Discovery Metals Limited

Pre Annual General Meeting
Investor Update
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Investors are cautioned that any forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in forward-looking statements.
Dear Shareholders

To date your Board has normally had occasion to send you direct messages and presentations via the Annual Report and the Annual General Meeting. Between those occasions the Company has kept you up to date with corporate progress via the Company’s website and via regular releases of information to the stock exchanges on which we are listed.

These are not normal times, however, because your company is now the subject of a hostile takeover bid which is offering you $1.70 per share for all your shares.

Accordingly, rather than waiting until the AGM, and then the release of our target statement after the AGM, we have prepared this presentation so that you can understand where the company is in its development. With this understanding we hope that you will be in a better position to continue to form a view of the value of your shares in the context of a change of control as contemplated by the Bidders.

Directors encourage you to attend the AGM on 16 November 2012 in Brisbane if you can, and thank you for your support as a shareholder of Discovery Metals.

Yours sincerely

Gordon Galt, Chairman, Discovery Metals Limited
1. Company Overview
2. Boseto Copper Project
3. Kalahari Exploration Update
4. Copper Market
5. Takeover Offer
6. Finance

Update for Shareholders ahead of AGM
Company Overview

**Market Capitalisation & Cash**
(29 October 2012)
- Shares on Issue: 486.8m
- Share Price: A$1.72
- Market Cap: A$836m
- Cash (26 Oct 2012): US$83m
- Project Debt: US$205m

**Significant Shareholders**
(23 October 2012)
- Cathay Fortune: 13.8%
- Blackrock: 11.1%
- Genesis: 7.7%
- M&G Investments: 7.6%
- Transaminvest: 7.2%

**Top 10 Shareholders**
64%

**ASX Share Price Performance**
(23 October 2012)

**Shareholders by Domicile**
(16 August 2012)
- UK, Europe & Other: 46%
- Australia: 28%
- Asia: 20%
- Botswana: 6%
Company Overview

• Your company’s corporate strategy has always been to create value by improving our asset base and reducing our risk. We have stayed focused on this definition of success – and being in charge of our own destiny - since 2004.

• We have made the transition from explorer to developer to producer by building our flagship project (Boseto in Botswana) and a management team to run it. **We built the project on time and within budget and we are now commissioning it.**

• **Boseto is based on only a small portion of DML’s extensive asset base** in Botswana.

• We have made it clear for several years that we believe we would find more resources on our tenements, and that when we did we would formulate plans to expand and otherwise optimise the value of these assets.

• We have added a significant amount of additional Mineral Resources in the past two years – as expected, and despite it being a period when we were restricting funding on exploration while we built Boseto – and **we are now at a stage when we can make more definitive plans for growing production from the Kalahari.**

• We have always made sure that the company is well funded. **Your company has a comprehensive future funding plan to allow the value of your assets to be realised.**
Company Overview

- DML is delivering on the Company’s Corporate Strategy
- We plan to keep building value by emulating the success of the past 4 years
Company Overview

2012 Key News Flow

• 12 Jan: Initial Selene Mineral Resources (16 Mt @ 1% Cu & 15.9 g/t Ag)
• 20 Feb: 4 new Kalahari Copperbelt Prospecting Licences granted
• 27 Apr: Zeta Underground DFS completed
• 2 May: Plutus Mineral Resources increased (increased by 19.5 Mt @ 1.4% Cu)
• 28 Jun: First production at Boseto Copper Project
• 1 Aug: Maiden NE Mango 1 Mineral Resources (4.8 Mt @ 1.2% Cu @ 13 g/t Ag)
• 2 Aug: Maiden Zeta NE Mineral Resources (12.9 Mt @ 1.3% Cu @ 22 g/t Ag)
• 8 Aug: $50M Placement followed by SPP
• 7 Sep: Official Opening of Boseto Copper Project
• 4 Oct: Announcement of indicative, non-binding proposal from CFC/CAD
• 11 Oct: Initial Ophion Mineral Resources (14 Mt @ 1% Cu @ 12 g/t Ag)
• 16 Oct: Initial NE Mango 2 Mineral Resources (28.5 Mt @ 1.3% Cu & 14 g/t Ag)
• 29 Oct: Pre AGM Presentation

DML has been delivering outcomes consistent with our strategy by adding 96 Mt to our Mineral Resources in 2012
Q4 2012 Key News Flow - expected

- Boseto Expansion Planning
- Environmental Permitting for Coal Fired Power Station
- Environmental Permitting for Zeta Underground Mine
- Drilling results at
  - Zeta NE down to approx 600m deep - to demonstrate underground mining potential
  - NE Mango 2 down to approx 600m deep - to demonstrate underground mining potential
  - Aphrodite – testing of 14 km long zone of anomalous copper at surface to test potential for new Copper Silver Mineral Resources in this area
- Monthly updates on Commissioning and Ramp up progress at Boseto

News Flow expected to continue
Boseto Copper Project

Boseto Copper Project Progress

- Construction “on time and within budget”
- Commissioning and ramp up progressing towards design capacity
- Positive Cash generated in September 2012
Boseto Copper Project

• **Boseto Costs in line with expectations**
  • September 2012 open pit mining costs at $1.58/t (compared to the 2010 BFS estimate of $1.35/t). Costs expected to further reduce as mining progresses towards design rates.
  • **Considerably below “average African mining costs”** *
  • Monthly updates on mining and process plant commissioning progress will continue.

• **Zeta Underground Mine**
  • Projected start date of December 2013
  • Key senior staff employed
  • Short listing of contracting companies which will bid to develop and operate the underground mine has been completed
  • Final permitting (environmental and mining) well advanced

• **Coal Fired Power**
  • Coal Fired Power station FEED complete, environmental permit pending

* African open-pit average 2012 ($3.61), Ghanzi (Contract Mining) ($2.67). Refer to Citi report of 31 May 2012.
Boseto Copper Project

- **Boseto Expansion**
  - Boseto expansion planning progressing well
  - + 100% increase in Mineral Resources base since completion of BFS supported by additional prospective targets (Zeta Underground between 630-1,000m, NE Zeta Underground, NE Mango 2)
  - FEED portion of works (front end engineering and design) for a 5 Mtpa concentrator expected to commence November 2012 with goal to fast track expansion
  - Additional information on Boseto expansion will be included in DML’s Target Statement in November 2012
Kalahari Copperbelt Exploration

- Outstanding Exploration Success Continues - despite limited budget and focus on Boseto Commissioning
  - +100% increase in Mineral Resources since 2010 BFS
  - 96 Mt added in 2012 alone
  - Total Boseto Zone Mineral Resources: 207.2 Mt at 1.3 % Cu and 16.0 g/t Ag

Exploration spend in Kalahari Copperbelt adds value to DML shareholders
Kalahari Copperbelt Exploration

- DML has ~ 1000 km of prospective horizon still to explore!!
- Multiple targets remain to be explored in the Boseto Zone
- Multiple drill targets identified in SW Kalahari & Mid Kalahari Zones
- The area around us is highly prospective

**Hana Mining Mineral Resources**  
100.7 Mt @ 0.9% Cu & 11.4 g/t Ag (0.6% Cu cut off)

**MOD Mineral Resources**  
9.5 Mt @ 1.14% E Cu (0.4% Cu cut off)
Kalgarh Copperbelt Exploration

- **Exploration priorities in Q4/2012**
  - **Boseto Zone**
    - Zeta NE – drill to 600m deep to establish potential for underground mining
    - NE Mango 2 – drill to 600m deep to establish potential for underground mining
  - **SW Kalahari Zone**
    - Aphrodite – drill series of holes into the 14km long Copper-Silver anomaly to establish potential for new Boseto style project

- **Exploration Priorities in Q1/2013**
  - **Boseto Zone**
    - Mango – drill test 9km strike length at Mango that has not yet been explored to establish potential for new mineral resources
    - Ophion – Zeta – drill test the strike length between Ophion and Zeta deposits to establish potential for new mineral resources

**News flow planned for this quarter**
Copper Market

Demand outlook remains robust

Global annual average refined copper consumption - (kt)

- 1980 - 1989 1.8% growth p.a.
- 2000 - 2009 1.5% growth p.a.
- 2010 - 2025 3.4% growth p.a.

China average annual refined copper consumption - (kt)

- 2010 - 2025 5.6% growth p.a.


- The potential for future copper consumption growth is undiminished
Copper Market

Declining grades and resource depletion impact supply

Industry average head grade (% copper in process feed)

Global copper production and primary demand


- Tight supply-demand balance with uncertainty in supply.
- DML is one of a handful of independent mid cap companies successfully commissioning a project this year.
Takeover Offer

- CFC/CAD (Bidders) approached DML on 21 September 2012 with an unsolicited, conditional and indicative non-binding proposal and requested confidentiality
  - Proposed exclusive due diligence, scheme of arrangement plus backing of DML Board at maximum price of $1.70 per share
  - Bidders and DML made proposal public on 4 October 2012
- After Bidders’ proposal was made public, DML consulted with a significant proportion of the Company’s shareholders.
- DML met with Bidders on 11 October 2012 and told Bidders their proposal was inadequate and the Board would consider potential future proposals on merits at the time.
- CFC has now made a “hostile” offer and DML expects to respond with its Target Statement by 23 November.

DML Directors believe $1.70/ share is inadequate for a change in control and recommend shareholders do nothing at this point and wait for DML’s Target Statement.
Relevant Matters

- Bidders proposal for DML occurred at an opportunistic time to take advantage of recent share price weakness from significant on-market sales.
  - CFC offer is a 45% premium to 20 day VWAP, which was materially impacted by M&G sales.
  - M&G sold approx. 33 million shares (approx. 7% of issued equity) in August and September.
- Price not reflective of Boseto upside and Kalahari Copperbelt Exploration potential
- For comparison, note the Cupric offer for Hana Mining on 26 October at 88% premium to 20 day VWAP.
Takeover Offer

CFC/CAD offer timed to take advantage of:

1. Share price dip due to M&G selling

Sale of Shares by M&G Investment

Substantial selling by M&G = share price dropping in abnormal market

No sales by M&G = share price rising in “normal” market

* As per Form 504 Substantial Shareholder notices lodged by M&G Investment
Takeover Offer

CFC/CAD offer timed to take advantage of:

2. Value adding work currently being undertaken and not yet fully complete
   - commissioning not yet completed
   - exploration generated 96 Mt in 2012 alone, including an additional 43.5 Mt Mineral Resources since CFC/CAD proposal, and work continues

- Zeta u/g mine development progressing to Q4 2013 commencement
- Boseto expansion plan to 5 Mtpa developing
Finance

Proactive Funding Strategy
DML has always pursued a conservative, proactive funding strategy. The latest elements within strategy are:

- $50m equity - raised 8th August 2012
  - To enable fast tracking of value adding projects
  - Capital raising strongly supported by nearly all major shareholders
  - Shares offered to all Australian shareholders via SPP

- New $50m corporate revolver facility
  - Available from 29 October 2012
  - Provides additional financial capacity and is prudent risk insurance against unexpected events potentially affecting group cashflows
  - Secured against subsidiaries holding non-producing copper tenements and DML account
  - Banks involved are two of the existing project finance syndicate lenders - demonstrates lenders’ ongoing confidence in DML management and the Boseto asset
  - Work on this debt facility was substantially complete prior to CFC proposal

- Bond Funding preparation in progress for end H1-13
  - Designed to repay project finance facility and free cash flows to fund Boseto expansion

Strong Financial Position
- Cash in bank US$83m (as of 26 October 2012)
- Corporate debt facility US$50m (undrawn as of 29 October 2012)
- Cash flow positive in September 2012
- First loan repayment US$19m December 2012
Shareholder Support

• DML has in excess of 5,500 shareholders
• The shares in DML are held in the following areas:
  • Europe, UK & Other 46%
  • Australia 28%
  • Asia 20%
  • Botswana 6%
• DML Board has successfully governed the Company through the global financial crisis, credit tightening, and the design, financing and construction of the Boseto Copper Project.
• We have prudently conserved cash at critical times when we could otherwise have further advanced value adding initiatives in Botswana.
• Our Shareholders understand our strategy and have supported our balanced approach to cash management vs spend on value adding activities such as exploration.
• We thank the large number of Shareholders who have provided guidance to the Board to date on their views on the CFC/CAD offer. Your phone calls and emails are appreciated.

To all our Shareholders – thank you for your support
Contact

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Managing Director

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f  +61 7 3218 0233
e  brad@discoverymetals.com
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 Australasian Institute of Mining and Metallurgy (FAusIMM). 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 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 Mineral Resource, NE Mango 1 Mineral Resource, NE Mango 2 Mineral Resource, Ophion Mineral Resource and Zeta NE Mineral Resource estimates for the Boseto Copper Project has been compiled by Mr Matthew Readford, who is a MAusIMM. Mr Readford is employed fulltime by Xtract 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.
## Boseto Ore Reserves

<table>
<thead>
<tr>
<th>Ore Reserves</th>
<th>ZETA</th>
<th>PLUTUS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Open Pit</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved</td>
<td>4.0</td>
<td>1.6</td>
<td>0.2</td>
</tr>
<tr>
<td>Probable</td>
<td>6.5</td>
<td>1.5</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Ore Reserves</strong></td>
<td>10.5</td>
<td>1.5</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>Underground</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved</td>
<td>1.0</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td>Probable</td>
<td>6.3</td>
<td>1.3</td>
<td>11.1</td>
</tr>
<tr>
<td><strong>Ore Reserves</strong></td>
<td>7.3</td>
<td>1.3</td>
<td>11.3</td>
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<tr>
<td><strong>TOTAL ORE RESERVES</strong></td>
<td>17.8</td>
<td>1.4</td>
<td>11.3</td>
</tr>
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</table>

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

1 Data as at 31 August 2010. 2 Data as at 27 April 2012.
## Boseto Mineral Resources

<table>
<thead>
<tr>
<th>Mineral Resource</th>
<th>ZETA</th>
<th>PLUTUS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mt</td>
<td>Cu (%)</td>
<td>Ag (g/t)</td>
</tr>
<tr>
<td>Measured</td>
<td>4.6</td>
<td>1.6</td>
<td>23.5</td>
</tr>
<tr>
<td>Indicated</td>
<td>12.4</td>
<td>1.5</td>
<td>26.1</td>
</tr>
<tr>
<td>Subtotal M&amp;I</td>
<td>17.0</td>
<td>1.5</td>
<td>25.4</td>
</tr>
<tr>
<td>Inferred</td>
<td>27.1</td>
<td>1.2</td>
<td>20.0</td>
</tr>
<tr>
<td>TOTAL RESOURCE</td>
<td>44.1</td>
<td>1.3</td>
<td>22.1</td>
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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 Mineral Resources

<table>
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<tr>
<th></th>
<th>Mt</th>
<th>Cu (%)</th>
<th>Ag (g/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Selene</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td>16.0</td>
<td>1.0</td>
<td>16</td>
</tr>
<tr>
<td><strong>Zeta NE</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>12.9</td>
<td>1.3</td>
<td>22</td>
</tr>
<tr>
<td><strong>Ophion</strong>&lt;sup&gt;3&lt;/sup&gt;</td>
<td>14.0</td>
<td>1.0</td>
<td>12</td>
</tr>
<tr>
<td><strong>NE Mango 1</strong>&lt;sup&gt;4&lt;/sup&gt;</td>
<td>4.8</td>
<td>1.2</td>
<td>13</td>
</tr>
<tr>
<td><strong>NE Mango 2</strong>&lt;sup&gt;5&lt;/sup&gt;</td>
<td>28.5</td>
<td>1.3</td>
<td>14</td>
</tr>
<tr>
<td><strong>TOTAL INFERRED MINERAL RESOURCES</strong></td>
<td><strong>76.2</strong></td>
<td><strong>1.2</strong></td>
<td><strong>15</strong></td>
</tr>
</tbody>
</table>

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

<sup>1</sup>Data as at 12 January 2012.  
<sup>2</sup>Data as at 2 August 2012.  
<sup>3</sup>Data as at 11 October 2012.  
<sup>4</sup>Data as at 1 August 2012.  
<sup>5</sup>Data as at 16 October 2012.
## Total Boseto Zone Mineral Resources

<table>
<thead>
<tr>
<th></th>
<th>Mt</th>
<th>Cu (%)</th>
<th>Ag (g/t)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Boseto Mineral Resources</strong></td>
<td>131.0</td>
<td>1.3</td>
<td>16.2</td>
</tr>
<tr>
<td><strong>Additional Boseto Zone Regional Mineral Resources</strong></td>
<td>76.2</td>
<td>1.2</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>207.2</td>
<td>1.3</td>
<td>16.0</td>
</tr>
</tbody>
</table>

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

- **Gordon Galt (Non-Executive Chairman)**
  A mining engineer with post-graduate qualifications in business and finance and a former Managing Director of Newcrest Mining Ltd.

- **Brad Sampson (Managing Director)**
  More than 25 years experience as a mining engineer and has worked extensively in both open cut and underground mine operations and developments.

- **Morrice Cordiner (Non-Executive Director)**
  A corporate lawyer by training and has over 20 years experience in the finance and resources industries.

- **Ribson Gabonowe (Non-Executive Director)**
  A mining engineer with over 30 years experience in the mining industry and a former Director of Mines of Botswana.

- **Niall Lenahan (Non-Executive Director)**
  A chartered accountant with more than 25 years experience in CFO, Company Secretary and Executive Director roles in the resources sector.

- **Jeremy Read (Non-Executive Director)**
  More than 20 years domestic and international minerals exploration experience and was the founding Managing Director of Discovery Metals Limited.

- **John Shaw (Non-Executive Director)**
  More than 40 years experience in exploration, development and operations of open cut and underground mines in Asia, Australia, Africa and Canada.