |                     |
|---|---------------------|---------------------|
|   | <b>31 December</b>  | <b>30 June 2013</b> |
|   | <b>2013</b>         | <b>2013</b>         |
|   | <b>\$</b>           | <b>\$</b>           |
| <i>Exploration and evaluation assets</i>                                    |                     |                     |
| Committed at the reporting date but not recognised as liabilities, payable: |                     |                     |
| Within one year   | -                   | 145,600             |
| One to five years   | -                   | 582,500             |
|   | <hr/>               | <hr/>               |
|   | -                   | 728,100             |
|   | <hr/> <hr/>         | <hr/> <hr/>         |

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 of the State Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment.

**Note 12. Business combinations**

On 2 July 2013 the company announced that it had signed a Takeover Bid Implementation Deed under which it is proposed that Discovery Africa Limited will 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 will receive one new Discovery Africa share for every one Argosy share held, plus one Discovery Africa share option for every Argosy share option held. At the date of the signing of the agreement Argosy has on issue 126,029,105 shares and 12,500,000 share options. A copy of the bidder's statement was dispatched to the Argosy shareholders on 3 September 2013, which is the date of the offer. On 17 September 2013 Discovery Africa announced that it had received acceptances in excess of 50.1% and that the offer was now unconditional.

Subsequently, Discovery Africa has issued 111,713,689 ordinary shares in exchange for Argosy shares, to obtain a controlling interest of 88.64% of Argosy's share capital. In addition, 12,500,000 share options have been issued in exchange for Argosy share options.

**Discovery Africa Limited  
(Formerly known as Baru Resources Limited)  
Notes to the financial statements  
31 December 2013**

**Note 12. Business combinations (continued)**

Details of the acquisition are as follows:

|  | <b>Fair value<br/>\$</b> |
|--|--------------------------|
| 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)                 |
|  | <hr/>                    |
| Net assets acquired  | 5,847,339                |
| Goodwill   | -                        |
|  | <hr/>                    |
| Acquisition-date fair value of the total consideration transferred | <u>5,847,339</u>         |
| Representing:  |                          |
| Discovery Africa Limited shares issued to vendor                   | 5,188,830                |
| Non-controlling interest   | 658,509                  |
|  | <hr/>                    |
|  | <u>5,847,339</u>         |

| <b>Consolidated</b>         |                             |
|-----------------------------|-----------------------------|
| <b>31 December<br/>2013</b> | <b>31 December<br/>2012</b> |
| <b>\$</b>                   | <b>\$</b>                   |

Cash used to acquire business, net of cash acquired:  
Less: cash and cash equivalents

|                 |          |
|-----------------|----------|
| <u>(59,247)</u> | <u>-</u> |
|-----------------|----------|

The consideration advanced in the acquisition of Argosy consisted entirely of share based payments. As a result there was an increase in cash held as a result of the transaction, equating to the cash held by Argosy.

**Note 13. Interests in subsidiaries**

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

| <b>Name</b>                             | <b>Principal place of business /<br/>Country of incorporation</b> | <b>Ownership interest</b>         |                           |
|---|---|-----------------------------------|---------------------------|
|   |   | <b>31 December<br/>2013<br/>%</b> | <b>30 June 2013<br/>%</b> |
| Baru Resources Pte Ltd*                 | Singapore   | 100.00%                           | 100.00%                   |
| West Galilee Exploration Pty Ltd**      | Australia   | 100.00%                           | 100.00%                   |
| Argosy Minerals Limited***              | Australia   | 88.64%                            | -%                        |
| Andover Resources NL***                 | Australia   | 88.64%                            | -%                        |
| Argosy Energy Zambia Ltd (Dormant)***   | Zambia  | 88.64%                            | -%                        |
| Argosy Minerals (S.L.) Ltd (Dormant)*** | Sierra Leone  | 88.64%                            | -%                        |

\* Incorporated 28 January 2011

\*\* Acquired 2 April 2012

\*\*\* Acquired 17 September 2013



**Discovery Africa Limited  
(Formerly known as Baru Resources Limited)  
Notes to the financial statements  
31 December 2013**

**Note 14. Events after the reporting period**

On 28 January 2014, the Company announced that it had executed a Heads of Agreement ('HOA') with Consolidated African Resources (Uganda) Limited ('CARL') in relation to Exploration Licence 1025 ('EL 1025'), located near Kitgum in Uganda, Africa. The HOA allows the Company to purchase up to 100% of CARL. Under the HOA: -

- upon execution, the Company will acquire 25% of CARL.
- the Company will commit to spend approximately US\$264,000 in order to achieve JORC compliant certification on EL 1025 ('Phase 2').
- upon completion of Phase 2, the Company will be issued with a further 50% of the issued capital of CARL.
- the final 25% of CARL can be purchased by the Company on an agreed fair market value, which will be determined by both parties.

On 30 January 2014, the Company announced that it had executed a Memorandum of Agreement ('MOA') for the proposed acquisition of up to 80% of the issued capital in Hatua Resources (T) Limited ('Hatua'), a Tanzanian incorporated Company that holds the rights to four exploration licences located in Tanzania, which are prospective for graphite. Under the MOA: -

- the Company will pay an initial amount of \$50,000 cash to acquire 3 months to carry out due diligence on the licences and Hatua.
- if the Company resolves to continue with the proposed acquisition following the due diligence period, a further cash payment of \$50,000 will be paid along with the issue of 300,000 worth of DAF shares.
- Following the spend of \$500,000 on exploration licences, DAF will earn the right to a 50% interest in the issued capital of Hatua.
- Following the spend of a further \$1,000,000 on exploration licences, DAF will earn a further right of 30% interest in the issued capital of Hatua.

On 17 February 2014 the Company announced that it had received proposed resolutions under Section 249D of the Corporations Act 2001 from Sunbreaker Holdings Pty Ltd, an entity associated with Mr Peter Lloyd, who holds greater than 5% voting power. The resolutions proposed are: -

1. Appointment of Director - Mr Peter Lloyd
2. Appointment of Director - Mr Graham Walker
3. Appointment of Director - Mr Frank Knezovic
4. Removal of Director - Mr Kevin Nichol
5. Removal of Director - Mr Ian Lovett
6. Removal of Director - Mr Danie van den Bergh
7. Removal of other Directors.

In accordance with the Corporations Act 2001, the resolutions will be put before the shareholders at a General Meeting to be held on 10 April 2014.

No other matter or circumstance has arisen since 31 December 2013 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 15. Share-based payments**

At the Annual General Meeting held on 22 November 2013 the shareholders approved the issue of 5,000,000 share options to Kevin Nichol. The purpose of the issue was to align the interests of Mr Nichol as a Director of the consolidated entity with the interests of the shareholders. The options were granted as a performance incentive for the future and to give recognition to the value that will be derived from the Directors to the company.

Also at the Annual General Meeting, shareholders approved the establishment of an Employee Share Option Plan ('ESOP'), to form part of a comprehensive remuneration strategy for the company's employees, aligning their interests with those of the shareholders by linking their rewards to the long-term success of the company and its financial performance.

During the period 100,000 share options were issued during the period.

**Discovery Africa Limited**  
**(Formerly known as Baru Resources Limited)**  
**Notes to the financial statements**  
**31 December 2013**

**Note 15. Share-based payments (continued)**

Set out below are summaries of options granted under the plan:

31 December  
2013

| Grant date | Expiry date | Exercise price | Balance at the start of the half-year | Granted   | Exercised | Expired/ forfeited/ other | Balance at the end of the half-year |
|------------|-------------|----------------|---------------------------------------|-----------|-----------|---------------------------|-------------------------------------|
| 22/11/2013 | 30/11/2018  | \$0.09         | -                                     | 5,000,000 | -         | -                         | 5,000,000                           |
| 23/12/2013 | 23/12/2016  | \$0.20         | -                                     | 100,000   | -         | -                         | 100,000                             |
|            |             |                | -                                     | 5,100,000 | -         | -                         | 5,100,000                           |

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 22/11/2013 | 30/11/2018  | \$0.03                    | \$0.09         | 30.00%              | -%             | 2.96%                   | \$0.002                  |
| 23/12/2013 | 23/12/2016  | \$0.00                    | \$0.20         | 40.00%              | -%             | 2.96%                   | \$0.002                  |

**Discovery Africa Limited  
(Formerly known as Baru Resources Limited)  
Directors' declaration  
31 December 2013**

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 2013 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



---

Kevin Nichol  
Managing Director

14 March 2014  
Melbourne

**DISCOVERY AFRICA LIMITED  
ACN 147 324 847  
AND CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO  
THE MEMBERS OF DISCOVERY AFRICA LIMITED**

**Report on the Half-year Financial Report**

We have reviewed the accompanying half-year financial report of Discovery Africa Limited, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, and consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

***Directors' Responsibility for the Half-Year Financial Report***

The directors of Discovery Africa Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Discovery Africa Limited's financial position as at 31 December 2013 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Discovery Africa Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and 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*.

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## **Conclusion**

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

- (i) giving a true and fair view of Discovery Africa Limited's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

*Hall Chadwick*

Hall Chadwick  
Level 40, 2 Park Street,  
Sydney NSW 2000

*OB*

**DREW TOWNSEND**  
Partner

Date: 14 March 2014