Discovery Metals Limited
(‘Discovery Metals’ or the ‘Company’)
(AIM: DME) (ASX/BSE: DML)

**Boseto BFS Update**
Project Capacity upgraded to 3 Mtpa

**Highlights:**

- Boseto Project capacity upgraded to 3Mtpa (from 2Mtpa previously) with recently defined additional open cut resources and underground mining at Zeta prospect now included in overall project scope.
- Fixed price Engineering Procurement and Construction (EPC) contract for concentrator and associated works awarded to Sedgman Limited (ASX Code: SDM) at maximum price of approximately US$85M for the 3Mtpa concentrator being within previous guidance for 2Mtpa scope.
- Delivery of a Bankable Feasibility Study (BFS) revised to July 2010, but overall Project Schedule to be maintained with first production target of December 2011.
- Discovery Metals is well funded to progress the next stages of project development, including placing of deposits on long lead time items, with cash balance at end May expected to be in excess of A$40m.
- Discovery Metals and the Boseto Project economics are unaffected by the proposed Australian Resources Super Profit Tax as the project is located in the fair tax jurisdiction of Botswana.

**Upgrade to 3Mtpa:**

Discovery Metals Limited announces the decision to upgrade the overall Boseto copper project (Boseto Project) capacity to 3Mtpa at the Company’s 100%-owned Boseto Project located in north-west Botswana. This is a 50% increase on the previous proposed capacity of 2Mtpa, with the main drivers being:

- Planned mining of additional recently defined open cut resources in the Plutus/Petra area,
- Integration into the overall project concept of long life underground mining at the Zeta prospect following the completion of an encouraging scoping study and establishment of mineralisation to at least 650m depth below surface, and
- Modest (less than 20%) incremental upfront capital cost to lift overall capacity 50% from 2Mtpa to 3Mtpa (see Award of EPC Contract below).
On 7 April 2010, the Company reported significant additions to the open cut mineral resources. These increased mineral resources were based on exploration drilling conducted during 2009 and early 2010. The extent of the resource additions meant that the Company could evaluate increasing the planned rate of processing of the open cut resources and extending the life of the open cut mine. The additional open cut resources are sufficient to justify an overall project development concept, based solely on an open cut mining operation, with a targeted mine life of at least 10 years.

In developing an optimum open cut mining schedule, through work carried out during the latter stages of the BFS, the Company also considered the potential for underground mining in conjunction with open cut mining. Evaluation of possible underground mining has progressed rapidly in recent months following announcement of a positive underground scoping study based on limited underground resources at Zeta (announcement 29 March 2010) and then the establishment of a much larger potential underground resource at Zeta with significant mineralisation continuing to at least 650m depth below surface (announcement 28 April 2010). Details of a new Zeta inferred mineral resource are pending.

Importantly, the scoping study was done on a stand-alone basis, carrying all project overheads at the conclusion of any open cut mining. As indicated in the 29 March 2010 announcement, the Company intended to carry out studies aimed at improving the value of the underground resources by integrating underground mining with open cut mining. A feature of the Zeta underground scoping study was the low capital cost of establishing the underground mine, at approximately A$10m.

The integration work has now been further progressed to the point where the Company believes that underground mining should be a key element in its decision to appropriately size, from the outset, the overall project processing capacity, rather than having Boseto as an “open cut only project”.

The Company now intends to accelerate work on the Zeta underground mine by completing a Definitive Feasibility Study (DFS) for the mine by the end of June 2011, with a nominal target for first production during early 2014, approximately three years after open cut production commences from the open pit resources at the Boseto Project. The DFS will supersede the PFS work on the Zeta underground mine which has been progressing since the 29 March 2010 announcement. In conjunction with this DFS, a drill out programme of Zeta’s underground resource is planned to commence within the current June quarter. Further details of the budget and scope of this work are expected to be announced in July 2010.

The Company also intends to undertake a limited exploration drilling programme for underground mining targets in the Plutus area over the next 6 months, with the results to be included in medium to long term planning.

The overall Boseto Project concept being progressed forward is therefore:

- 3Mtpa overall concentrator capacity installed from project commencement;
- Initial three years of production solely from open cut mining;
- Underground development commencing in 2014, with production commencing and growing from approximately early 2015. Final timing to be established over the coming year;
- Targeting long life open cut and underground operations (minimum of 15 years).
**Award of EPC Contract:**

The Company is also pleased to announce the award to the Metals Division of Sedgman Limited (Sedgman), of a fixed price engineering procurement and construction (EPC) contract for the Boseto Project. The construction portion of the contract will be subject to Discovery Metals obtaining the necessary internal and external approvals for the Boseto Project. The scope of the Sedgman contract covers:

- Concentrator facilities including Crushing, Grinding, Flash flotation, Sulphide flotation, Oxide flotation, Concentrate thickening, Concentrate filtration, Concentrate handling and storage facilities Tailings thickening and disposal.
- Water – raw, potable and process including bore field and piping.
- Air – low and high pressure.
- Site infrastructure including Concentrate filter building, Concentrate storage building, miscellaneous roofed structures to cover local equipment e.g. air compressors and blowers, reagents storage, etc.
- Electrical power reticulation and control rooms.
- Internal plant site roads.

Capital expenditure areas not included in the Sedgman scope are power, access roads, temporary and permanent accommodation, site offices, mobile equipment workshop, fuel storage and dispensing facilities, tailings dam construction.

Commenting on the appointment of Sedgman, Discovery Metals’ Managing Director, Brad Sampson said:

“I am delighted to announce the selection of Sedgman to partner with us on the development of the Boseto Project. Sedgman has a well developed track record of delivering high quality and simple outcomes that are aligned with the Discovery Metals’ operating philosophy.”

“Discovery Metals has chosen the EPC form of contract for the construction phase, which requires the engineering and construction provider to perform to an agreed cost and time frame with process performance guarantees. Sedgman’s willingness to contract a competitive fixed price and to commit to delivering the Boseto Project within our development time frame is a tribute to the confidence Sedgman has in its team’s ability. We share that confidence in Sedgman.”

The selection of the EPC contractor for the Boseto Project has taken place over a number of months and, in accordance with Discovery Metals’ processes, has undergone extensive review.

The EPC contract value is approximately US$85 million for a 3Mtpa concentrator. This value is a maximum contract price, which has been developed on the basis that a 2Mtpa concentrator would be built and then upgraded to 3Mtpa later. The price of the 2Mtpa plant would have been approximately US$70m, so the incremental capital for the increased capacity is relatively small. Further engineering investigations associated with today’s decision to lift the overall project capacity to 3Mtpa from the outset are currently being progressed and these will lead to a confirmation of the final contract amount. These investigations should take approximately six weeks and be completed by July 2010.

The contract has significant rewards for early completion that are included in the Boseto Project contingency component of capital. The early completion incentives have mirrored penalties for late completion.
**Project Schedule Update:**

The changes outlined above for 3Mtpa plant capacity decision and current engineering studies associated with this decision, will require further optimisation of the mine plans and changes to the current engineering design for the concentrator. A delay of approximately 6 weeks to the previous (lower production rate) schedule will ensure the planning for the project is correct and allow timely construction and commissioning phases. The results of the BFS for the expanded throughput of 3Mtpa processing plant at the Boseto Project are expected to be completed in July 2010. The BFS will be based solely on the mining of open cut resources at the Boseto Project. The timetable to commence plant operation in late 2011 is unchanged and the Company remains well positioned to deliver on its long stated goal to commence production of copper – silver concentrate in 2011 and be in full production in 2012.

Discovery Metals’ Managing Director, Brad Sampson commented, “We are committed to delivering the best project possible for shareholders at Boseto and therefore need to undertake a number of optimisation matters before releasing the BFS results.”

**Funding Update & Tax:**

At the end of March 2010, the Company had a cash balance of A$34m. Since the quarter end there has been a significant cash inflow of A$3m due to the exercise of options. A further A$6m cash inflow is expected from additional option exercises during the current quarter.

The Company is therefore well funded to progress development of the Boseto Project on schedule. This includes the availability of sufficient cash to place deposits on necessary long lead time items such as mills.

The Company and the Boseto Project economics are unaffected by the recently proposed Australian Resources Super Profit Tax (RSPT). Overall the tax/royalty take in Botswana for Discovery Metals will be less than 40% compared to the expected 57% overall take in Australia should the RSPT be implemented as explained below.

The Company’s Boseto Project is located in Botswana which has encouraging tax arrangements for the mining industry, allowing full write off of capital expenditure and prior losses before company income tax is payable. Company income tax is then payable on a simple sliding scale from a minimum 25% on profits increasing in line with increasing gross margin. After capital write off and using gross margins calculated in feasibility study work to date, it is expected that the Boseto Project will pay a percentage company income tax rate in the 30%’s, which is far less than proposed for Australia mining operations. Furthermore, the Botswana mining tax formula automatically adjusts the tax rate should there be a boom or bust in mining commodity prices. It is regarded by the Company as fair and stable.

Mining royalties will also be charged for the Boseto Project at 3% for copper and 5% for silver. These royalties are included as costs when determining the gross margin for company income tax purposes.
**Sedgman Limited Background:**

Sedgman Limited (ASX: SDM) was established in 1979 and is a leading provider of mineral processing and associated infrastructure solutions to the global resources industry. Specialising in the design, construction and operation of coal handling and preparation plants (CHPPs), Sedgman is recognised internationally for its mineral processing and materials handling technologies.

Sedgman listed on the ASX in June 2006. The company services the global coal and metalliferous markets by offering innovative Engineering and Operations capabilities. Its head office is in Brisbane with international offices established in Beijing, Santiago and Johannesburg targeting the growth regions of China/Mongolia, South America and southern Africa. The company has around 700 personnel and a market capitalisation of approximately $300 million.

**Boseto Project Background:**

Discovery Metals’ Boseto copper project (100% owned) is located in north-west Botswana, approximately 80 kilometres south-west of the town of Maun, within the district of Ngamiland. A seven tenement package was granted to Discovery Metals in September 2005 and fieldwork on this tenement package commenced in October 2005. The Government of Botswana approved the Company’s renewal of these tenements in September 2008 and all prospective areas were retained by the Company. In June 2008, Discovery Metals was granted an additional seven tenements extending from the south-west boundary of the original 2005 granted tenements through to the Namibian border, adding 5,700 km² to the area held under prospecting licenses, to bring the total current tenement area to 10,100 square kilometres. The outer limit of the exploration licence areas starts approximately 60 km south-west of Maun and stretches in a south-westerly direction for approximately 300 km to the Namibian border.

The Boseto copper project is located within a belt of significant copper-silver mineralisation that extends from the well known and more highly developed Zambian Copper Belt across north-west Botswana and into Namibia. The poorly explored and undeveloped portion of this belt in north-west Botswana is known as the Kalahari Copper Belt.

Copper in the Boseto copper project area occurs predominantly in chalcocite, with minor amounts of bornite and other copper sulphides present. At shallow depths, malachite and chrysocolla exist in significant proportions within some areas of the mineral resource.

The total **Mineral Resource** 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 is:

102.8 Mt @ 1.4% Cu and 17.3 g/t Ag containing 1.4 million tonnes copper and 57 Moz silver

consisting of:

- **Measured Resources of 4.0 Mt @ 1.6% Cu and 22.7 g/t Ag**;
- **Indicated Resources of 18.5 Mt @ 1.4% Cu and 17.8 g/t Ag**; and
- **Inferred Resources of 80.3 Mt @ 1.4% Cu and 16.9 g/t Ag**
A Pre-Feasibility Study for the Boseto copper project was completed on time and on budget in July 2008.

Discovery Metals is currently completing a Bankable Feasibility Study for the Boseto copper project with results expected to be announced in July 2010.

Further information on the Company is available on its website: www.discoverymetals.com.au

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). Mr Nhiwatiwa is a full-time employee of Discovery Metals Limited. Mr Nhiwatiwa 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 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

The information in this report as it relates to the Zeta, Plutus and Petra Mineral Resources for the Boseto copper project was reviewed by David Arnott, who is a MAusIMM. Mr Arnott is employed fulltime by Snowden Mining Industry Consultants Pty Ltd. Mr Arnott 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 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Arnott and Mr Nhiwatiwa consent to the inclusion in the report of the matters based on information provided by them and in the form and context in which it appears.