



Boseto Copper Project Official Opening

# ASX ANNOUNCEMENT

## Discovery Metals Limited

### QUARTERLY ACTIVITIES REPORT

1 July to 30 September 2012

ASX/BSE: DML

#### MARKET CAPITALISATION

Shares on Issue	484m
Share Price	A\$1.665
Market Cap	A\$807m
Cash (30 Sep)	US\$86m
Debt (30 Sep)	US\$205m

ABN 29 104 924 423

#### CONTACTS

Brad Sampson  
Managing Director  
Phone: +61 (7) 3218 0222

Paul Fulton  
Chief Financial Officer  
Phone: +61 (7) 3218 0218

#### WEBSITE

discoverymetals.com

#### BOARD OF DIRECTORS

**Chairman**  
Gordon Galt

**Managing Director**  
Brad Sampson

**Non-Executive Director**  
Morrice Cordiner  
Ribson Gabonowe  
Niall Lenahan  
Jeremy Read  
John Shaw

**Company Secretary**  
Greg Seeto

#### REGISTERED OFFICE

Level 20, 333 Ann Street,  
Brisbane, QLD 4000, Australia  
Phone: +61 (7) 3218 0222  
Fax: +61 (7) 3218 0233  
info@discoverymetals.com

#### BOTSWANA COUNTRY OFFICE

Plot 21314 Sebele Station  
Road, Phakalane, Gaborone,  
Botswana  
Phone: +267 318 0751  
Fax: +267 318 0752

## Boseto Copper Project

- The Boseto Copper Project was **officially opened** by the President of Botswana on 7 September 2012.
- Following the start of commissioning in June 2012, the Boseto Copper Project **ramp up is progressing in line with expectations**.
- 8,058 tonnes of copper-silver concentrate produced to date at Boseto an average of 38% Cu and 640 g/t Ag.
- Work on **value enhancement projects**, including the Boseto 50,000 tpa expansion, Zeta underground and coal fired power station is continuing.

## Exploration

**Boseto Zone** (targeting expansion / mine life extension / standalone project)

- 4 new Inferred Mineral Resources reported (increasing Boseto Zone Mineral Resources by 60.2 Mt to 207.2 Mt) including:
  - Zeta NE** Inferred Mineral Resources of **12.9Mt @ 1.3% Cu & 22 g/t Ag**.
  - NE Mango 1** Inferred Mineral Resources of **4.8Mt @ 1.2% Cu & 13 g/t Ag**.
  - NE Mango 2** Inferred Mineral Resources of **28.5Mt @ 1.3% Cu & 14 g/t Ag**.
  - Ophion** Inferred Mineral Resources of **14Mt @ 1.0% Cu & 12 g/t Ag**.

**Mid and South West Kalahari Zones** (targeting standalone mining operations)

- New zone of prospective horizon intersected north of the Ophion Deposit.
- 14km long zone of anomalous copper delineated at Aphrodite.

## Corporate

- Company generated its first positive cash flow in September.
- At 30 September 2012, Discovery Metals had US\$86.2 million in cash and had fully drawn the US\$205 million Boseto project debt facilities.
- A **Share Placement for A\$50 million** was completed.



DISCOVERY METALS LIMITED

Developing a new  
copper frontier

- In late September, Cathay Fortune Corporation (**CFC**) presented the Board with an **unsolicited, indicative, non-binding, conditional proposal** to purchase all outstanding shares in the Company at A\$1.70 per share. The directors met with CFC representatives and advised that the price proposed was inadequate. The Discovery Metals Board will continue to consider any proposal made to the Company on its merits.
- Discovery Metals receives a claim from Sedgman and will vigorously defend these matters.

## 1. Boseto Copper Project

### a) Construction

The Engineering Procurement and Construction (EPC) contract for the 3 million tonnes per annum Boseto processing plant and related works commenced in September 2010 and is complete with production ramp up proceeding. The construction timeline given at the time of the BFS announcement for the Boseto project in August 2010, which anticipated the commencement of commissioning of the process plant before the end of June 2012, was achieved.

### b) Boseto Operations

#### Physical Parameters

Mining operations at Zeta open pit continued to ramp up during the September quarter following the start of commissioning in June 2012 and production continues to increase to support the design plant feed rate of 250,000 tonnes of ore per month. The third Liebherr 350 tonne excavator was successfully commissioned during the quarter. Some minor construction activities are still to be completed in the mining infrastructure area.

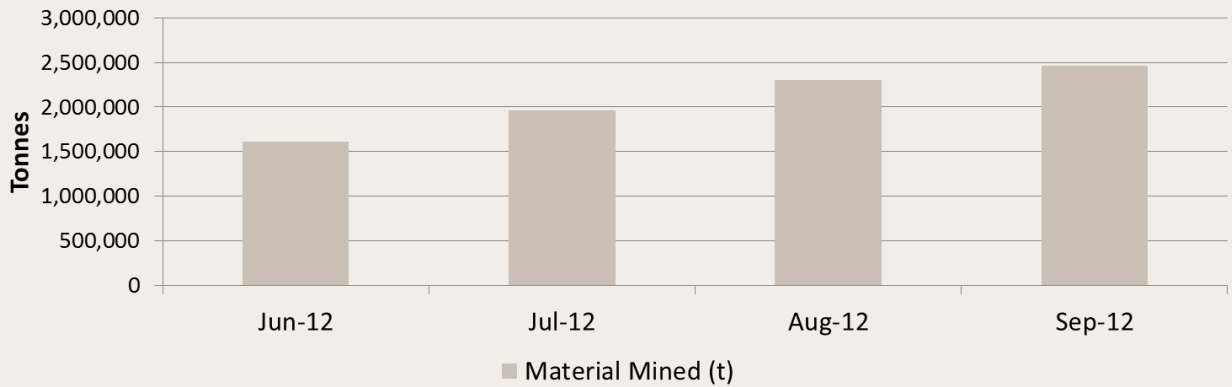
The first sulphide ores became available for mining during August 2012 after mining through the lower grade transitional ore zones. The proportion of sulphide ore is expected to increase progressively over the December 2012 quarter as more of the open pit is deepened into the sulphide zone.

A total of 6.7 million tonnes of ore and waste was mined during the quarter.

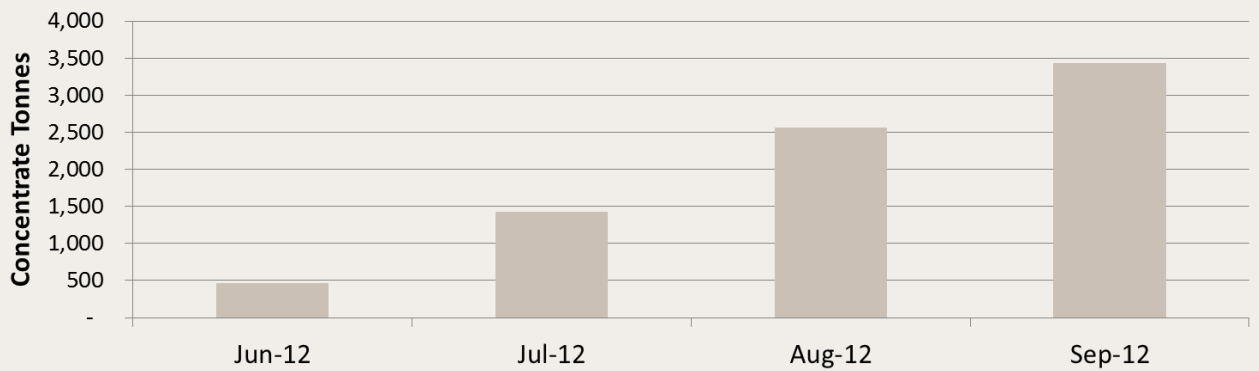
The crushing and milling circuits both achieved higher than design throughput rates and long periods of steady state operation at design rates were achieved. A total of 628,360 tonnes was milled during the quarter. Average feed grade was 1.0% Cu and 11 g/t Ag.

Recovery of metal and concentrate grade improved throughout the quarter as more sulphide ore was introduced into the mill feed. For the project-to-date, a total of 8,058 tonnes of concentrate has been produced with average grade of 38% Cu and 640 g/t Ag. Copper and silver recoveries achieved throughout the quarter were in line with those estimated during the BFS for the ore type processed.

### Boseto Mining & Milling Ramp-up

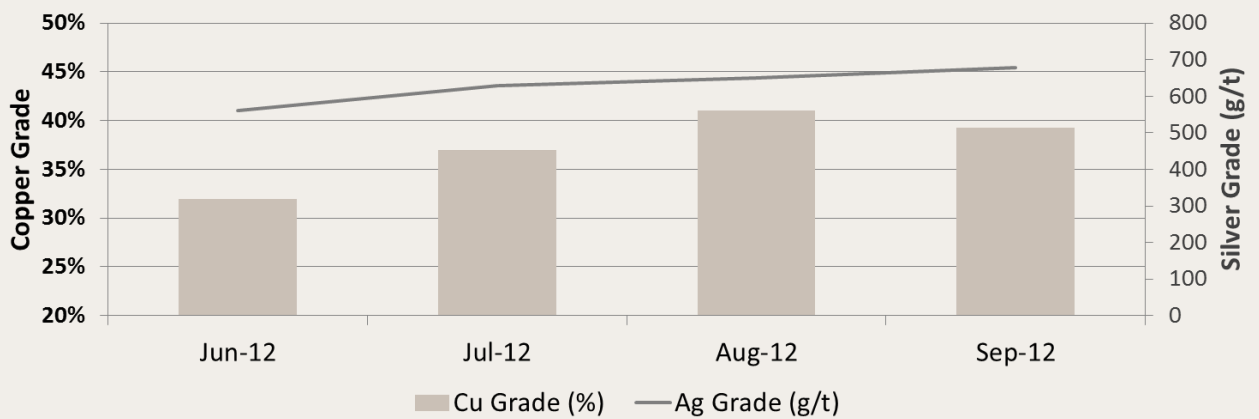


### Boseto Concentrate Production Ramp-up



Production continues to ramp up in line with expectations.

### Boseto Concentrate Grade



Concentrate copper grade is already at a high level (circa 40%) by industry standards. It is anticipated that the plant will be operated so as to produce concentrate at a grade of +40% Cu as the proportion of sulphide ore in the feed increases and optimisation of flotation performance is further progressed.

## Boseto Costs

Mining cost for the month of September was US\$1.58 per tonne of material moved. Unit costs of mining continue to reduce as both the productivity of the excavators and total material movement increase.

Milling cost for the month of September was US\$9.51 per tonne plant feed (excluding power). Milling costs also continue to reduce towards our cost target as total material milled increases.

In September, copper production at 45% of design rate generated revenue of US\$11.6m and yielded the Company's first positive cashflow month.



*Crushed Ore moving to the Ball Mill*



*Concentrate Barn Stockpile prior to bagging operation*

## 2. Zeta Underground Mine Project

The Definitive Feasibility Study (DFS) reported in April 2012 evaluated the Zeta Underground project as a standalone contract operation with ore processed at the Boseto concentrator. Planning and preparatory work to integrate the Zeta underground development with the Boseto open pit operations is proceeding, with decline development work scheduled to commence in late 2013.

Highlights of the Zeta Underground Mine project are:

- Mining is scheduled over a 2 km strike length at between 150 and 630 metres below surface;
- Sublevel caving mining method;
- Twin-decline development from the Zeta Open Pit area to provide underground access; and
- Average production of 1.5 Mtpa (18kt Cu and 800koz Ag per annum) scheduled over 11 years.

The key financial forecasts, evaluated using contractors (as opposed to owner operated), at US\$3.00/lb Cu and US\$30/oz Ag, showed:

- **NPV (10% discount factor) of US\$131 million;**
- **IRR of 42%;**
- **C1 cash cost of US\$1.82/lb** (which includes the contractors' profit and capital recoupment); and
- Capex (to first ore production) of US\$26.8m.

In conjunction with the DFS, maiden Ore Reserves were published for the Zeta underground (refer to Ore Reserves and Mineral Resource section of this report).

Recruitment of the underground team has commenced with the appointment of Mr Chaim Sproles as the Underground Manager. Mr Sproles has extensive experience in project start-up and sublevel, block and panel caving methods. Two Mining Engineers have also been employed.

The Department of Environmental Affairs (DEA) in Botswana has agreed that an addendum to the Boseto Environmental and Social Impact Assessment (ESIA) will be sufficient to grant permission to proceed with underground operations. The ESIA Addendum has been submitted and the DEA has requested the required Stakeholders Meeting be held during October 2012 in Maun. The Company anticipates conclusion of the approval process with the DEA in the December quarter. Once Environmental approval is obtained, the application for the Underground Mining Licence will be lodged with the Department of Mines.

### 3. Boseto Coal Fired Power Station

The Front End Engineering Design (FEED) has been completed for a 24MW (2 x 12MW) power station with a 'balance of plant' conceptual design for 36MW (allowing for the Boseto expansion project) and allowance for a spare Circulating Fluidised Bed boiler. These designs incorporate flexibility to easily expand the power plant with additional power train modules.

The Company continues discussions with the Government of Botswana for the necessary power generation permits and an update to the Boseto Environmental Impact Assessment Statement (EIAS). It is unlikely that the Company will proceed to the next stage of final design, manufacture, construction and commissioning of the power station until such permits are approved.

A coal fired power station is part of the published Boseto Development Plan aimed at delivering significant operating cost savings and reducing the Boseto Copper Project's dependence on imported oil products.

### 4. Kalahari Copperbelt Exploration

The Company's exploration activity in the Kalahari Copperbelt has two key objectives:

- Discover copper-silver mineralisation within the Boseto Zone which will contribute to a longer mine life and/or expansion of the Boseto Copper Project; and
- Discover zones of copper-silver mineralisation in the Boseto, Mid Kalahari and South West Kalahari Zones that may support the development of standalone projects.

Discovery Metals holds 18 prospecting licences covering 11,872 square kilometres in the Kalahari Copperbelt of north-west Botswana. The prospecting licences extend from 60 kilometres south-west of Maun through to the Namibian border, a distance of over 280 kilometres. The licences contain approximately 1,500 strike kilometres of favourable geology with the potential to host copper-silver mineralisation. Approximately 34% of this prospective horizon's strike has been explored (soil sampled) by Discovery Metals, and approximately 25% has been drill-tested to date.

The seven north-eastern tenements, located in Ngamiland, are current until September 2012 and an application for continuance of key tenements has been lodged with the Geological Survey. The seven south-western tenements, located in the Ghanzi District, were renewed in July 2011 for two years until 30 June 2013. In February 2012, four new prospecting licences near D'Kar were granted abutting the Ghanzi District prospecting licences.

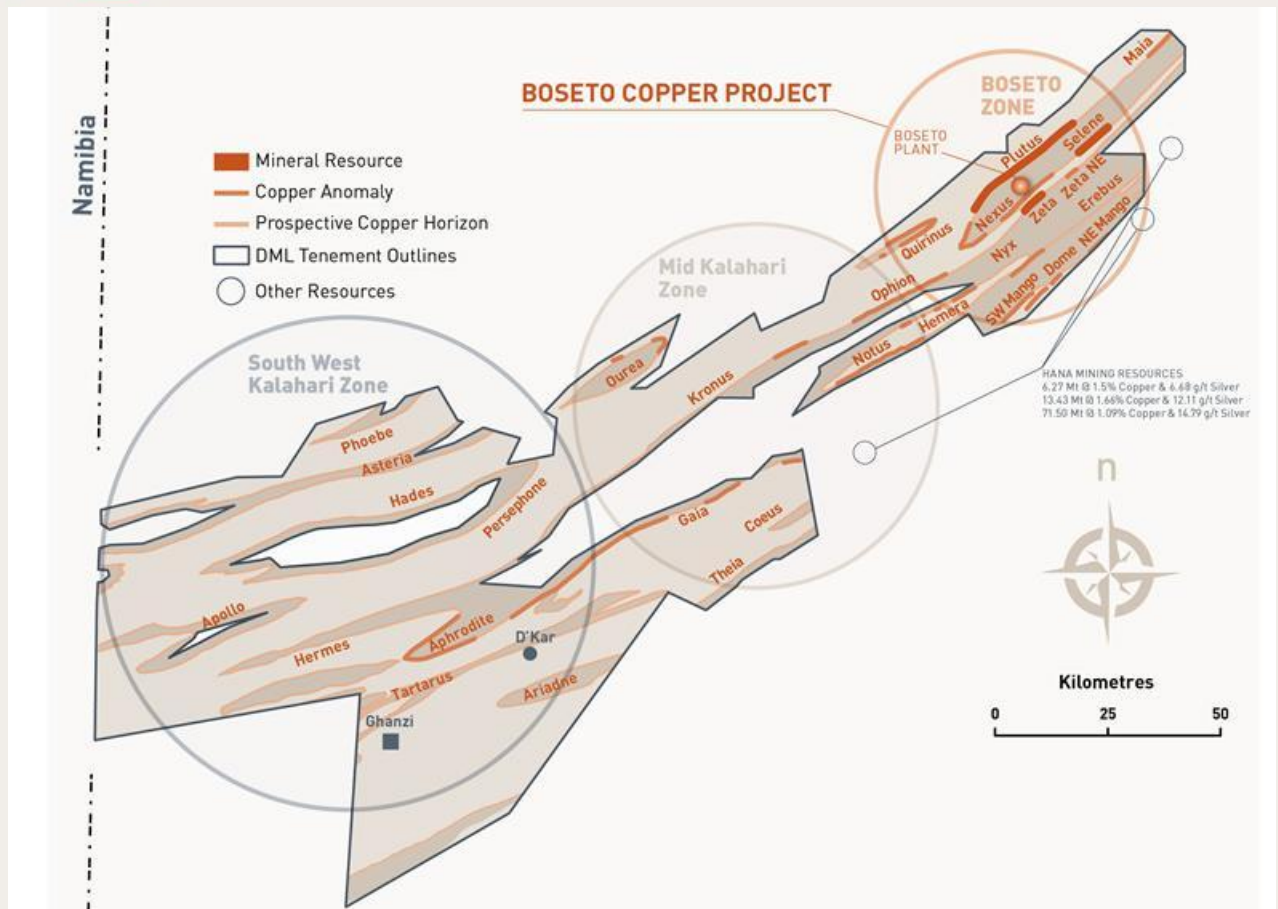



Figure 1: Kalahari Copperbelt exploration targets

**a) Boseto Zone – targets Boseto extension/expansion or new standalone project**

Maiden Inferred Mineral Resource estimates were completed for Zeta NE, NE Mango 1 and NE Mango 2 during the quarter.

**Zeta NE** – A maiden Inferred Mineral Resource estimate was prepared and reported at 12.9 Mt @ 1.3% Cu and 22 g/t Ag over a strike length of five kilometres in the quarter. Drilling to convert some of the Inferred Mineral Resources to the Indicated Mineral Resources category began in September 2012. A total of eight drill holes have been completed for 600 metres drilled. This program is planned to be completed in the first quarter of 2013.

**Selene** – A maiden Inferred Mineral Resources estimate of 16 Mt @ 1.0% Cu and 16 g/t Ag over a strike length of seven kilometres was completed in the March 2012 quarter. After completion of this Mineral Resources estimate report, additional assay results were received for the diamond core drilling program conducted in the June quarter. Drilling is planned to continue in 2013 in the vicinity of Selene to follow up additional known drill targets in this area.



**NE Mango 1** – A maiden Inferred Mineral Resources estimate was completed at NE Mango 1 during the quarter. The Mineral Resources are 4.8 Mt @ 1.2% Cu and 13 g/t Ag, including a higher grade zone containing Inferred Mineral Resources of 1.6 Mt @ 2.1% Cu and 25 g/t Ag.

**NE Mango 2** - Final assay results for the NE Mango 2 drilling were received in this quarter. The drilling has identified significant mineralisation over a strike length of 4.7 kilometres comprising a central higher grade core over a strike length of 2.7 kilometres, with thinner, low grade mineralisation to the north-east and south-west. Within the high grade zone, mineralisation has been intercepted to a vertical depth of 260 metres. The mineralisation is closed off to the north-east but remains open to the south-west.

A maiden NE Mango 2 Inferred Mineral Resources estimate of 28.5 Mt @ 1.3% Cu and 14 g/t Ag was published subsequently in early October.

### **b) Mid Kalahari Zone – targeting new standalone projects**

Exploration in the Mid Kalahari Zone was confined to a gravity survey in the Ophion area and a line of shallow drilling at Ophion, where maiden Inferred Mineral Resources of 14 Mt @ 1.0% Cu and 12 g/t Ag were announced in early October.

**Ophion** – A line of shallow drilling, aiming to test strong lead-zinc in soil anomalism north of the Ophion Deposit was completed in this quarter (121 holes for 950 metres were drilled in the program). Drilling showed that there may be a repetition of the prospective horizon north-west of Ophion and returned copper assays up to 620ppm.

**Gravity Survey** – a gravity survey was conducted in the Ophion area to determine whether gravity could identify structures formed early in the formation of the basin. An initial interpretation shows that structures at a high angle to the main NE-trending faults can be identified and there may be a spatial relationship between these and copper-in-soil anomalism. Additional work is planned in the December quarter to progress understanding of this relationship.


### **c) South West Kalahari Zone – targeting new standalone projects**

Exploration in the South West Kalahari Zone comprised shallow drilling programs in the Hades and Asteria areas and soil geochemical sampling in the Aphrodite and Tartarus areas.

**Hades and Asteria** – Hades and Asteria are two areas around large anticlines cored by Ngwako Pan Formation sandstones. Kalahari sands up to 60 metres deep cover the Ghanzi Group rocks in these areas. A shallow drilling program continued in the September quarter to:

- Identify the position of the prospective base of the Dekar Formation;
- Test structural targets;
- Provide geochemical information below the deep cover to assist in targeting drilling; and
- Determine the depth of the cover across the area.





By the end of the quarter, 79 holes for 4,140 metres were drilled on 13 lines and had successfully identified the position of the contact on ten lines. The depth of the Kalahari sands varies from eight to 60 metres.

**Aphrodite, Tartarus & Ariadne** – A soil geochemical sampling program over the Aphrodite, Tartarus and Ariadne areas that was begun in the June quarter of 2012 was completed in the current quarter. A total of 5,852 samples were collected in the quarter for 12,785 samples collected in total. The sampling has identified a copper-in-soil anomaly at Aphrodite, over the base of the Dekar Formation, 14 kilometres long with copper assays up to 345ppm. Assaying of the soil samples is expected to be completed in the December quarter. Drilling of the copper-in-soil anomaly at Aphrodite will also begin in the December quarter.

## 5. Sustainability

The Company is developing systems to comply with the requirements of the Global Reporting Initiative and the Minerals Council of Australia ‘Enduring Value – The Australian Minerals Industry Framework for Sustainable Development’.

### a) Safety and Health

Training of employees in the use and application of the Company’s risk management and incident reporting systems continued. An awareness programme to address risks associated with HIV/Aids was commenced with the support of the on-site medical team and the Department of Health. A Superintendent of Health, Safety and Environment is being recruited to drive implementation of the systems. The incident reporting system, integrated with the risk management system, allows effective management and follow-up of incidents, including corrective actions and reporting.

### b) Environment

The Company’s Boseto project environmental obligations to the Government of Botswana are embodied in the Environmental Management Plan (EMP) which formed part of the approved Environmental Impact Assessment and the Boseto Mining Licence approval. These obligations are comprehensive and are subject to annual review and reporting to the Government of Botswana. In addition, the Company has adopted best practice environmental standards in accordance with the Equator Principles and IFC Performance Standards.

Work continued on the development of procedures and standards required for the implementation of an Environmental Management System. A further operational audit was conducted by Independent Technical Engineers, with no significant issues identified which were not already being actioned.

## c) Community Relations

Regular consultation and engagement, primarily with local community representatives, affected landholders, local politicians and government agencies continues. A Community Liaison Office has been established in Toteng to facilitate more effective communication with local stakeholders.

Work has further progressed on the development of a framework and charter for a Community Development Fund which is envisaged will provide funding for a wide range of community development needs, primarily in the health, education, capacity building and water supply areas, identified in consultations with stakeholders. Input on which community projects will be prioritised for funding will be provided by a Community Advisory Council representing stakeholders.

These community programmes are in addition to the benefits accruing to the local communities from employment (including apprenticeships and trainees) and the supply of goods and services to the Boseto site and Boseto employees.

## 6. Manganese Prospects, South Botswana (Discovery Metals 100%)

Seventeen prospecting licences, covering 15,345 square kilometres in southern Botswana are held by the Company. This area is underlain by rocks of the Transvaal Supergroup which extends south-east into the Griqualand West Basin of South Africa, where it hosts the Kalahari Manganese Field (KMF) deposits.

The Company is still awaiting advice from the Geological Survey relating to possible overlapping licences on a small portion of the areas under lease and is developing an appropriate strategy for optimising the tenement holding and advancing the exploration programs on the manganese licences.

A project summary has been prepared for potential companies who may be interested in farming into the project. To date several companies including JOGMEC, ERAMET and Norilsk Nickel have expressed interest in exploring the tenement package for manganese.

## 7. Dikoloti Nickel Project (Discovery Metals 19.3% and diluting)

The Dikoloti Nickel Project now comprises three prospecting licences covering an area of 273 square kilometres surrounding the nickel operations of BCL Limited in the Selebi-Phikwe region of north-east Botswana.

The Company manages the Joint Exploration Agreement with The Japan Oil, Gas and Metals National Corporation (JOGMEC) and JOGMEC previously funded the \$3 million exploration programme to earn a 60% interest in the project. Additionally, JOGMEC will also provide funding for the future two year exploration programme and therefore Discovery Metals' share of the project is expected to dilute. A total of approximately A\$2.2 million has been spent on this year's programme bringing JOGMEC's total contribution

to A\$5.2 million since the inception of the Joint Exploration Agreement, earning a right to 80.7% of any future project.

The current phase of exploration has been completed with eleven diamond holes drilled for a total 5,810 metres on existing and newly created 400 metre and 500 metre spaced sections at Dikoloti North along the VTEM anomaly. The drilling intersected additional sporadic significant massive sulphides extending the known mineralisation 2.1kms with the best intersection occurring between 293.5 metres and 302.2 metres, 8.7 metres @ 0.98% Ni, 0.92% Cu, 1.24g/t Pd & 0.23g/t Pt. Drilling of up to four holes per section indicates the geology is complex and it is difficult at this stage to confidently connect the massive sulphide intersections into a continuous horizon that could be categorised as JORC compliant Inferred Mineral Resources at Dikoloti North. However, the mineralisation is not closed off in all directions and Dikoloti North and Dikoloti remain valid exploration targets.

Results of the Titan geophysical survey conducted during the June quarter found several chargeability anomalies and two were selected for drilling, however no massive sulphides were intersected.



***Boseto Copper Project Official Opening***

## 8. Corporate

The Boseto Copper Project was officially opened on 7 September 2012 by the President of the Republic of Botswana, His Excellency Seretse Khama Ian Khama, accompanied by Vice President and Minister for Mines, Energy & Water Resources Dr Ponatshego Kidikilwe.

During August the Company successfully completed a A\$50 million institutional share placement. An additional A\$1 million was raised via a Share Purchase Plan. The proceeds of this capital raising will allow the Company to progress a number of cost saving and value enhancing projects, including additional exploration, Zeta underground development planning, the Boseto coal fired power station project and Boseto expansion studies.

The Company has fully drawn the Boseto project debt finance of US\$180 million and the US\$25 million working capital facility. At the end of September 2012, Discovery Metals held US\$86.2 million in cash.

In September, copper production at 45% of design rate generated revenue of US\$11.6m and yielded the Company's first positive cashflow month.


The 30 June 2012 Directors' and Financial Reports were released in August and the 2012 Annual Report was released in early October.

### **Indicative, non-binding Proposal**

On 21 September 2012, the Company received an unsolicited, indicative, non-binding, conditional proposal (**Indicative Proposal**) from Cathay Fortune Corporation (**CFC**) and China-Africa Development (**CAD**) Fund to acquire all the shares (not currently held by CFC) in Discovery Metals for A\$1.70 per share. Directors have been taking advice from external legal and financial advisers in respect of the Indicative Proposal and details of the Indicative Proposal were released through the ASX on 4 October 2012.

The Directors have considered the Indicative Proposal and its terms and have taken advice from the Company's financial advisers. In a meeting on 11 October 2012, the Directors advised the representatives of CFC and CAD Fund that the price proposed by CFC and CAD Fund is inadequate and does not reflect, in the context of a change of control, the value of the Company's operations and expansion plans, the potential to increase the resources on the Company's tenements through further exploration, the strategic value of the Company with an operating project and management team in Botswana, and the scarcity value of the Company.

In forming their view as to why the Indicative Proposal was inadequate, Discovery Metals' Directors noted that the Company has been focussing its management and financial resources on the establishment of the Boseto Copper Project.



Directors took account of the expansion / extension potential of the existing Boseto Copper Project and the considerable additional defined and potential Mineral Resources in its Kalahari Copperbelt tenements.

In respect of the Company's current development plan for the Boseto Copper Project, the project is currently scheduled to have a mine life of 21 years at a production rate of 3 Mtpa. Mineral Resources currently scheduled in this plan include open pitable Mineral Resources at Zeta, Zeta NE, Plutus, Ophion and Selene and underground Mineral Resources at Zeta down to 630 metres below surface.

Directors believe significant growth potential in Mineral Resources exists at Zeta Underground, below 630 metres to 1,000 metres deep, Zeta NE between 150 metres and 1,000 metres deep and depth extension of the underground Mineral Resources at Plutus. Copper-silver mineralisation within the Boseto Zone has demonstrated strong continuity along strike and down dip, giving Directors additional confidence in the Company's ability to delineate further Mineral Resources.

Exploration to delineate additional Mineral Resources within the Boseto Zone continues as funds are available. Multiple targets remain untested in the Boseto Zone. These additional Mineral Resources, once defined, could feed into an expanded operation at Boseto and/or extend the life of the mine.

In respect of the current Boseto process plant, current debottlenecking tests indicate the potential to increase throughput to between 3.5 Mtpa and 4 Mtpa without significant additional capital expenditure and these tests will continue as the plant commissioning proceeds.

Elsewhere in the Boseto Zone, exploration at the Mango Deposit has now defined Mineral Resources totalling 33.3 million tonnes at grades consistent with those in the Boseto mine schedule and with thicker copper-silver mineralisation. Exploration at Mango remains at an early stage with approximately 9 kilometres of prospective strike length yet to be tested and follow up drilling required at SW Mango where high grade copper-silver mineralisation has been intersected by drilling.

It is noted that the Board of Discovery Metals committed to the development of the Boseto Copper Project with a smaller quantum of Mineral Resources than already exists at the Mango Deposit.

Significant open pit and underground potential exists at several locations in the Mango area. Mango may offer sufficient Mineral Resources potential to allow the development of a completely separate copper project in the area. Exploration to define the full extent of Mineral Resources in these areas is proceeding aggressively.

Elsewhere, the potential of the Mid Kalahari and South West Kalahari Zones is considered to be at a very early stage.

Given the overall potential of the Kalahari tenements, the timing of the proposal during commissioning, the fact that Discovery Metals' shares have already traded over the proposed price during the 2012 year as well as other considerations, including the non-binding, indicative and conditional nature of the Indicative

Proposal, the Directors did not believe that the Indicative Proposal was adequate to allow exclusive due diligence by CFC.

Directors noted that they are prepared to consider any proposal made to the Company on its merits.

### **Sedgman EPC contract**

In the 30 June 2012 Annual Financial Statements, the Company reported a number of claims from and against the major construction contractor (Sedgman) on the Boseto Copper Project relating to time extension and associated bonuses or penalties and sub-standard and incomplete work which has been remediated and completed by Discovery Metals.

Discovery Metals has been communicating with Sedgman to resolve the disputed matters in accordance with the dispute resolution provisions of the EPC contract.

Discovery Metals advises that on 22 October 2012, Sedgman advised Discovery Metals that Sedgman will be filing a court application claiming \$20,027,470.07 against Discovery Metals under the EPC Contract.

Discovery Metals believes that there are no merits to Sedgman's claims and has advised Sedgman of significant offsetting claims by Discovery Metals against Sedgman.

Discovery Metals will vigorously defend its position in these matters.



***Boseto Copper Project***

## Boseto Hedging Summary

Coinciding with the Boseto project finance in July 2011, hedging of approximately 40% of forecast copper and 65% of forecast silver production (for the scheduled period of the loan repayment through to March 2015) was placed. The total hedged quantities are 40,000 tonnes of copper and 1,850,000 ounces of silver.

The average future strike prices attained for these hedge contracts are US\$4.01 per pound (/lb) for copper and US\$36.07 per ounce (/oz) for silver.

In July 2012, additional hedging was placed to protect the cash flow during the start of operations. A total of 6,100 tonnes of copper was contracted for US\$3.45/lb and 90,000 ounces of silver for US\$26.88/oz.

Discovery Metals cash settles or receives payment from the hedging banks based on the difference between the average monthly London Metal Exchange (LME) prices on the following contracted hedges. **For the quarter, the Company received \$4.0m in cash for settlement of copper and \$0.8m for silver hedges.**

At quarter end, the total hedge book value represented an unrealised net gain of **US\$22 million** in excess of end of quarter commodity forward market prices.

The positive mark to market value (MTM) for the July 2011 placed hedges is shown below.

Hedge Period	Copper Hedge Tonnes	Copper Price USD/t	Copper Price US\$/lb	Silver Hedge Ounces	Silver Price US\$/oz	Copper MTM US\$	Silver MTM US\$
Oct to Dec 2012	3,759	9147.8	4.15	183,240	36.29	3,519,296	332,726
Jan to Mar 2013	3,681	9068.7	4.11	160,890	36.24	3,155,363	273,870
Apr to Jun 2013	3,621	8995.2	4.08	161,079	36.19	2,835,280	258,441
Jul to Sep 2013	3,939	8918.2	4.05	195,759	36.13	2,795,298	302,646
Oct to Dec 2013	4,352	8845.3	4.01	218,679	36.08	2,796,342	329,658
Jan to Mar 2014	3,879	8761.9	3.97	180,408	36.02	2,196,572	264,439
Apr to Jun 2014	3,663	8678.4	3.94	167,961	35.95	1,795,332	237,483
Jul to Sep 2014	3,370	8597.1	3.90	140,370	35.88	1,403,290	191,187
Oct to Dec 2014	3,240	8510.7	3.86	136,140	35.82	1,094,033	188,284
Jan to Mar 2015	3,496	8424.1	3.82	163,985	35.75	908,242	237,372
<b>Total / Average</b>	<b>37,000</b>	<b>8803.7</b>	<b>3.99</b>	<b>1,708,511</b>	<b>36.05</b>	<b>22,499,048</b>	<b>2,616,106</b>

The negative mark to market value (MTM) for the July 2012 placed hedges is shown below.

<b>Oct to Dec 2012</b>	<b>4,400</b>	<b>7,600</b>	<b>3.45</b>	<b>75,000</b>	<b>26.88</b>	<b>(2,686,651)</b>	<b>(569,185)</b>
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**Based on spot prices of US\$8211/t for copper and US\$34.45/oz for silver as at 30 September 2012.**

## Mineral Resources & Ore Reserves

The total Mineral Resources and Ore Reserves for the Boseto Copper Project, reported in accordance with The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition), at a cut-off of 0.6% Cu, are:

### Boseto Ore Reserves

Ore Reserves	ZETA			PLUTUS			TOTAL		
	Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)
Open Pit <sup>1</sup>									
Proved	4.0	1.6	22.1	0.2	1.3	11.7	4.2	1.6	21.6
Probable	6.5	1.5	23.5	11.1	1.3	13.7	17.6	1.4	17.3
Open Pit Ore Reserves	10.5	1.5	23.0	11.3	1.3	13.7	21.8	1.4	18.2
Underground <sup>2</sup>									
Proved	1.0	1.3	24.0				1.0	1.3	24.0
Probable	6.3	1.3	24.6				6.3	1.3	24.6
Underground Ore Reserves	7.3	1.3	24.5				7.3	1.3	24.5
<b>TOTAL ORE RESERVES</b>	<b>17.8</b>	<b>1.4</b>	<b>23.6</b>	<b>11.3</b>	<b>1.3</b>	<b>13.7</b>	<b>29.1</b>	<b>1.4</b>	<b>19.8</b>

All Ore Reserves are reported at cut-off grade of 0.6% Cu. Please refer to Competent Persons Statement.

<sup>1</sup> Data as at 31 August 2010. <sup>2</sup> Data as at 27 April 2012.

### Boseto Mineral Resources

Mineral Resources	ZETA			PLUTUS			TOTAL		
	Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)	Mt	Cu (%)	Ag (g/t)
Measured	4.6	1.6	23.5	11.1	1.4	13.9	15.7	1.4	16.7
Indicated	12.4	1.5	26.1	8.1	1.4	13.3	20.5	1.5	21.0
Subtotal M&I	17.0	1.5	25.4	19.2	1.4	13.6	36.2	1.4	19.1
Inferred	27.1	1.2	20.0	67.7	1.3	13.0	94.8	1.3	15.0
<b>TOTAL RESOURCES</b>	<b>44.1</b>	<b>1.3</b>	<b>22.1</b>	<b>86.9</b>	<b>1.4</b>	<b>13.2</b>	<b>131.0</b>	<b>1.3</b>	<b>16.2</b>

Mineral Resources reported at a cut-off grade of 0.6% Cu. Please refer to Competent Persons Statement. Data as at 2 May 2012.

### Additional Boseto Zone Regional Mineral Resources

Inferred Mineral Resources			
Prospect	Mt	Cu (%)	Ag (g/t)
Selene <sup>3</sup>	16.0	1.0	16
Zeta NE <sup>4</sup>	12.9	1.3	22
Ophion <sup>5</sup>	14.0	1.0	12
NE Mango 1 <sup>6</sup>	4.8	1.2	13
NE Mango 2 <sup>7</sup>	28.5	1.3	14
<b>TOTAL</b>	<b>76.2</b>	<b>1.2</b>	<b>15</b>

Mineral Resources reported at a cut-off grade of 0.6% Cu. Please refer to Competent Persons Statement.

<sup>3</sup> Data as at 12 January 2012. <sup>4</sup> Data as at 2 August 2012. <sup>5</sup> Data as at 11 October 2012.

<sup>6</sup> Data as at 1 August 2012. <sup>7</sup> Data as at 16 October 2012.



## Total Boseto Zone Mineral Resources

	Mt	Cu (%)	Ag (g/t)
Boseto Mineral Resources	131.0	1.3	16.2
Additional Boseto Zone Regional Mineral Resources	76.2	1.2	15.0
<b>TOTAL</b>	<b>207.2</b>	<b>1.3</b>	<b>16.0</b>

Mineral Resources reported at a cut-off grade of 0.6% Cu. Please refer to Competent Persons Statement.

### Competent Persons Statement

The information in this report that relates to exploration results is based on information compiled by Mr Fred Nhiwatiwa who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and Mr Wallace Mackay who is a Member of the Australian Institute of Geoscientists. Messrs Nhiwatiwa and Mackay are employed full-time by Discovery Metals Limited. Messrs Nhiwatiwa and Mackay have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code).

The information in this report that relates to the Zeta and Plutus Mineral Resources was reviewed by Mr Ivor Jones, who is a fellow of the AusIMM. Mr Jones is employed full-time by Snowden Mining Industry Consultants Pty Ltd (Snowden). Mr Jones has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code.

The information in this report that relates to the Zeta and Plutus Ore Reserves was reviewed by Mr Frank Blanchfield, who is a fellow of the AusIMM. Mr Blanchfield is employed full-time by Snowden. Mr Blanchfield has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code.

The information in this report that relates to the Zeta Underground Ore Reserves has been reviewed by Mr Andrew Gasmier, who is a MAusIMM. Mr Gasmier is employed full-time by Mining Plus Pty Ltd. Mr Gasmier has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code.

The information in this report as it relates to the Selene, NE Mango 1, Zeta NE, Ophion and NE Mango 2 Mineral Resources estimates have been compiled by Mr Matthew Readford, who is a MAusIMM. Mr Readford is employed fulltime by Xstract Mining Consultants Pty Ltd. Mr Readford has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code.

Messrs Nhiwatiwa, Mackay, Jones, Blanchfield, Gasmier and Readford consent to the inclusion in this report of the matters based on information provided by them and in the form and context in which it appears.

**Further information on the Company including Mineral Resources and Ore Reserves is available on its website:**

[www.discoverymetals.com](http://www.discoverymetals.com)

### Forward Looking Statements

This release includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future activities and events or developments that Discovery Metals expects, are forward-looking statements. Although Discovery Metals believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in forward-looking statements.



Dump truck transporting a load of ore



Workers at the Boseto Copper Project



Concentrate shed



Bagged concentrate

#### CONTACT DETAILS

Level 20, 333 Ann Street,  
Brisbane, QLD 4000, Australia  
Phone: +61 (7) 3218 0222  
Fax: +61 (7) 3218 0233  
info@discoverymetals.com



DISCOVERY METALS LIMITED

## Directory

### DISCOVERY METALS LIMITED

ABN 29 104 924 423

Web site: [www.discoverymetals.com](http://www.discoverymetals.com)

Email: [info@discoverymetals.com](mailto:info@discoverymetals.com)

### Investor information contacts:

#### Brad Sampson

Managing Director

Tel: +61 7 3218 0222

Email: [brad@discoverymetals.com](mailto:brad@discoverymetals.com)

or

#### Paul Fulton

Chief Financial Officer

Tel: +61 7 3218 0218

Email: [paul.fulton@discoverymetals.com](mailto:paul.fulton@discoverymetals.com)

### Shareholder enquiries

Queries related to share registry matters should be directed to:

Computershare Investor Services

117 Victoria Street

West End, QLD, Australia 4101

Tel: 1300 552 270 or +61 7 3237 2100

Fax: +61 7 3237 2152

Website: [www.computershare.com](http://www.computershare.com)

### Registered Office

Level 20, 333 Ann Street

Brisbane, QLD, Australia 4000

Tel: +61 7 3218 0222

Fax: +61 7 3218 0233

### Botswana Country Office

Plot 21314, Sebele Station Road, Phakalane

Gaborone, Botswana

Tel: +267 318 0751

Fax: +267 318 0752

### United Kingdom investor information

Tavistock Communications

Contact: Jos Simson/Emily Fenton

Tel: +44 207 920 3150

Mobile: +44 7788 554 035

### Exchange listings

Australian Securities Exchange - ASX Code: DML

Botswana Stock Exchange - BSE Code: DML

### Issued capital

At 30 September 2012 the ordinary issued capital of Discovery Metals was 484,771,941 ordinary shares with an additional 1,350,000 director and executive unlisted options.

### Directors

Gordon Galt – Chairman

Brad Sampson – Managing Director

Morrice Cordiner – Non-Executive Director

Ribson Gabonowe – Non-Executive Director

Niall Lenahan - Non-Executive Director

Jeremy Read – Non-Executive Director

John Shaw – Non-Executive Director

**Company Secretary** – Greg Seeto

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Discovery Metals Limited

ABN

29 104 924 423

Quarter ended ("current quarter")

30 September 2012

### Consolidated statement of cash flows

	Current quarter \$USD'000	Year to date (3 months) \$USD'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	8,246	8,246
1.2 Payments for (a) exploration & evaluation	(2,741)	(2,741)
(b) development	(37,080)	(37,080)
(c) production		
(d) administration	(3,979)	(3,979)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	44	44
1.5 Interest and other costs of finance paid	(2,470)	(2,470)
1.6 Income taxes paid		
1.7 Other (provide details if material) -		
GST/VAT refunds	9,220	9,220
Hedge settlements	4,133	4,133
<b>Net Operating Cash Flows</b>	<b>(24,627)</b>	<b>(24,627)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	-	-
1.13 Total operating and investing cash flows (carried forward)		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)		
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	52,128	52,128
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Interest Paid		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	<b>Net financing cash flows</b>	<b>52,128</b>	<b>52,128</b>
	<b>Net increase (decrease) in cash held</b>	27,501	27,501
1.20	Cash at beginning of quarter/year to date	59,010	59,010
1.21	Exchange rate adjustments to item 1.20	(140)	(140)
1.22	<b>Cash at end of quarter</b>	<b>86,371</b>	<b>86,371</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$USD'000
1.23	Aggregate amount of payments to the parties included in item 1.2	225
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	
	-	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
- 
- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
- 

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$USD'000	Amount used \$USD'000
3.1	Loan facilities	180,000	180,000
3.2	Credit standby arrangements	25,000	25,000

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

		\$USD'000
4.1	Exploration and evaluation	1,500
4.2	Development	15,000
4.3	Production	
4.4	Administration	3,000
<b>Total</b>		<b>19,500</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$USD'000	Previous quarter \$USD'000
5.1 Cash on hand and at bank	86,371	59,010
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>86,371</b>	<b>59,010</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	484,771,941	484,771,941		
7.4 Changes during quarter (a) Increases through issues	977,043 41,666,667	977,043 41,666,667	AUD\$1.20 AUD\$1.20	AUD\$1.20 AUD\$1.20
(b) Decreases through returns of capital, buy-backs				
7.5 <b>*Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>	100,000 1,000,000 250,000		<b>Exercise Price</b> 37.5 cents 35 cents 37.5 cents	<b>Expiry Date</b> 1 November 2012 1 November 2013 1 November 2013
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter				
7.10 Expired during quarter	-	-	<b>Exercise Price</b>	<b>Expiry Date</b>
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: .....  
Company Secretary

Date: 22 October 2012

Print name: Gregory Seeto

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.<sup>3</sup>
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.