

# 2014

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DISCOVERY METALS LIMITED

ANNUAL GENERAL  
MEETING

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# CAUTIONARY STATEMENT



DISCOVERY METALS LIMITED

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The background of the slide is a faded, high-angle photograph of a mining operation. On the left, a large excavator with a long boom is positioned on a rocky, uneven terrain. To the right, a heavy-duty dump truck is parked. The ground is covered in loose rocks and dirt, and the overall scene is hazy, suggesting a dusty or overcast environment.

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**SECTION 1**

# **CORPORATE OVERVIEW**

**JEREMY READ**  
Chairperson

## Safety

- > A solid safety performance:
  - > No fatalities in FY14 and zero fatalities to date in FY15;
  - > Three lost time injuries in FY14 and none to date in FY15;
  - > Two medically treated injuries in FY14 and one to date in FY15; and
  - > Consecutive zero harm months achieved in July, August, September, October 2014.

## Operations

- > Consistency and operational stability achieved at Boseto Operations
  - > Leadership and operational changes
  - > Cost saving reduction initiatives
- > Record monthly copper production of 2,011 tonnes in April 2014, bettered in July 2014 with 2,061 tonnes and improved further in August with 2,283 tonnes.
- > Best quarterly operating result achieved in Q1 FY15 including production of 6,428 tonnes of copper at a C1 cash cost of \$1.89/lb.

## Financing & Recapitalisation

- > The Company successfully executed:
  - > An equity placement to Blumont on 25 September 2013 raising A\$8.4 million (net of fees); and
  - > An equity placement to Transamine on 29 May 2014 raising A\$2.8 million.

We thank Blumont and Transamine for their ongoing support.

- > In May 2014, the Company agreed with its Lenders to restructure and re-profile its existing project debt facility, on favourable terms, from approximately US\$160 million of interest bearing debt down to US\$100 million of interest bearing debt and a US\$20 million incentive payment.
  - > This debt restructure became effective on 18 July 2014.
- > On 12 September 2014, the Company was issued a breach notice in relation to a condition subsequent of the restructured facility (the Business Plan condition, relating to the development and operational plan for the Zeta Underground Mine).
- > The Company is now in discussions with its Lenders regarding options. Lenders have reserved their rights.

## Financing & Recapitalisation

- > The Company has been in suspension since September.
- > The Company is in suspension due to the decision of our Lenders to not accept the form and substance of the plan for the proposed underground mining operation.
- > We are currently in discussions with a number of parties to determine the most appropriate funding mix for Discovery Metals.
- > The Lenders are regularly informed of our progress.
- > As soon as there is an update there will be an announcement to inform the market.





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## SECTION 2

# OPERATIONS

**BOB FULKER**  
CEO

## Safety

- > The all injury frequency rate in FY14 was 2.52 per 200,000 hours worked
  - > An improvement of 49% on the previous year
  - > Increased focus on lead safety indicators – hazard reporting

## Environment

- > Zero major environmental incidents recorded for FY14
- > Saline ground water consumed within the Water Apportionment Board Limits
  - > Total consumption for FY14 was 2.3 million cubic metres
  - > Recycled water increased to 4.6% an improvement of 54% on the previous year

## Community

- > Continued support of local employment opportunities with 94.9% of Botswana operational employees being nationals and 5.1% expatriate employees
  - > FY14 Sustainability Target was 95% national and 5% expatriate
- > Ongoing consultation and engagement with local communities
  - > 128 formal engagements registered with stakeholder groups
  - > GM's Walk for Charity and Wellness – donated P10,000 to the Toteng Community

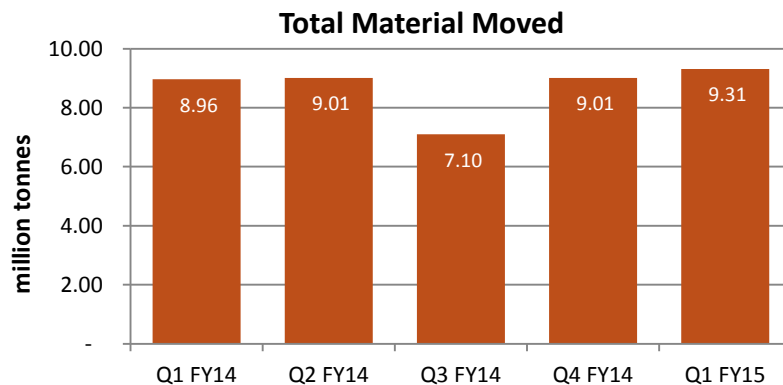




**dmi**  
DISCOVERY COPPER BOTSWANA - BOSETO MINE  
**GM's Walk for Charity & Wellness**  
VENUE: Toteng Village  
DATE: 11th October 2014  
TIME: 05:30hrs  
10km Walk  
FREE FOR ALL!

## Focus on fundamentals – Open Pit Operations

- > Strong focus on operational efficiencies
- > Total mining volumes remain stable at around the three million tonnes per month
  - > Total material moved during FY14 was 34.1 million tonnes
  - > An improvement of 7% on the previous year
- > Zeta open pit is currently in its later stages of operations and producing fresh sulphide ore for relatively low waste movements (low strip ratio)
- > Plutus open pit is being developed in a number of stages
  - > Stage 1 is now a mature pit producing fresh sulphide ore
  - > Stage 2 commenced in 2014; currently mining transitional ore which is starting to be replaced by fresh sulphide ore

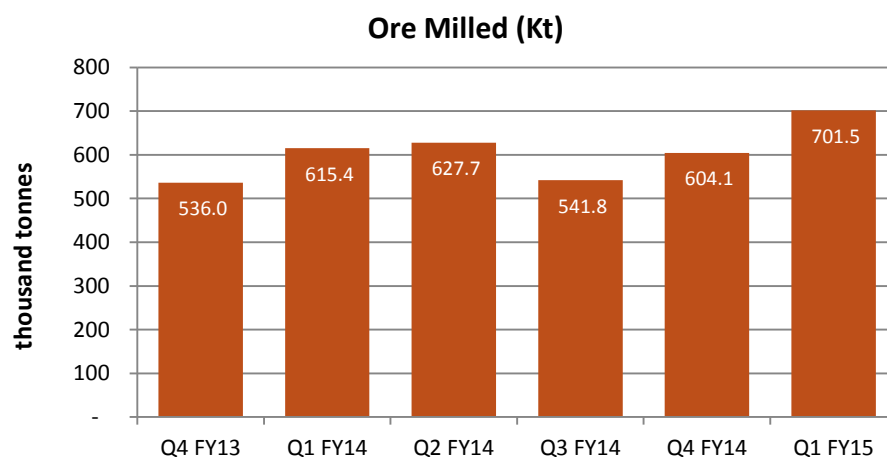






## Focus on fundamentals - Concentrator Performance

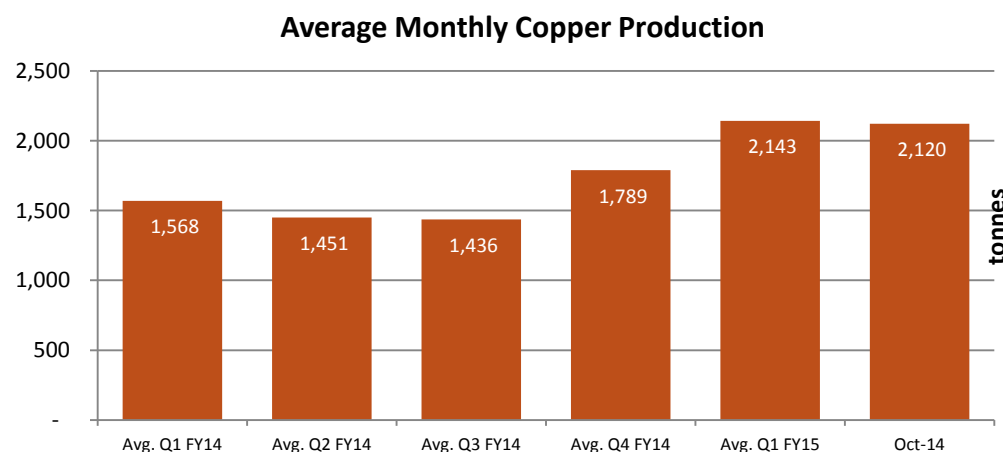
- > Process optimisation initiatives being conducted in the concentrator continue to improve efficiencies, mill throughput, power consumption and metal recoveries
  - > Total ore processed during FY14 was 2.4 million tonnes
  - > An improvement of 16% on the previous year
- > Consistent delivery of good quality sulphide ore from the lower benches of both Zeta and Plutus Stage 1, resulting in higher throughputs and metal recoveries over the year





## Focus on fundamentals - Concentrator Performance

- > Contained copper produced has improved as optimisation efforts begin to deliver tangible results
  - > Total copper produced during FY14 was 18,732 tonnes
  - > An improvement of 26% on the previous year
- > Sustained improvements with copper produced in Q1 FY15 20% higher than Q4 FY14 and contained silver 41% higher
- > Increased metal production, higher throughput and recoveries from all ore types and increased volume of clean ore delivered to ROM
- > Copper produced in October 2014 was 2,120 tonnes and on par with the prior quarter's monthly average





## Key Improvements Implemented

- > Talent acquisition and development to improve mining practices and productivity
- > Mining parameters and practices revised to better align with orebody geometries to mitigate dilution and ore loss
- > Mining from multiple ore sources to mitigate supply risk to the processing plant
- > Improved concentrator stability and increased metals recoveries across all ore types
- > Increased power station reliability and improved power generation efficiency
- > Improved business planning cycle
- > Enhanced cost control processes





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## SECTION 3

# ZETA UNDERGROUND MINE

**BOB FULKER**  
**CEO**



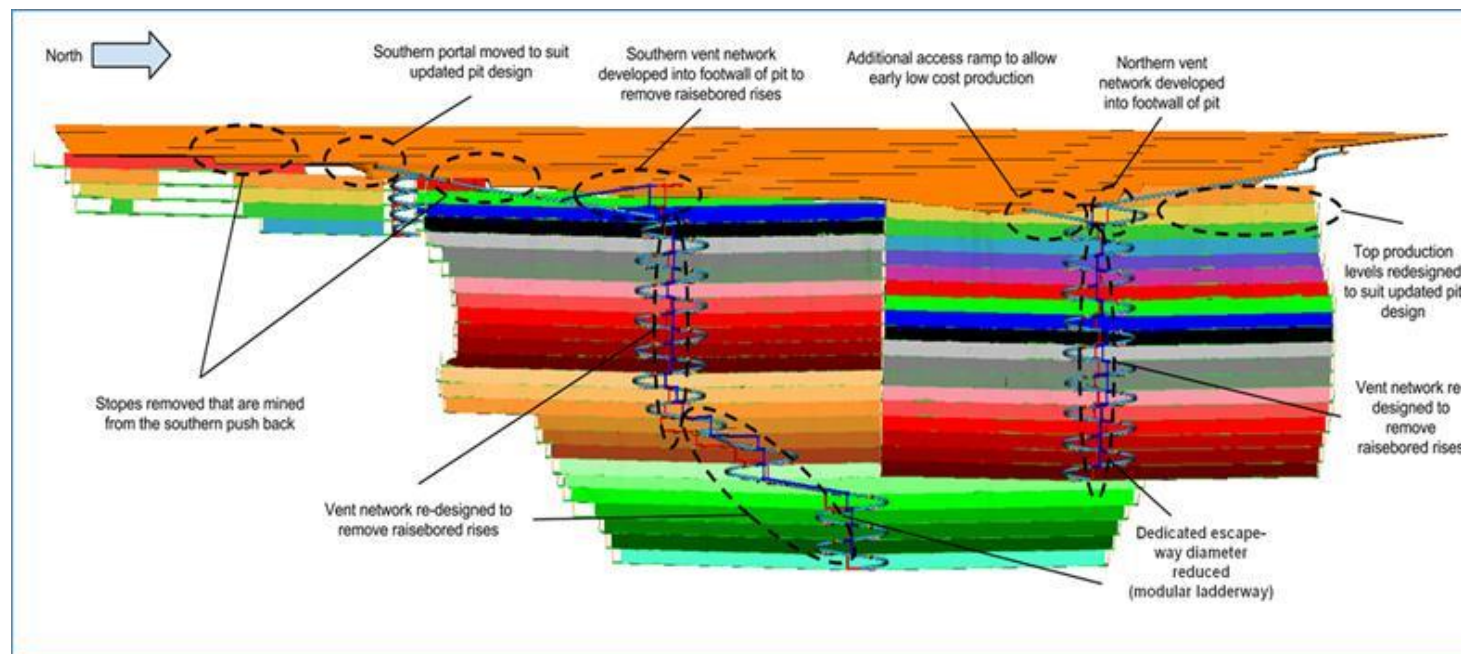
## Overview

- > Underground mining is the key to unlocking value from the Company's significant Mineral Resources
  - > exploits 7.3 mt Ore Reserve, approximately 48% of the Company's total Ore Reserves
  - > increased copper and silver metal production
  - > reduces reliance on high waste stripping and improves ore quality - higher metallurgical recoveries
- > Definitive feasibility study (DFS) completed in April 2012 with further integration studies undertaken in 2014 to refine cost estimates, optimise the mine design and confirm mining parameters
- > Mining via Sub-level Caving over a strike length of 2km beneath the Zeta open pit to an initial depth of 630m
- > Contract mining approach utilising conventional trackless mining techniques, with twin-decline development from within the Zeta open pit; northern decline leading the southern mine by approximately 18 months
- > Expected average production from the combined northern and southern Zeta mines of 1.5 Mtpa at 1.2% Cu
- > Minimum mine life of 11 years with average annual production of 16.6kt Cu & 720koz Ag

# ZETA UNDERGROUND MINE

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## Economics

- > The Zeta Underground Mine's economics were evaluated based on the use of experienced underground mechanised mining contractors. At metal price assumptions of US\$3.18/lb Cu and US\$20/oz Ag the economic evaluation showed:
  - > NPV (10% p.a. discount factor) of US\$97 million and IRR of 45% p.a.
  - > C1 cash cost of US\$2.12/lb
  - > Total capex to:
    - > first stope ore production – US\$5.9 million (6 mths after commencement)
    - > first positive cash flow – US\$34.7 million (2.25 yrs after commencement)
    - > cash flow payback – US\$69.7 million (4 yrs after commencement)

## Future Focus

- > Continue to optimise and improve operating performance and metal production from the existing Zeta and Plutus open pit mines
- > Progress designs and further optimise the proposed Zeta Underground Mine
- > Continue ongoing constructive discussions with Lenders
- > Capital raising to enable development of the Zeta Underground Mine
- > Development of further underground mining targets with additional resource drilling
- > Maximise shareholder value through exploration and resource development of the Kalahari Copper Belt

## Questions?



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APPENDIX



# KEY CONTACT DETAILS



DISCOVERY METALS LIMITED

- > Jeremy Read (Non-Executive Chairperson)  
Phone: +61 7 3218 0222  
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- > Bob Fulker (Chief Executive Officer)  
Phone: +61 7 3218 0222  
Email: [Bob.Fulker@discoverymetals.com](mailto:Bob.Fulker@discoverymetals.com)
  
- > Kerry Parker (Chief Financial Officer & Company Secretary)  
Phone: +61 7 3218 0222  
Email: [Kerry.Parker@discoverymetals.com](mailto:Kerry.Parker@discoverymetals.com)



## Jeremy Read (Chairperson)

Jeremy has over 26 years' domestic and international minerals exploration experience and was the founding Managing Director of Discovery Metals Limited.



## Ribson Gabonowe (Non-Executive Director)

Ribson is a mining engineer with over 30 years' experience in the mining industry and a former Director of Mines of Botswana.



## Russell Luxford (Non-Executive Director)

Russell is an engineer with over 30 years' experience in the mining industry working in senior technical and managerial positions for Citadel Resources Group, Ma'aden, WMC, Rio Tinto, RGC and others.



## Royston Denysschen (Non-Executive Director)

Royston has 18 years' experience in commerce and logistics in southern Africa. He has been key to the start-up, development, management and direction of successful logistics and peripheral businesses throughout southern Africa.

# EXECUTIVE MANAGEMENT



DISCOVERY METALS LIMITED



**Bob Fulker**  
**(Chief Executive Officer)**

Bob Fulker is a highly experienced mining engineer with more than 27 years' senior leadership experience in the minerals industry in both operational and technical roles.



**Rob Cooper**  
**(GM Development)**

Rob Cooper is a mining executive with more than 22 years' experience in various operational and technical roles across a diverse range of metalliferous commodities, both in Australia and overseas.



**Kerry Parker**  
**(Chief Financial Officer)**

Kerry is a Chartered Accountant with more than 25 years' experience in business advisory, and financial and commercial roles in Australia and internationally.



**Grant Arnold**  
**(GM HR & Sustainability)**

Grant has 17 years' experience in a number of senior Human Resources and Safety Management roles with large mining organisations and contractors both in Australia and internationally.



**Lawrence Manjengwa**  
**(GM Boseto Operations)**

Lawrence has over 17 years' of work experience in open cut and underground mining of gold, base metals, platinum and ferrochrome across a diverse range of countries and cultures.



**Mokwena Morulane**  
**(Country Manager)**

Mokwena is the Country Manager – Botswana and is based in Gaborone, the capital of Botswana. He is a director of all the Discovery Metals Limited subsidiary companies in Botswana. He also recently acquired membership of the Chartered Institute of Secretaries of Southern Africa.



- > The information is extracted from the report entitled 'Kalahari Copper Belt Mineral Resources and Ore Reserves Update' created on 14 October 2014 and is available to view at the following URL address:  
<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01561980>
- > The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## Kalahari Copper Belt Mineral Resources

Mineral Resources	2014 Estimate			2013 Estimate <sup>2</sup>		
	Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)
Plutus <sup>1</sup>	81.7	1.31	13	82.1	1.34	12
Zeta <sup>1</sup>	18.9	1.54	25	18.8	1.54	24
<b>Total Boseto Copper Operation</b>	<b>100.6</b>	<b>1.35</b>	<b>15</b>	<b>100.9</b>	<b>1.38</b>	<b>14</b>
Zeta North East <sup>1</sup>	11.6	1.48	28	12.9	1.30	22
Selene <sup>3</sup>	16.0	1.0	16	16.0	1.0	16
Ophion <sup>3</sup>	14.0	1.0	12	14.0	1.0	12
NE Mango 1 <sup>3</sup>	4.8	1.2	13	4.8	1.2	13
NE Mango 2 <sup>3</sup>	28.5	1.3	14	28.5	1.3	14
<b>TOTAL KALAHARI COPPER BELT MINERAL RESOURCES<sup>4</sup></b>	<b>175.5</b>	<b>1.3</b>	<b>15</b>	<b>177.1</b>	<b>1.3</b>	<b>15</b>

1. Mineral Resources are reported as of 30 June 2014 and exclude all mining depletion to that date. The 2014 Plutus, Zeta and Zeta NE Open Pit Mineral Resources are reported at cut-off grades of 0.5% Cu in fresh rock, 0.7% Cu in transitional material, and 1.0% Cu in oxide; Underground Mineral Resources are reported above a cut-off grade of 1.08% Cu equivalent [CuEq%], where  $CuEq\% = Cu\% + 0.008546 \times Ag(g/t)$ , and a 4m minimum mining width. 2014 Plutus, Zeta and Zeta NE Open Pit Mineral Resources are constrained within a pit optimisation run at 1.5 times the Ore Reserves commodity price. Underground Mineral Resources are constrained within the limits of geological interpretation.
2. Previous Open Pit Mineral Resources for Plutus and Zeta are reported as at 31 May 2013 and use the same cut-off grades and pit shell constraints adopted for 2014 estimates. Underground Mineral Resources are reported above a cut-off grade of 1.07% Cu equivalent [CuEq%], where  $CuEq\% = Cu\% + 0.0113 \times Ag(g/t)$ , and a 5m minimum mining width. Previous Mineral Resources estimate for all other Mineral Resources listed are as of 31 May 2013 at a cut-off grade of 0.6% Cu and excludes oxide material.
3. 2014 Mineral Resources estimates are reported as of 31 May 2013 at a cut-off grade of 0.6% Cu and exclude oxide material.
4. Please refer to Competent Persons Statements. The Mineral Resources reported here include any Ore Reserves declared for these Deposits.

## Plutus Mineral Resources

Plutus Mineral Resources	2014 Estimate <sup>1</sup>			2013 Estimate <sup>2</sup>		
	Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)
Measured	5.0	1.25	11	6.5	1.27	12
Indicated	12.9	1.30	13	12.0	1.30	13
Total Measured & Indicated	17.9	1.29	13	18.5	1.29	13
Inferred	63.8	1.31	14	63.6	1.36	12
<b>TOTAL MINERAL RESOURCES <sup>3</sup></b>	<b>81.7</b>	<b>1.31</b>	<b>13</b>	<b>82.1</b>	<b>1.34</b>	<b>12</b>

1. 2014 Plutus Mineral Resources are reported as at 30 June 2014 and exclude all mining depletion to that date. Open Pit Mineral Resources are reported at cut-off grades of 0.5% Cu in fresh rock, 0.7% Cu in transitional material, and 1.0% Cu in oxide; Underground Mineral Resources are reported above a cut-off grade of 1.08% Cu equivalent (CuEq%), where  $CuEq\% = Cu\% + 0.008546 \times Ag(g/t)$ , and a 4m minimum mining width. Open Pit Mineral Resources are constrained within an optimised pit shell run at 1.5 times the Ore Reserves commodity price. Underground Mineral Resources are constrained within the limits of geological interpretation and are reported outside of this pit shell.
2. Previous Open Pit Mineral Resources are reported as at 31 May 2013 and exclude all mining depletion to that date. Open Pit Resources use the same cut-off grades and pit shell constraints adopted for 2014 estimates; Underground Mineral Resources are reported above a cut-off grade of 1.07% Cu equivalent (CuEq%), where  $CuEq\% = Cu\% + 0.0113 \times Ag(g/t)$ , and a 5m minimum mining width, constrained within the limits of geological interpretation and extending to 500m below surface.
3. Please refer to Competent Persons Statement. The Mineral Resources reported here include any Ore Reserves declared for this Deposit.

## Zeta Mineral Resources

Zeta Mineral Resources	2014 Estimate <sup>1</sup>			2013 Estimate <sup>2</sup>		
	Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)
Measured	2.3	1.28	22	3.1	1.35	22
Indicated	7.7	1.35	25	7.2	1.40	25
Total Measured & Indicated	10.0	1.33	24	10.3	1.38	24
Inferred	8.9	1.78	26	8.5	1.73	25
<b>TOTAL MINERAL RESOURCES <sup>3</sup></b>	<b>18.9</b>	<b>1.54</b>	<b>25</b>	<b>18.8</b>	<b>1.54</b>	<b>24</b>

1. 2014 Zeta Mineral Resources are reported as at 30 June 2014 and exclude all mining depletion to that date. Open Pit Mineral Resources are reported at cut-off grades of 0.5% Cu in fresh rock, 0.7% Cu in transitional material, and 1.0% Cu in oxide; Underground Mineral Resources are reported above a cut-off grade of 1.08% Cu equivalent (CuEq%), where  $CuEq\% = Cu\% + 0.008546 \times Ag(g/t)$ , and a 4m minimum mining width. Open Pit Mineral Resources are constrained within an optimised pit shell run at 1.5 times the Ore Reserves commodity price. Underground Mineral Resources are constrained within the limits of geological interpretation, are exclusive of Open Pit Mineral Resources and extend to 800m below surface.
2. 2013 Zeta Mineral Resources are reported as at 31 May 2013 and exclude material mined to that date. Open Pit Mineral Resources use the same cut-off grades and pit shell constraints adopted for 2014 estimates; Underground Mineral Resources reported above a cut-off grade of 1.07% Cu equivalent (CuEq%), where  $CuEq\% = Cu\% + 0.0113 \times Ag(g/t)$ , and a 5m minimum mining width, constrained within the limits of geological interpretation and extending to 800m below surface.
3. Please refer to Competent Persons Statement. The Mineral Resources reported here include any Ore Reserves declared for this Deposit.

## Zeta North East (Zeta NE) Mineral Resources

Zeta NE Mineral Resources	2014 Estimate <sup>1</sup>			2013 Estimate <sup>2</sup>		
	Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)
Measured	-	-	-	-	-	-
Indicated	2.0	1.50	22	-	-	-
Total Measured & Indicated	2.0	1.50	22	-	-	-
Inferred	9.6	1.47	29	12.9	1.30	22
<b>TOTAL MINERAL RESOURCES <sup>3</sup></b>	<b>11.6</b>	<b>1.48</b>	<b>28</b>	<b>12.9</b>	<b>1.30</b>	<b>22</b>

1. 2014 Zeta NE Mineral Resources are reported as at 30 June 2014 and exclude all mining depletion to that date. Open Pit Mineral Resources reported at cut-off grades of 0.5% Cu in fresh rock, 0.7% Cu in transitional material, and 1.0% Cu in oxide; and Underground Mineral Resources reported above a cut-off grade of 1.08% Cu equivalent (CuEq%), where  $CuEq\% = Cu\% + 0.008546 \times Ag(g/t)$ , and a 4m minimum mining width. Open Pit Mineral Resources are constrained within an optimised pit shell run at 1.5 times the Ore Reserves commodity price. Underground Mineral Resources are constrained within the limits of geological interpretation and are reported outside of this pit shell.
2. 2013 Zeta Mineral Resources are reported as at 31 May 2013 at a cut-off grade of 0.6% Cu, and are exclusive of interpreted oxide material.
3. Please refer to Competent Persons Statement. The Mineral Resources reported here include any Ore Reserves declared for this Deposit.



## Additional Kalahari Copper Belt Mineral Resources

No new data has been incorporated into the Inferred Mineral Resources estimates in the table below; therefore there are no changes to the Mineral Resources estimates previously announced on 22 July 2013. Note that Zeta NE was previously included in this list.

Additional Kalahari Copper Belt Inferred Mineral Resources <sup>1</sup>			
Prospect	Mt	Cu (%)	Ag (g/t)
Selene <sup>2</sup>	16.0	1.0	16
Ophion <sup>3</sup>	14.0	1.0	12
NE Mango 1 <sup>4</sup>	4.8	1.2	13
NE Mango 2 <sup>5</sup>	28.5	1.3	14
<b>TOTAL MINERAL RESOURCES</b>	<b>63.3</b>	<b>1.2</b>	<b>14</b>

1. Mineral Resources reported as at 31 May 2013, at a cut-off grade of 0.6% Cu, and are exclusive of interpreted oxide material.
2. Drill hole data as at 12 January 2012.
3. Drill hole data as at 11 October 2012.
4. Drill hole data as at 1 August 2012.
5. Drill hole data as at 16 October 2012.

## Boseto Ore Reserves

Ore Reserves		2014 Estimate <sup>1</sup>			2013 Estimate <sup>2</sup>		
Open Pit		Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)
Plutus	Proved	3.7	1.2	11	4.8	1.2	11
	Probable	3.0	1.3	14	1.2	1.4	16
	<b>Sub-total</b>	<b>6.6</b>	<b>1.2</b>	<b>12</b>	<b>6.0</b>	<b>1.2</b>	<b>12</b>
Zeta	Proved	1.2	1.2	20	1.7	1.3	20
	Probable	0.1	1.2	23	0.1	1.2	17
	<b>Sub-total</b>	<b>1.3</b>	<b>1.2</b>	<b>20</b>	<b>1.8</b>	<b>1.3</b>	<b>20</b>
<b>Total Open Pit Ore Reserves</b>		<b>8.0</b>	<b>1.2</b>	<b>14</b>	<b>7.7</b>	<b>1.2</b>	<b>14</b>

Underground <sup>3</sup>		Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)
Zeta	Proved	0.9	1.2	22	0.9	1.2	21
	Probable	6.4	1.3	24	6.4	1.3	23
<b>Total Underground Ore Reserves</b>		<b>7.3</b>	<b>1.3</b>	<b>24</b>	<b>7.3</b>	<b>1.3</b>	<b>23</b>

Total Proved	5.8	1.2	14	7.4	1.2	14
Total Probable	9.5	1.3	21	7.7	1.3	22
<b>TOTAL ORE RESERVES <sup>4</sup></b>	<b>15.3</b>	<b>1.3</b>	<b>19</b>	<b>15.0</b>	<b>1.3</b>	<b>18</b>

1. 2014 Boseto Ore Reserves are reported as at 30 June 2014 and exclude material mined to that date. The cut-off grade used for the Open Pit Ore reserves varies depending on the metallurgical recovery which itself is dependent on the ratio of acid soluble copper (AsCu%) to total copper (TCu%); the higher the ratio of AsCu% to TCu%, the lower the metallurgical recovery. The resulting average cut-off grade (insitu) is generally in the range of 0.5 to 0.6 % Cu.
2. 2013 Boseto Ore Reserves are reported as at 31 May 2013 and exclude all material mined to that date. Due to the relationship between the metallurgical copper recovery and the block S:Cu ratio, no traditional cut-off grade was applicable for the 2013 Open Pit Ore Reserves. The determination of ore was made by calculating the cash flow that would be produced by processing material and the cash flow which would be produced by mining it as waste. If the cash flow from processing was higher, the material was considered as ore; if not, it was considered waste.
3. The economic cut-off grade used to determine the 2014 Zeta Underground Ore Reserves is 1.08% Cu equivalent (CuEq%), where  $CuEq\% = Cu\% + 0.008546 \times Ag \text{ (g/t)}$ , and a 4m minimum mining width; 2013 Zeta Underground Ore Reserves used a cut-off grade of 1.07% Cu equivalent (CuEq%), where  $CuEq\% = Cu\% + 0.0113 \times Ag \text{ (g/t)}$ , and a 5m minimum mining width.
4. Please refer to Competent Persons Statement.

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