

DIRECTORS' REPORT
AND **FINANCIAL**
REPORT **2011**
FOR THE YEAR ENDED 30 JUNE 2011



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THE BOARD OF DIRECTORS

Your directors present their report on the consolidated entity (referred to hereafter as the Consolidated Group) consisting of Discovery Metals Limited (the Company) and the entities it controlled at the end of or during the year ended 30 June 2011.

1. Directors

The directors of the Company at any time during the financial year were, and until the date of this report are:

Non-Executive Chairman	Managing Director	Non-Executive Directors
Gordon Galt	Stuart Bradley Sampson	Morrice Cordiner Ribson Gabonowe Jeremy Read John Shaw

All Directors held their position as a Director throughout the entire financial year and up to the date of this report.

The qualifications, experience, other directorships and special responsibilities of the directors in office at the date of this report are:

GORDON GALT
Independent Non-Executive Chairman

Qualifications:

B.Eng (Hons), B Comm, Grad Dip Applied Finance, MAusIMM, MAICD

Experience and expertise:

Gordon is a mining engineer with post-graduate qualifications in finance. He has worked in senior management, technical and operational roles including as managing director of companies engaged in the development and operation of large resource projects. He is experienced across a wide range of commodities, including, coal, gold, copper/lead/zinc and magnesium. Gordon has also spent a period of time in banking and is currently engaged in funds management and corporate advisory work.

Throughout his career Gordon has demonstrated a track record of creating shareholder value through analysis of a Company's strategic position, followed by implementation of appropriate corporate strategies, fund raising and motivating teams of senior resource professionals.

Other current directorships:

Non-executive Director of Aquila Resources Ltd (since August 2007)

Non-executive Director of Nucoal Resources Ltd (since February 2010)

Non-executive Director of US Masters Holdings Ltd (since July 2010)

Non-executive Director of Delta SB Ltd (since December 2010)

Former directorships in last three years:

Non-executive Director of Navigator Resources Ltd (from August 2008 to December 2010)

Committees:

Member of the Audit and Financial Risk Committee

Member of the Remuneration and Nomination Committee

STUART BRADLEY SAMPSON
Managing Director

Qualifications:

B.E. (Hons)(Mining) Qld, MBA Deakin, AMP Oxf, MAusIMM, GAICD

Experience and expertise:

Brad has over 20 years international experience as a mining engineer. He has worked extensively in both open cut and underground mine operations and developments in Australia, Southern Africa and the Pacific. He previously held an executive role in Thiess Ltd and has been in general management roles with Gold Fields Limited at St Ives gold mine in Western Australia and at the Kloof operation in South Africa. He also held the position of General Manager-PNG for Emperor Mines Limited. Brad has also worked with Anglo American, Ross Mining NL and Comalco. Brad is a director of all Discovery Metals subsidiaries registered in Botswana and Mauritius.

MORRICE CORDINER
Non-Executive Director

Qualifications:

LLB, ASIA

Experience and expertise:

Morrice is a corporate lawyer and has in excess of 15 years' experience in the finance and resources industries. Morrice was a founding director of Discovery Metals and was instrumental in identifying the original projects and strategic alliance with Falconbridge Inc that formed the original assets of the Company in 2003. Over the last 7 years, Morrice has been involved in the successful development and financing of a number of junior listed resource companies with projects in gold, nickel, copper and zinc. He has been actively involved in raising funds for these ventures on the Australian Stock Exchange, the London AIM market and the Toronto Stock Exchange.

Former directorships in last three years:

Non-executive Director of Andean Resources Limited (December 2003 to November 2009)

Non-executive Director of Meridian Minerals Limited (July 2008 to November 2009)

Committees:

Chairman of the Audit and Financial Risk Committee

RIBSON GABONOWE**Non-Executive Director****Qualifications:**

BSc (Mining Engineering), MSc
(Mineral Economics), MBA

Experience and expertise:

Ribson is a Mining Engineer with over 25 years of experience in the mining industry. For twelve years to December 2006, Ribson was the Director of Mines of Botswana, responsible for administering the legal and fiscal framework governing mineral exploitation. In this role, Ribson was involved in negotiations of mineral agreements for copper, nickel, diamonds, coal and soda ash.

Other current directorships:

Executive Director of Boteti Mining
(Pty) Ltd (since December 2010)

Non-Director of Gabor Consulting
(Pty) Ltd (since August 2007)

Non-Executive Director of all Discovery Metals
subsidiaries registered in Botswana.

Former directorships in last three years:

Non-Executive Director of Atlas Minerals
(Pty) Ltd (April 2009 to February 2011)

Non-executive Director of Kukama
Mining and Explorations (Pty) Ltd
(November 2007 to February 2011)

Non-Executive Director of Coal Wealth Botswana
Pty Ltd (November 2010 to April 2011)

JEREMY READ**Non-Executive Director****Qualifications:**

BSc (Hons), MAusIMM

Experience and expertise:

Jeremy Read has 23 years domestic and international minerals exploration experience and was previously the Manager of BHP's Australian Exploration Team. He has extensive exploration experience for nickel and copper sulphides and played a critical role in the discovery of Kabanga North Nickel Deposit, in Tanzania. Jeremy was the founding managing director of Discovery Metals from its incorporation in May 2003, until his appointment as a non-executive director on 1 February 2008. Mr. Read secured the Boseto copper project for the Company and was responsible for all Discovery Metals' fund raising activities and for listing Discovery Metals on the Australian Securities Exchange, Botswana Stock Exchange and the Alternative Investment Market in London. He is also the founding managing director of Meridian Minerals Limited.

Other current directorships:

Managing Director of Meridian Minerals
Limited (since September 2008)

Former directorships in last three years:

Managing Director of Discovery Metals
Limited (July 2003 to January 2008)

Committees:

Member of the Remuneration
and Nomination Committee.

JOHN SHAW

Non-Executive Director

Qualifications:

BSc (Geological Engineering),
FAusIMM, MCIM, FAICD, SME

Experience and expertise:

John has over 40 years' experience in exploration, development and operations of open cut and underground mines in Asia, Australia, Africa and Canada. John previously was Vice President of the Australian Operations of Placer Dome Asia Pacific Limited and managing director of Kidston Gold Mines.

Other current directorships:

Non-Executive Director of IAMGOLD Corporation (since March 2006)

Non-Executive Director of Quadra Australia Pty Ltd (since May 2006)

Former directorships in last three years:

Non-Executive Director of Albidon Limited (February 2008 to April 2009)

Non-Executive Director of Tri Origin Minerals (October 2003 to February 2008)

Non-Executive Director of Lodestone Exploration Limited (May 2002 to November 2007)

Non-Executive Director of Gallery Gold Limited (November 2003 to March 2006)

Committees:

Chairman of the Remuneration and Nomination Committee

Member of the Audit and Financial Risk Committee

As at the date of this report, the interests of the directors in the shares and options of the Company were:

Director	Number of ordinary shares held	Nature of interest	Number of options over ordinary shares	Number of unvested share rights held in trust
Gordon Galt	1,052,990	Direct	-	1,500,000
Stuart Bradley Sampson	-	Direct	2,000,000	1,500,000
Morrice Cordiner	-	Direct	1,000,000	750,000
Ribson Gabonowe	486,250	Direct	513,750	750,000
Jeremy Read	-	Direct	1,000,000	750,000
John Shaw	500,000	Direct	-	750,000

2. Company Secretary

ROSLYNN SHAND

Company Secretary

Qualifications:

BA, LLB, FCIS

Experience and expertise:

Roslynn has a combined degree in Arts/Law from the University of Queensland, is a fellow of the Chartered Secretaries Australia and has considerable experience in the company secretarial area. She has been a company secretary for 20 years for entities in the financial, agricultural and mining sectors.

3. Directors' Meetings

The number of board and committee meetings attended by each of the directors who held office during the financial year is as follows:

Director	Board Meetings		Board Committee Meetings			
	Number	Attend	Audit & Financial Risk		Remuneration & Nomination	
			Number	Attend	Number	Attend
Gordon Galt	20	17	2	2	1	1
Stuart Bradley Sampson	20	20				
Morrice Cordiner	20	19	2	2		
Ribson Gabonowe	20	17				
Jeremy Read	20	16			1	1
John Shaw	20	20	2	2	1	1

Number: Number of meetings held during the time the director held office or was a member of the relevant committee during the year.

Attend: Number of meetings attended.

Committee membership

As at the date of this report, the Board had an Audit and Financial Risk Committee and a Remuneration and Nomination Committee. Members acting on the committees of the Board as at the date of this report are:

	Audit & Financial Risk	Remuneration & Nomination
Chairman	Morrice Cordiner	John Shaw
Members	Gordon Galt John Shaw	Gordon Galt Jeremy Read

4. Principal Activities and review of operations

The principal activity of the Company during the year was continued mineral exploration and in particular the commencement of development of its Boseto copper project in Botswana.

Project review, strategies and future prospects

Boseto Copper Project

The Company's principal focus was the exploration and development of its 100% owned Boseto copper project in Botswana.

JORC compliant Proved and Probable Ore Reserves of 21.8 Mt at 1.4% copper and 18.2 g/t silver above a cut-off grade of 0.6% copper was published in August 2010.

The Company announced the results for the completed studies on the technical and economic feasibility of the Boseto copper project. The Bankable Feasibility Study (BFS) examines the open pit mining of a portion of proved and probable ore reserves only for an initial 5 year period, with power provided by diesel generation. The Boseto Development Plan (BDP) examines the continuation of mining beyond the BFS period, with mining of reserves plus inferred mineral resources via open pit methods and inclusion of the Zeta underground mine. The BDP covers an initial evaluated 15 year period with establishment of a coal fired power station to provide power.

The feasibility study outcomes were:

- BFS Net Present Value (5 years): US\$ 251 million at a C1 cash cost of US\$1.28/lb*²;
- BDP Net Present Value (15 years): US\$ 375 million at a C1 cash cost of US\$1.23/lb*²;
- Payback for both these scenarios is less than 2 years after production commences; and
- Demonstrated economic potential for operations to continue beyond 15 years.

*² Costs are per pound of copper during debt repayment period July 2012 to December 2014.

On 2 September 2010, the Company's EPC contractor for the construction of the Boseto copper project (Sedgman) was given a "Notice to Proceed" with the detailed design and construction of the Boseto processing plant and is on track to deliver the project for commissioning in the first half of 2012.

On 1 November 2010, the Company announced that the surface rights for the Boseto copper project have been granted.

On 2 December 2010, the Company received the environment approval from the Botswana government to expand the capacity from 2 million tonnes per annum (2Mtpa) to 3 million tonnes per annum (3Mtpa).

On 22 December 2010, the Botswana government awarded the Boseto Mining Licence required to allow construction and operation of the mine and copper-silver concentrator. The Botswana government did not exercise its 'once only' option to purchase a share of the Boseto copper project and the Company retains 100% ownership of the Boseto project.

Since December 2010, the Company and Sedgman have been proceeding with the construction of the Boseto copper project in accordance with the planned completion in the first half of 2012. Progress is reported in the quarterly reports and a photographic record of the progress is on the Company's web site.

Dikoloti Nickel Project

The Company completed the expenditure of the JOGMEC funded exploration programme for the Dikoloti during the year and is in the process of seeking Botswana government ministerial approval to extend a portion of these prospecting licences for further expenditure by JOGMEC over the next 2 years.

The Company's interest in the project has been diluted to 40% and in view of the uncertainty of the renewal of the prospecting licences and the economics of development the current resource, the Company has impaired the asset with a resultant charge of US\$1.812 million to the Statement of Comprehensive Income.

Kalahari Manganese Field

On 4 January 2011, the Company announced that it had been granted 14 new Prospecting Licences (PLs) in southern Botswana. These PLs, which cover "all metals", are valid for an initial period of three years, beginning on 1 January 2011 and are renewable twice for two additional terms of two years each, with a standard renewal requirement to relinquish 50% of the tenure area at each renewal.

The PLs cover areas underlain by rocks of the Transvaal Supergroup in an extension of the Griqualand West Basin in South Africa, known in Botswana as the Kanye Basin. The Griqualand West Basin is host to a number of large manganese mines, which collectively comprise the Kalahari Manganese Field, located immediately west of Hotazel in the Northern Cape Province of South Africa. More than 50% of the world's manganese resources are contained in this world-class mineral district in South Africa.

Kalahari Copperbelt Exploration

On 20 September 2010, the Company announced further exploration success in the Kalahari Copperbelt. Two new exploration targets have been defined by surface geochemistry:

- Ophion: a 12 kilometre long anomaly
- Ourea: a 4 square kilometre anomaly

Initial follow-up drilling of the Zeta Deposit, at the Boseto copper project, has returned high grade (>2.0% Cu) intercepts over significant widths, along more than one kilometre of strike length. Many of the intercepts have elevated copper and silver grades compared to the grades currently assumed in the Boseto Development Plan (1.4% Cu and 23.0 g/t Ag). These results confirm the continuity of grade and thickness of mineralisation for current Inferred Mineral Resources. This high grade zone, which is being targeted for future underground mining, remains open at depth. The drilling, which forms part of the Zeta Underground Definitive Feasibility Study, was completed by June 2011.

On 10 November 2010, the Company announced the assay results for three holes (total of 208 metres drilled) comprising the initial drill test of the Ophion exploration target. Ophion is located approximately 40 kilometres southwest of the Zeta Deposit, which is part of the Company's 100% owned Boseto copper project.

On 28 April 2011, the Company reported the final results from the 54 hole infill drilling programme of the Zeta deposit. Zeta is a part of the 100% owned Boseto copper project, which is currently being constructed and is scheduled to commence production in early 2012.

On 2 June 2011, the Company reported the first results from an 11 hole deep drilling programme of the Plutus deposit (Plutus). The results reported are for the first 3 holes of a deep drilling programme which was designed as an initial test to investigate the potential for underground mining at Plutus.

Corporate

On 28 September 2010, the Company announced the seven Ngamiland prospecting licences original granted in 2005 have been renewed until 30 September 2012.

On 4 November 2010, the Company announced that it has successfully completed the institutional placement component of the equity raising. The placement was conducted by way of an institutional book build with a fixed price of A\$1.12 per DML share which raised approximately A\$51 million. The strong degree of support shown by a wide range of new and high-quality international institutional investors through participation in the Placement demonstrated the high level of interest in the Boseto project. The Company announced that it has successfully completed its 1 for 4 non-renounceable Rights Issue which raised proceeds of approximately A\$91 million (before expenses) at an issue price of A\$1.05 (BWP6.825) per share. All additional entitlements from retail shareholders were accepted.

On 10 February 2011, the Company announced that it has mandated a syndicate of leading banks to provide debt finance required to construct the Boseto copper project for US\$180 million. The debt syndicate comprises Standard Chartered Bank, Standard Bank, Credit Suisse and Caterpillar Financial SARL as lead arrangers. The facility also provides project overrun and hedging facilities. Funding will be applied to the Boseto processing plant for US\$105 million and the Boseto mine mobile fleet for US\$75 million. In addition to project and equipment finance, the banking syndicate provides a US\$25 million overrun and working capital facility plus hedging lines for both copper and silver production. The incorporation of all debt facilities into one facility simplifies the documentation and security arrangements significantly. The facility will be secured over the Boseto copper project assets and 100% of the shares the Company owns in the project entity.

On 24 June 2011, the Company received confirmation that the banking syndicate credit committees have approved the Boseto debt facility. This follows an extensive due diligence process by the banks. The remaining conditions subsequent have been completed by October 2011.

Financial

The Company recorded a loss of US\$14.5 million for the year ended 30 June 2011 (2010: US\$4.1 million loss).

The net asset position of the Consolidated Group at 30 June 2011 was US\$204.4 million (30 June 2010: US\$63.2 million).

The Consolidated Group has impaired US\$1.8 million (30 June 2010: \$nil) on exploration during the year.

5. Significant changes in state of affairs

The Company's issued capital has increased to US\$213 million from US\$75.5 million, an increase of US\$137.5 million. The movement was largely the result of the issue of ordinary shares, including A\$51 million raised via an equity placement to institutional and sophisticated investors and A\$91 million (before expenses) raised via non-renounceable entitlements offer to existing shareholders. The Company also received US\$1.5 million from the exercise of options by executives/directors during the year. Refer note 18 for further information on movements in equity.

In the opinion of the directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review, other than those described in this financial report under "Principal Activities and Review of Operations".

6. Dividends

The directors have not recommended the declaration of a dividend. No dividends were paid or declared by the Company during the current or previous financial year.

7. Number of employees

There are 82 (2010: 34) full-time employees employed by the Consolidated Group in Australia and Botswana. All other roles are currently undertaken under contract arrangements, or by part-time employees.

8. Significant events after the balance date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations or the state of affairs of the Consolidated Group in future financial years other than those noted in Note 26 in the Notes to the Financial Statements.

9. Future developments

Other than as referred to in this report, further information as to likely developments in the operations of the Consolidated Group and the expected results of those operations would, in the opinion of the directors, be speculative.

10. Environmental regulation

The Company's exploration activities are subject to significant environmental regulations under Botswana legislation.

The Company is committed to achieving a high standard of environmental performance. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

The Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

The Company aims to minimise the impact on the environment which results from our operations. The Company believes that all employees, contractors, consultants and persons associated with the Company have to be involved in achieving environmental objectives and targets.

Each mining operation is subject to particular environmental regulations specific to the activities undertaken at that site as part of the licence or approval for that operation. There are also a broad range of industry and specific environmental laws which apply to all mining operations and other operations of the Consolidated Group. The environmental laws and regulations generally address the potential impact of the Consolidated Group's activities on water and air quality, noise, surface disturbance, and the impact upon flora and fauna.

An important part of the Company's environmental performance is to identify and track all incidents resulting from its operations so that appropriate action can be taken to prevent reoccurrence. As part of the Company's commitment to open and transparent reporting, all incidents are reported to the relevant Government authorities and within publicly released reports.

The directors are not aware of any environmental matters which would have a materially adverse impact on the overall business of the Consolidated Group.

11. Prospecting Licence schedule

The Consolidated Group has an interest in the following Prospecting Licences, all held in Botswana:

Project	DML % Interest	Prospecting Licence	Area (km ²)	Initial Grant date	Expiry
Dikoloti Nickel	40%	P019/2004	284.0	1-Jul-04	30-Jun-11 ^{*1}
Dikoloti Nickel	40%	P020/2004	89.6	1-Jul-04	30-Jun-11 ^{*1}
Dikoloti Nickel	40%	P021/2004	40.7	1-Jul-04	30-Jun-11 ^{*1}
Dikoloti Nickel	40%	P022/2004	197.4	1-Jul-04	30-Jun-11 ^{*1}
Boseto Copper	100%	P98/2005	520.0	1-Oct-05	30-Sep-12
Boseto Copper	100%	P99/2005	890.0	1-Oct-05	30-Sep-12
Boseto Copper	100%	P100/2005	736.0	1-Oct-05	30-Sep-12
Boseto Copper	100%	P101/2005	380.0	1-Oct-05	30-Sep-12
Boseto Copper	100%	P102/2005	474.0	1-Oct-05	30-Sep-12
Boseto Copper	100%	P103/2005	223.0	1-Oct-05	30-Sep-12
Boseto Copper	100%	P104/2005	726.0	1-Oct-05	30-Sep-12
Boseto Copper	100%	186/2008	804.0	1-July-08	30-June-13 ^{*2}
Boseto Copper	100%	187/2008	894.0	1-July-08	30-June-13 ^{*2}
Boseto Copper	100%	188/2008	634.0	1-July-08	30-June-13 ^{*2}
Boseto Copper	100%	189/2008	271.0	1-July-08	30-June-13 ^{*2}
Boseto Copper	100%	190/2008	760.0	1-July-08	30-June-13 ^{*2}
Boseto Copper	100%	191/2008	927.0	1-July-08	30-June-13 ^{*2}
Boseto Copper	100%	192/2008	638.0	1-July-08	30-June-13 ^{*2}
Manganese	100%	PL001/2011	483.7	1-Jan-11	31-Dec-13
Manganese	100%	PL002/2011	720.8	1-Jan-11	31-Dec-13
Manganese	100%	PL003/2011	974.8	1-Jan-11	31-Dec-13
Manganese	100%	PL004/2011	950.4	1-Jan-11	31-Dec-13
Manganese	100%	PL005/2011	914.8	1-Jan-11	31-Dec-13
Manganese	100%	PL006/2011	962.4	1-Jan-11	31-Dec-13
Manganese	100%	PL007/2011	933.5	1-Jan-11	31-Dec-13
Manganese	100%	PL008/2011	866.2	1-Jan-11	31-Dec-13
Manganese	100%	PL009/2011	982.7	1-Jan-11	31-Dec-13
Manganese	100%	PL010/2011	958.0	1-Jan-11	31-Dec-13
Manganese	100%	PL011/2011	856.3	1-Jan-11	31-Dec-13
Manganese	100%	PL012/2011	983.1	1-Jan-11	31-Dec-13
Manganese	100%	PL013/2011	883.6	1-Jan-11	31-Dec-13
Manganese	100%	PL014/2011	1000.0	1-Jan-11	31-Dec-13
Manganese	100%	PL015/2011	991.3	1-Jan-11	31-Dec-13
Manganese	100%	PL016/2011	963.6	1-Jan-11	31-Dec-13

Note *1: The 4 Dikoloti prospecting licences P19 to P22/2004 are subject to Botswana Minister of Mines discretion as a retention licence and an application has been made to the Department of Mines.

The Ghanzi prospecting licences PL186 to 192/2008 were renewed in August 2011.

12. Remuneration report

This audited remuneration report for the year ended 30 June 2011 outlines the remuneration arrangements of the Company in accordance with Section 300A of the *Corporations Act 2001* and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The remuneration report details the remuneration arrangements for the Company's key management personnel (KMP) during the financial year ended

30 June 2011. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company and other designated senior executives, and includes the five highest remunerated executives of the Company.

12.1 Individual key management personnel disclosures

Details of KMP including the top five remunerated executives of the Company are set out below.

Executive director and senior executives:

Name	Position	Period as KMP
Stuart Bradley Sampson	Managing Director	All financial year
Paul Fulton	Chief Financial Officer	All financial year
Ross Gibbins	Business Development Executive	All financial year
Phil Nolan	General Manager – Boseto Operations	Commenced January 2011
Jan Anderson	General Manager – Technical	Commenced March 2011

Non-Executive directors:

Name	Position	Period as KMP
Gordon Galt	Chairman (non-executive)	All financial year
Morrice Cordiner	Director (non-executive)	All financial year
Ribson Gabonowe	Director (non-executive)	All financial year
Jeremy Read	Director (non-executive)	All financial year
John Shaw	Director (non-executive)	All financial year

There were no changes to KMP after the reporting date and before the date the financial report was authorised for issue.

12.2 Remuneration policy

Remuneration strategy

The Company is committed to the close alignment of remuneration particularly that of executives, to shareholder returns. To this end, the Company's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors (**NEDs**) by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the Company. No hedging of the economic risk is allowed under the Company's incentive plans.

Key objectives of the Company's remuneration framework are to ensure that remuneration practices:

- Are aligned to the Company's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide strong linkage between individual and Company performance and rewards; and
- Achieve the broader outcome of creation of value for shareholders by aligning the interests of executives, including employees, with shareholders.

The first short-term incentive plan for the Company is being formulated to apply for the year ended 30 June 2012 and thereafter. The initial year of plan will focus on commissioning and achievement of design production at the Boseto copper project.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee comprises three independent NEDs and is responsible for making recommendations to the Board on the remuneration arrangements for NEDs and executives.

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In determining the level and composition of executive remuneration, the Remuneration and Nomination Committee also engages external consultants to provide independent advice.

The Remuneration and Nomination Committee is responsible for:

- reviewing remuneration arrangements for key management personnel;
- assessing the appropriateness of the nature and amount of remuneration of directors and key executives on a periodic basis by reference to the Company's performance, executive performance and comparable information from industry sectors; and
- making recommendations to the Board.

Remuneration approval process

The Board approves the remuneration arrangements of the Managing Director and other key management personnel and all awards made under the long-term incentive (LTI) plans and short-term incentive (STI) plans, following recommendations from the Remuneration and Nomination Committee. The Board also sets the aggregate remuneration of NEDs.

12.3 Non-executive director remuneration arrangements

As the focus of the Board is on the long-term direction and well-being of the Company, there is no direct link between non-executive directors' remuneration and the Company's short-term results other than participation in the Directors and Employees Share Plan. Non-executive directors do not receive any performance related remuneration. Remuneration is limited to the payment of Board fees which serves to help maintain independence and impartiality.

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the Directors and Employees Share Plan.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board considers advice from external consultants when undertaking the annual review process.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. Non-executive directors' fees are presently limited to a total aggregate fee pool of A\$450,000 per annum, excluding the fair value of any options/share rights granted.

Structure

The remuneration of NEDs consists of directors' fees. NEDs do not receive retirement benefits, unless approved by shareholders in general meeting. NEDs may also participate in equity-based incentive programs as approved by the shareholders. Refer to section 4 of this remuneration report for details of options issued to NEDs during the financial year.

The remuneration of NEDs for the year ended 30 June 2011 and 30 June 2010 are as follows:

	30 June 2011	30 June 2011	Restated 30 June 2010
Non-executive director	Fixed Fees including Superannuation	Inclusive of Share Rights & Options US\$'000	Inclusive of Share Rights & Options US\$'000
Gordon Galt	86	727	201
Morrice Cordiner	44	364	260
Ribson Gabonowe	45	365	101
Jeremy Read	44	363	100
John Shaw	43	363	100
Total	262	2,182	762

Directors are also entitled to be reimbursed for all business related expenses, including travel on Company business, as may be incurred in the discharge of their duties. There are no plans for retirement benefits for non-executive directors and no retirement benefits are payable by the Company to any non-executive director.

12.4 Executive remuneration arrangements

Remuneration levels and mix

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities with the Company and aligned with market practice.

Structure

In the 2011 financial year, the executive remuneration framework consisted of a fixed component; and an equity-based component.

Fixed remuneration

Fixed remuneration includes base pay including superannuation contributions. Executive contracts of employment do not include any guaranteed base pay increases and are reviewed annually by the Board and the Remuneration and Nominations Committee. The process consists of a review of the Company, individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

In reviewing comparative remuneration data sourced from independent industry surveys, the Board or relevant committee's policy is to position total fixed remuneration close to the median of its defined market to ensure a competitive offering. The Company undertakes an annual remuneration review to determine the total remuneration positioning against the market.

The Company's policy for determining the nature and amount of remuneration for key management personnel of the Consolidated Group is as follows:

- All key management personnel receive a base salary (which is based on factors such as demonstrated skills and experience), superannuation, fringe benefits and a share plan package. Short term performance incentives will be added for future years to coincide with commissioning and commencement of commercial production at Boseto.
- Review key management personnel packages annually by reference to the Consolidated Group's performance, executive performance and comparable information from industry sectors.
- The base salary is determined using a number of factors, including skills displayed, particular experience of the individual concerned and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Executives are paid a percentage of between three and twelve months of their salary in the event of termination, with all granted options vesting immediately in the event of a takeover bid for the Company. Any options not exercised within 60 days of the date of termination lapse.
- For executives, the Consolidated Group will seek to emphasise payment for results through the incorporation of cash incentive payments based on the achievement of revenue targets and return on equity ratios. This will be implemented once the Company commences production in future years.

The performance of executives is measured against criteria agreed with the Managing Director and ratified annually by the Remuneration Committee. The criteria are based predominantly on the work required to grow the Company and to bring the Boseto copper project into production and therefore add to shareholders' value. As the Company has been in the exploration and feasibility phase, currently no short term bonus payment plan is applicable to executives. Any future bonuses and incentives will be linked to predetermined performance criteria. The Remuneration Committee may, however, recommend that the Board exercise its discretion in relation to approving incentives, bonuses and options and

make changes. Any such changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are entitled to participate in the Company's Director and Employee Share Plan (which replaced the previous share option plan), which is the long term incentive portion of their remuneration. The Directors and Employees Share Plan (Share Plan) was approved by shareholders in February 2010 and links director and executive incentives to the shareholder objectives in four tranches.

For directors and executive management (Eligible Employees), the shares are subject to the following vesting conditions, and are only be able to be released from the Share Plan after these conditions have been satisfied:

- (a) The shares vest in four tranches and each tranche will be subject to the performance hurdles in (b) below. Any further tranches will be advised by the Company's Plan Committee.
- (b) Each tranche of shares will not be able to be released from the Share Plan unless and until the following performance hurdles have been achieved:
 - (i) tranche one = The processing plant for the Boseto copper project has been built and commissioned and the plant has achieved an output of 10,000 tonnes of copper;
 - (ii) tranche two = The share price (as traded on ASX) has exceeded A\$1.00 per share for more than 10 trading days (which need not be consecutive);
 - (iii) tranche three = The share price (as traded on ASX) has exceeded A\$1.50 per share for more than 10 trading days (which need not be consecutive);
 - (iv) tranche four = The share price (as traded on ASX) has exceeded A\$2.00 per share for more than 10 trading days (which need not be consecutive); and
 - (v) tranche five = includes measures for Shareholder Return and a "good service" component. It is intended to present the proposed ongoing Long Term Incentive Plan for executive management to shareholder for approval at the November 2011 Annual General Meeting. This tranche only applies to 3 executives including 1 key management personnel (Phil Nolan).

Australian key management personnel receive a superannuation guarantee contribution required by the Australian government, which is currently 9%, and do not receive any other retirement benefits. Botswana key management personnel receive a similar superannuation contribution payment. Individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed when paid, or in the case of share options, in the year of the grant. Options are valued using the Black-Scholes methodology. Grants of shares are valued using Monte-Carlo and other option pricing methodology and are expensed over the period from grant to the expected vesting date.

Performance-based remuneration

For the reporting year the Company currently has no performance based remuneration component built into director and executive remuneration packages other than the Directors and Employees Share Plan.

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives.

Managing Director and Executives

The employment conditions of the Managing Director, Stuart Bradley Sampson and other key executives are formalised in contracts of employment. The Managing Director and other executives are permanent employees of Consolidated Group companies.

Brad Sampson is employed under an ongoing contract, which commenced on 1 June 2010, replacing his fixed term contract commencing on 1 February 2008. The employment contract stipulates a six (6) month notice period for resignation. The Company may terminate the employment contract without cause by providing twelve (12) months written notice or making payment in lieu of notice, based on the individual's annual salary. Other key management personnel have Company period of 3 or 6 months and a minimum 3 month resignation notice period. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time. Any options not exercised within 60 days of the date of termination will lapse. This lapsing of options after 60 days is a standard employment contract condition for all executives with options outstanding.

The Board, on advice from the Remuneration Committee, determines the proportion of fixed and variable compensation for each executive.



Key Management Personnel Remuneration

2011	Short term benefits		Post-employment benefits		Share based	Total US\$
	Cash Salary & Fees US\$	Non-Monetary Benefits US\$	Super-annuation US\$	Other US\$	Shares or Options US\$	
Name						
Non - Executive Directors						
Gordon Galt ⁽¹⁾	86,250	-	-	-	640,506	726,756
Morrice Cordiner ⁽²⁾	43,482	-	-	-	320,253	363,735
Ribson Gabonowe ⁽³⁾	44,854	-	-	-	320,253	365,107
Jeremy Read	39,566	-	3,561	-	320,253	363,380
John Shaw	-	-	43,127	-	320,253	363,380
Total for NEDs	214,152	-	46,688	-	1,921,518	2,182,358
Executive Directors						
Brad Sampson	473,543	11,839	24,729	-	640,506	1,150,617
Other key management personnel						
Paul Fulton	302,933	6,397	49,457	-	320,253	679,040
Ross Gibbins	253,468	6,397	22,812	-	160,127	442,804
Phil Nolan ⁽⁴⁾	138,255	4,436	16,486	-	668,717	827,894
Jan Andersen ⁽⁵⁾	76,468	1,912	12,570	-	472,765	563,715
Total for executive KMP	1,244,667	30,981	126,054	-	2,262,368	3,664,070
Grand total	1,458,819	30,981	172,742	-	4,183,886	5,846,428

Notes:

Differences in directors fees recorded in this report arise from timing of payments and therefore different exchange rates applied to convert the Australian Dollar denominated fees into the United States dollars reporting currency.

Cash Bonuses are not payable until the year that Boseto production commences and therefore 0% of directors and key management remuneration is related to performance.

Long service leave is not accrued until 5 years service has been reached.

Share Based Payments are valued using the Black-Scholes and Monte-Carlo option pricing methodologies.

1. Mr Galt's director's fees are paid to Veromas Pty Limited in accordance with his contract.
2. Mr Cordiner's director's fees are paid to Mining Investors Australia Pty Limited in accordance with his contract.
3. Mr Gabonowe's director's fees are paid to Gabor Consulting (Pty) Ltd in accordance with his contract.
4. Mr Nolan commenced employment in January 2011.
5. Mr Andersen commenced employment in March 2011.

Key Management Personnel Remuneration

Name	Short term benefits		Post-employment benefits		Share based	Total US\$
	Cash Salary & Fees US\$	Non-Monetary Benefits US\$	Super-annuation US\$	Other US\$	Shares or Options US\$	
Restated 2010						
Non - Executive Directors						
Gordon Galt ⁽¹⁾	77,904	-	-	-	123,498	201,402
Morrice Cordiner ⁽²⁾	38,952	-	-	-	220,727	259,679
Ribson Gabonowe ⁽³⁾	39,136	-	-	-	61,749	100,885
Jeremy Read	35,283	-	3,175	-	61,749	100,207
John Shaw	-	-	38,458	-	61,749	100,207
Total for NEDs	191,275	-	41,633	-	529,472	762,380
Executive Directors						
Brad Sampson	354,241	8,856	22,052	-	143,650	528,799
Other key management personnel						
Paul Fulton	238,158	3,997	44,103	-	126,188	412,446
Ross Gibbins	206,183	3,997	18,557	-	51,387	280,123
Nick Franey ⁽⁴⁾	57,097	1,999	5,139	-	61,749	125,984
Total for executive KMP	855,679	18,849	89,851	-	382,974	1,347,533
Grand total	1,046,954	18,849	131,484	-	912,446	2,109,733

Notes:

Cash Bonuses are not payable until production commences and therefore 0% of directors and key management remuneration is related to performance.

Long service leave is not accrued until 5 years' service has been reached.

Share Based Payments are valued using the Black-Scholes and Monte-Carlo methodologies.

1. Mr Galt's director's fees are paid to Veromas Pty Limited in accordance with his contract.
2. Mr Cordiner's director's fees are paid to Mining Investors Australia Pty Limited in accordance with his contract.
3. Mr Gabonowe's director's fees are paid to Gabor Consulting (Pty) Ltd in accordance with his contract.
4. Mr Franey commenced employment on 6 April 2010.

Options issued as part of remuneration for the year ended 30 June 2011

There were no options issued to the directors and executives during the year ended 30 June 2011.

Options issued as part of remuneration for the year ended 30 June 2010

Options were issued to directors and executives as part of their remuneration. The options were not issued on performance criteria, but are issued to the majority of directors and executives of the Consolidated Group to increase goal congruence between executives, directors and shareholders.

Terms & Conditions for Each Grant	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date A\$	Exercise Price A\$	First Exercise Date	Last Exercise Date
Non- Executive Directors							
Morrice Cordiner	-	1,000,000	03/12/09	A\$0.35	A\$0.50	24/11/10	12/12/11

Directors and Employees Share Plan

As part of the Directors and Employees Share Plan, the following newly appointed key management personnel were granted the share rights during the period ended 30 June, 2011

Share Rights	Tranche 1	Tranche 3	Tranche 4	Tranche 5
	10,000t Copper produced	ASX share price exceeds A\$1.50	ASX share price exceeds A\$2.00	Shareholder and Service components
Value per right at grant				
Phil Nolan	A\$1.26	A\$1.24	A\$1.19	A\$1.048
Jan Andersen	A\$1.15	A\$1.12	A\$1.07	-
Other key management personnel				
Phil Nolan	250,000	250,000	250,000	250,000
Jan Andersen	250,000	250,000	250,000	-

During the year ended 30 June 2011, the share price (as traded on ASX) exceeded A\$1.00 per share for more than 10 trading days. Hence the vesting conditions related to Tranche 2 have been satisfied and the Plan Trust Company released 3,250,000 shares to the directors and executives who participated in the plan.

Shares Issued to Plan Trust Company to be held until vesting (2010)

Shares for directors and executives were issued to the Plan Trust Company and will be released to the executives when vesting occurs, subject to performance and other criteria. There is no earliest date for vesting and the shares are issued and not subject to expiry. Following approval of the Directors and Employees Share Plan by shareholders on 24 February 2010, the shares were issued to the Plan Trust Company on 31 March 2010.

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Share Rights	10,000t Copper produced	ASX share price exceeds A\$1.00	ASX share price exceeds A\$1.50	ASX share price exceeds A\$2.00
Value per right at grant	A\$0.76	A\$0.74	A\$0.6990	A\$0.6619
Non- Executive Directors				
Gordon Galt	500,000	500,000	500,000	500,000
Morrice Cordiner	250,000	250,000	250,000	250,000
Ribson Gabonowe	250,000	250,000	250,000	250,000
Jeremy Read	250,000	250,000	250,000	250,000
John Shaw	250,000	250,000	250,000	250,000
Executive Directors				
Brad Sampson	500,000	500,000	500,000	500,000
Other key management personnel				
Paul Fulton	250,000	250,000	250,000	250,000
Ross Gibbins	125,000	125,000	125,000	125,000

Note: Tranche 2 vested during the reporting period.



Shares Issued on Exercise of Compensation Options

Options exercised during the year ended 30 June 2011 that were granted as compensation in prior periods

	No. of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
Non-Executive Directors			
Ribson Gabonowe	486,250	A\$0.50	-
Executive Directors			
Brad Sampson	1,000,000	A\$0.44	-

Options exercised during the year ended 30 June 2010 that were granted as compensation in prior periods

	No. of Ordinary Shares Issued	Amount Paid per Share	Amount Unpaid per Share
Non- Executive Directors			
Gordon Galt	1,000,000	A\$0.30	-
Gordon Galt	800,000	A\$0.35	-
John Shaw	500,000	A\$0.30	-
John Shaw	500,000	A\$0.35	-

Options & share rights value as a portion of total remuneration

30 June 2011	Options & Share Rights Granted as part of Remuneration US\$	Total Remuneration represented by Options & Share Rights %	Cost of Options & Share Rights Exercised US\$	Options Lapsed US\$
Non- Executive Directors				
Gordon Galt	640,506	88%	-	-
Morrice Cordiner	320,253	88%	-	-
Ribson Gabonowe	320,253	88%	247,088	-
Jeremy Read	320,253	88%	-	-
John Shaw	320,253	88%	-	-
Executive Directors				
Brad Sampson	640,506	56%	435,776	-
Other key management personnel				
Paul Fulton	320,253	47%	-	-
Ross Gibbins	160,127	36%	239,136	-
Phil Nolan	668,717	81%	-	-
Jan Andersen	472,765	84%	-	-

Restated 30 June 2010	Options & Share Rights Granted as part of Remuneration US\$	Total Re-muneration represented by Options & Share Rights %	Options Exercised US\$	Options Lapsed US\$
Non- Executive Directors				
Gordon Galt	123,498	61%	328,305	0
Morrice Cordiner	220,727	85%	0	0
Ribson Gabonowe	61,749	61%	0	0
Jeremy Read	61,749	61%	0	0
John Shaw	61,749	61%	132,310	0
Executive Directors				
Brad Sampson	143,650	27%	0	0
Other key management personnel				
Paul Fulton	126,188	30%	0	0
Ross Gibbins	51,387	18%	0	0

13. Indemnification and insurance of directors and officers

Indemnification

The Company indemnifies each of its directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the *Corporations Act 2001* from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of a conduct constituting a wilful breach of duty or a contravention of the *Corporations Act 2001*. The Company must also use its best endeavour to insure a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report. The directors of the Company are not aware of any proceedings or claim brought against the Company as at the date of this report.

Insurance premiums

The Consolidated Group has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts for current and former directors, executive officers and secretaries. The directors have not included details of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

14. Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest US\$1,000 (where rounding is applicable and where noted (US\$'000)) under the option available to the Company under ASIC CO 98/0100.

15. Share Options

At 30 June 2011 there were 6,363,750 (2010: 10,315,525) unissued ordinary shares of Discovery Metals for which options were outstanding as detailed at Note 25 to the Financial Statements.

16. Proceedings on Behalf of Company

No person has applied to the Court for leave to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

17. Non-audit Services

On 23 November 2010, the Company announced the appointment of Ernst & Young as the Company's auditor, following the resignation of RSM Bird Cameron Partners at the 2010 Annual General Meeting.

Details on the fees and charges for provision of audit and non-audit services by that firm are included in Note 37 of the Financial Statements. The Audit Committee has developed a policy to ensure that the independence of the Company's auditor is not impaired in providing non audit services to the Company so that both the Company and the external auditor can comply with relevant auditor independence rules which apply in the various jurisdictions in which the Consolidated Group operates.

No officer of the Consolidated Group who held office during the financial year, and no current officer, was formerly a partner or director of Ernst & Young.


The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Company to ensure they do not impact the integrity and objectivity of the auditor; and
- non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

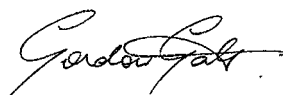
Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 64 of this combined report.

Signed in accordance with a resolution of the board of directors.



Brad Sampson
Managing Director



Gordon Galt
Chairman

Brisbane. Dated this 31st day of August, 2011



STATEMENT OF FINANCIAL POSITION

as at 30 June 2011

	Note	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Assets				
Current assets				
Cash & cash equivalents	9	88,807	33,530	7,085
Trade & other receivables	10	3,876	376	197
Prepaid expenses and deposits	11	1,981	294	157
Total current assets		94,664	34,200	7,439
Non-current assets				
Property, Plant and equipment	12	94,591	1,111	415
Exploration, evaluation and development expenditure	13	37,771	28,878	18,523
Intangible assets	14	568	46	-
Total non-current assets		132,930	30,035	18,938
Total assets		227,594	64,235	26,377
Current liabilities				
Trade & other payables	15	19,425	829	1,113
Current portion of Finance Lease	17	73	-	-
Provisions	16	427	264	128
Total current liabilities		19,925	1,093	1,241
Non-current liabilities				
Non-current portion of Finance lease	17	159	-	-
Deferred Tax Liability	6	336	-	-
Provisions	16	2,812	-	-
Total non-current liabilities		3,307		
Total liabilities		23,232	1,093	1,241
Net assets		204,362	63,142	25,136
Equity				
Issued capital	18	213,017	75,480	35,130
Reserves	20	22,483	4,254	2,486
Accumulated losses	21	(31,138)	(16,592)	(12,480)
Total equity		204,362	63,142	25,136

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Note	2011 US\$'000	Restated 2010 US\$'000
Other revenue	5	3,327	673
Compliance expenses	5	(1,121)	(578)
Depreciation and amortisation	12/14	(258)	(81)
Exploration expenditure impaired	13	(1,812)	-
Legal expenses		(395)	(268)
Rent	5	(228)	(165)
Salaries and consultants	5	(4,443)	(1,776)
Travel expenses	5	(1,221)	(504)
Share based payments	7	(4,870)	(911)
Gain/(Loss) on foreign currency	5	(2,375)	-
Other expenses	5	(820)	(502)
Profit/(loss) before income tax expense		(14,216)	(4,112)
Income tax (expense) / benefit	6	(330)	-
Profit/(loss) after tax		(14,546)	(4,112)
Other comprehensive income, net of tax			
Foreign currency translation movements		12,074	856
Total Comprehensive Income		(2,472)	(3,256)
Profit/(loss) attributable to members of the Consolidated Group		(14,546)	(4,112)
Total Comprehensive Income attributable to members of the Consolidated Group		(2,472)	(3,256)
Loss per share:			
Basic & diluted ordinary loss per share attributable to ordinary equity holders (cents per share)	8	(3.82)	(1.80)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	Issued Share Capital US\$'000	Accumulated (Losses) US\$'000	Option Reserve US\$'000	Foreign Currency Translation Reserve US\$'000	Total US\$'000
At 1 July 2010 (Restated)	35,130	(12,480)	2,227	259	25,136
Currency Translation Differences	-	-	-	857	857
(Loss) for the year	-	(4,112)	-	-	(4,112)
Shares issued during the year	40,993	-	-	-	40,993
Transaction costs for shares issued	(643)	-	-	-	(643)
Cost of share based payments	-	-	911	-	911
Balance as at 30 June 2010	75,480	(16,592)	3,138	1,116	63,142
2011					
Currency Translation Differences	-	-	-	12,074	12,074
(Loss) for the year	-	(14,546)	-	-	(14,546)
Shares issued during the year	142,429	-	-	-	142,429
Transaction costs for shares issued	(4,892)	-	-	-	(4,892)
Cost of share based payments	-	-	6,155	-	6,155
Balance as at 30 June 2011	213,017	(31,138)	9,293	13,190	204,362

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



STATEMENT OF **CASH FLOWS**
for the year ended 30 june 2011

	Note	2011 US\$'000	Restated 2010 US\$'000
Cash flows from operating activities			
Receipts from customers		-	-
GST receipts		521	181
Payments to suppliers and employees		(11,336)	(4,501)
Interest received		3,136	592
Dikoloti management fee		182	72
Refunds received		9	8
Net cash used in operating activities	27	(7,488)	(3,647)
Cash flows from investing activities			
Payments for exploration		(10,704)	(9,751)
Purchase of plant and equipment		(73,535)	(779)
Payment of Intangibles	14	(592)	(47)
Net cash used in investing activities		(84,831)	(10,577)
Cash flows from financing activities			
Proceeds from issue of shares		142,429	40,902
Share issue costs		(4,892)	(552)
Net cash provided by financing activities		137,537	40,350
Net increase (decrease) in cash held		45,218	26,126
Cash at the beginning of the period		33,530	7,085
Effect of exchange rates		10,059	319
Cash at the end of the period	9	88,807	33,530

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

FOR THE YEAR ENDED 30 JUNE 2011

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NOTES TO
THE **FINANCIAL**
STATEMENTS

2011

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NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 june 2011



Note 1: Corporate Information

The financial report of Discovery Metals Limited for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 31 August 2011.

Discovery Metals Limited is a company limited by shares, domiciled and incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX), Botswana Stock Exchange (BSX) and the Alternative Investment Market (AIM), London.

The registered office of Discovery Metals Limited is Level 20, 333 Ann Street, Brisbane, Queensland, 4000, Australia. The principal activities involve the acquisition, exploration, development and mining of mineral properties.

Note 2: Statement of Significant Accounting Policies

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has been prepared on a historical cost basis, except for derivative financial instruments which have been measured at fair value. The financial report also complies with International Financial Reporting Standards (IFRS) including interpretations as issued by the International Accounting Standards Board (IASB).

The financial report is presented in United States dollars and all values are rounded to the nearest thousand dollars (US\$'000) unless otherwise stated.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all entities in which the Company holds a controlling interest. Control is established by the Company's ability to determine strategic, operating, investing and financing policies without the co-operation of others. The effects of all transactions between entities in the Consolidated Group are eliminated in full. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of income from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists. The Consolidated Group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. A list of controlled entities is contained in Note 28 to the financial statements.

(b) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Consolidated Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in United States Dollars. The functional currency of the Company is Australian Dollars and Botswana Subsidiaries is Botswana Pula and that of Mauritian Subsidiaries is United States Dollars.

Transaction and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

Translation of Foreign Operations

The financial results and position of foreign operations whose functional currency is different from the Consolidated Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Consolidated Group's foreign currency translation reserve in the Statement of Financial Position. These differences are recognised in the Statement of Comprehensive Income in the period in which the operation is disposed.

(c) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above net of outstanding bank overdrafts.

(d) Trade and Other Receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with maturities greater than 12 months after the reporting period are classified as non-current assets. Other receivables are initially measured at fair value then subsequently at amortised cost, less an allowance for impairment.

(e) Exploration and evaluation Expenditure

Exploration and evaluation expenditure related to areas of interest is capitalised and carried forward to the extent that:

- (i) Rights to tenure of the area of interest are current; and
- (ii) (a) Costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by sale; or
 - (b) Where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, active and significant operations in, or in relation to, the areas are continuing.

Such expenditure consists of an accumulation of acquisition costs and direct net exploration and evaluation costs incurred by or on behalf of the Consolidated Group, together with an appropriate portion of directly related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest, which is expensed in the year it is incurred.

Property acquisition costs relating to exploration properties and expenditures incurred on properties identified as having development potential are deferred as mine development costs on a project basis until the viability of the project is determined.

If, after management review, it is determined that the carrying amount of an exploration property is impaired, that property is written down to its estimated fair value. An exploration property is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off in the year in which the decision to abandon the area is made.

(f) Property, Plant and Equipment

Mining Properties

Mine properties comprise the accumulation of all exploration, evaluation, acquisition and development expenditure, incurred by or on behalf of the Consolidated Group, in relation to areas of interest in which mining of a mineral resource have started.

When further development expenditure is incurred in respect of a mine property after the start of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are likely to be realized, otherwise such expenditure is classified as part of the cost of production.

Amortization of Mine Property costs is provided on the unit-of-production method with separate calculations being made for each mineral resource. Mineral resources are proved and probable reserves. Changes in the commercial reserves affecting unit-of-production calculations are dealt with prospectively over the revised remaining reserves.

The net carrying value of each mine property is reviewed whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The carrying amount is compared to undiscounted cash flows. Where the carrying amount exceeds these cash-flows, the carrying values are written down to fair value.

Other Property, Plant and Equipment

The cost of each item of buildings, fixed plant, mobile machinery and equipment is written off over its expected useful life. Either the units-of-production or straight-line method may be used. The unit-of-production basis results in an amortization charge proportional to the depletion of the recoverable mineral resources. Each item's economic life has due regard to both its own physical life limitations and to present assessment of recoverable mineral resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all mine buildings, fixed plant and mobile machinery and equipment, with annual reassessments for major items.

The expected useful lives are as follows:

- mine buildings – the shorter of applicable mine life on units-of-production basis and 15 years
- fixed plant – the shorter of applicable mine life on units-of-production basis and 15 years
- mobile machinery and equipment – the shorter of applicable useful life and seven years, depending on the nature of the asset

Major spare parts purchased specifically for particular plant and equipment are included in the cost of the plant and equipment and are depreciated over the expected useful life of the item of plant and equipment.

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. The carrying amount is compared to undiscounted cash flows. Where the carrying amount exceeds these cash-flows, the carrying values are written down to fair value.

Construction in progress is accumulated and carried forward at cost until the construction is complete. On completion the asset is transferred to the appropriate category of property, plant and equipment and is amortized over its expected useful life. Costs associated with the commissioning of an asset are capitalized until the commissioning has been completed.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases of plant and equipment under which the Consolidated Group assumes substantially all the risks and benefits incidental to ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised, with a lease asset and a lease liability equal to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments determined at the inception of the lease.

Lease payments are apportioned between the finance charges and reduction of the lease liability. The finance charge component within the lease payments is expensed. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Consolidated Group will obtain ownership by the end of the lease term. Payments made under operating leases are expensed on a straight-line basis over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(g) Intangible assets

Costs incurred in developing information technology systems and acquiring software are capitalised as intangible assets. Costs capitalised include external costs of materials and services and the cost of employee benefits. Amortisation is calculated on a straight-line basis over the useful life, ranging from three to seven years.

(h) Impairment of assets

Property, plant and equipment and other non-current assets (other than inventories) are reviewed at each balance date for indication that the carrying amount may not be recoverable. Where there is an indication that the carrying amount may not be recoverable an impairment test is completed.

Impairments of assets are recognised in the Statements of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable value. In determining recoverable value, reasonable and supportable future cash flow projections of the economic conditions that are expected to exist over the remaining life of each asset are developed. The recoverable amount is measured as the higher of fair value less costs to sell ("FVLCS") and value in use. FVLCS is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is calculated by discounting future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(i) Capitalisation of interest and financing costs

Interest and other financing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset is determined as the actual borrowing costs incurred on that borrowing during the period.

Capitalisation of borrowing costs ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are substantially complete. Interest earned on the temporary investment of borrowed funds is deducted from interest paid on the borrowed funds in arriving at the amounts so capitalised. These costs are amortised on the same basis as the qualifying asset.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation shall be determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

(j) Mine rehabilitation and environmental expenditure

A provision is raised for anticipated expenditure to be made on mine rehabilitation to be undertaken after mine closure. These costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas. Community requirements and long-term land use objectives are also taken into account. The provision is raised when the asset is installed and the ground/environment is disturbed at the production location.

The amount of any provision recognised is the full amount that has been estimated based on current costs plus inflation required to settle present obligations, discounted using a pre-tax risk free nominal discount rate that matches the cash flows. Although estimates of future costs are reassessed annually, given the prolonged period to mine closure, it is possible that estimates of ultimate, rehabilitation and environmental liabilities could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or cost estimates.

When the liability is initially recorded a corresponding asset, which represents future economic benefit arises and is capitalised into the cost of the related asset. At each reporting date the rehabilitation liability is remeasured in line with changes in discount rates and timing or amounts of the costs to be incurred. Restoration and rehabilitation provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to mine rehabilitation obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance costs in the Statements of Comprehensive Income. Changes to capitalised cost result in an adjustment to future depreciation charges. For closed sites, changes to estimated costs are recognised immediately in other expenses in the Statements of Comprehensive Income.

(k) Trade and other payables

Payables include liabilities and accrued expenses owing by the Consolidated Group which are unpaid as at the end of the reporting period. The amounts are initially recorded at the fair value of the consideration to be paid in the future for goods and services received and then subsequently at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Provisions and Employee benefits

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Company expects some or all of a provision to be reimbursed the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognized as an expense in profit and loss as they are incurred.

(m) Long-term debt

Long-term debt instruments are initially recognized at fair value, net of debt issuance costs incurred. Debt instruments are subsequently valued at amortized cost. Debt issue costs are included in the balance of the underlying debt and amortized using the effective interest rate method.

(n) Financing costs

Financing costs include interest payable on borrowings, calculated using the effective interest rate method, finance charges in respect of leases, exchange differences arising from foreign currency borrowing to the extent that they are regarded as an adjustment to interest costs and differences relating to the unwinding of the discount of assets and liabilities measured at amortised costs.

Financing costs are recognised as an expense in the period in which they are incurred, unless they relate to a qualifying asset. Financing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Financial income is recognised as it accrues taking into account the effective yield on the financial asset.

(o) Income Tax

Income tax expense represents the sum of the current tax charges and deferred tax movements less any movements taken directly to other comprehensive income.

The current tax expense for the year is the tax payable on the current year's taxable income. Taxable profit differs from profit as reported in the consolidated Statements of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Consolidated Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting date Statements of Financial Position date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities and current tax assets and liabilities are offset when there is a legally enforceable right to set off and when they relate to income taxes levied by the same taxation authority and the Consolidated Group intends to settle its current tax assets and liabilities on a net basis.

(p) Revenue Recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue from the sale of goods is recognised when there has been a transfer of risks and rewards to the customer and no further processing is required by the Consolidated Group, the quality and quantity of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is probable. The point at which risk and title passes for the majority of the Consolidated Group's commodity sales is upon receipt of the bill of lading when the commodity is delivered for shipment. Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Revenue is measured at the fair value of the consideration received or receivable. Dividend revenue is recognised when the right to receive a dividend has been established. All revenue is stated net of the amount of goods and services tax (GST).

(q) Goods and Services Tax (GST) or Value Added Tax (VAT)

Revenues, expenses and assets of operations are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of the acquisition of the asset or part of the expense. Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the taxing authority is included with receivables or payables on the Statements of Financial Position. Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow. Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

(r) Equity settled compensation

The Consolidated Group operates equity-settled option plans for key management personnel (directors and executive staff). The fair value of the equity to which key management become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Grants of shares are valued using a Monte-Carlo simulation methodology.

(s) Issued Capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than in connection with a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Where the Company or its subsidiaries purchase the Company's contributed equity (share buy-backs), the consideration paid including any attributable incremental external costs net of income taxes is deducted from total shareholders' equity as treasury shares until they are cancelled or transferred. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(t) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of directors. Operating segments have been identified

based on the information provided to the chief operating decision makers – being the executive management team and the Board of directors. The Company continuously reviews the progress of its various exploration projects in Botswana and allocates the projects to operating segments as to their relevant stage of development that is whether the project is in exploration, development or production stage. It is on this basis that the executive management team and the Board of directors makes decisions about the allocation of resources and assesses the Company's performance. The Dikoloti Nickel project in joint exploration agreement (JEA) with Japan Oil, Gas and Metals National Corporation (JOGMEC) is considered as an operating segment along with the Boseto copper project located within the Kalahari Copper Belt, which is considered to be in development phase as at 30 June 2011. Corporate office activities are not allocated to operating segments and form part of the balance of unallocated revenue, expenses, assets and liabilities.

(u) Loss per Share

Basic loss per share is calculated as net loss attributable to members of the Company divided by the weighted average number of ordinary shares. Diluted loss per share is calculated by adjusting the net loss attributable to members of the Company and the number of shares outstanding for the effects of all dilutive potential ordinary shares, which include share options.

(v) Derivative activities

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently measured to their fair value at each reporting date. The resulting gain or loss is recognized in the Statement of Comprehensive Income immediately unless the derivative is designated and effected as a hedge instrument, in which event, the timing of the recognition in the Statement of Comprehensive Income depends on the nature of the hedge relationship. For the purpose of this report, no derivative financial instruments qualify for hedge accounting.

(w) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(x) Rounding of amounts

The Financial Statements have been rounded to the nearest US\$1,000 unless otherwise indicated.

Note 3: Changes in Accounting Policies and New Accounting Standards**(a) Change in presentation currency**

Effective 1 July, 2010, the Company changed its presentation currency to the US dollar. The change in reporting currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's financial results with other publicly traded businesses in the mining industry. Prior to 1 July, 2010, the Company reported its annual and half yearly consolidated statement of financial position and the related consolidated statements of operations and cash flows in the Australian dollar (AUD). In making this change in reporting currency, the Company followed the recommendations of IAS 21 "The effects of changes in foreign exchange rates", "Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency". In accordance with IAS 21, the financial statements for all years and periods presented have been translated into the new reporting currency using the current rate method. Under this method, the statements of comprehensive income and cash flows statements items for each year and period have been translated into the reporting currency using the average exchange rates prevailing during each reporting period. All assets and liabilities have been translated using the exchange rate prevailing at the consolidated statement of financial position dates. Shareholders' equity transactions have been translated using the rates of exchange in effect as of the dates of the various capital transactions. All resulting exchange differences arising from the translation are included as a separate component of other comprehensive income. All comparative financial information has been restated to reflect the Company's results as if they had been historically reported in US dollars. The functional currency for the parent entity is Australian dollars, Mauritian subsidiaries is US Dollars and Botswana subsidiaries is Botswana Pula.

(b) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as described below. Certain comparative information has been reclassified to conform to the current year's presentation.

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010.

Adoption of these Standards and Interpretations did not have any significant effect on the financial position or performance of the Consolidated Group for the year ended 30 June 2011.

- AASB 127 (Revised) Consolidated and Separate Financial Statements
- AASB 3 Revised Business Combinations
- AASB Int 16 Hedges of a Net Investment in a Foreign Operation
- AASB Int 17 and AASB 2008.13 Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards
- AASB Int 18 Transfers of Assets from Customer
- AASB Int 19 Extinguishing financial liabilities with equity instruments
- AASB 2008.3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127
- AASB 2008.8 Amendments to Australian Accounting Standards -Eligible Hedged Items
- AASB 2009.4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 2 and AAS B 138 and AASB Interpretations 9 & 16)
- AASB 2009.5 Amendments to Australian Accounting Standards (AASB 5,8,101,107,117,118, 136 & 139)
- AASB 2009.7 Amendments to Australian Accounting Standards (AASB 5,7,107,112,136 & 139 and Interpretation 17)
- AASB 2009.8 Amendments to Australian Accounting Standards - Group cash settled share based payment transactions (AASB 2)
- AASB 2009.10 Amendments to Australian Accounting Standards – Classification of rights issue (AASB 132)
- AASB 2010.3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139)

(c) New Accounting Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Group in the period of initial application. They have been issued but are not yet effective and are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

Reference	Title	Summary	Application of standard and impact on the Company's financial report
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	<p>The amendments, which become mandatory for the Company's 30 June 2014 financial statements, are expected to have minimal impact on the financial statements.</p>

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

Reference	Title	Summary	Application of standard and impact on the Company's financial report
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and interpretations 10 & 12]	<p>These amendments arise from the issuance of AASB 9 Financial Instruments that sets out the requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of first phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>This Standard shall be applied when AASB 9 is effective.</p>	The amendments, which become mandatory for the Company's 30 June 2014 financial statements, are expected to have minimal impact on the financial statements.
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).	The amendments, which become mandatory for the Company's 30 June 2012 financial statements, are expected to have minimal impact on the financial statements.
AASB 1053	Application of Tiers of Australian Accounting Standards	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Not expected to impact the Company.
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>The definition now identifies a subsidiary and an associate with the same investor as related parties of each other.</p> <p>Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other.</p> <p>The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.</p>	Effective 1 July 2011, expected to have minimal impact.

Reference	Title	Summary	Application of standard and impact on the Company's financial report
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	<p>These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.</p> <p>The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.</p>	Not expected to impact the Company
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	Effective 1 July 2011, expected to have minimal impact.
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	<p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	Effective 1 July 2011, expected to have minimal impact.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

Reference	Title	Summary	Application of standard and impact on the Company's financial report
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	Effective 1 July 2011, expected to have minimal impact.
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	Effective 1 July 2013, expected to have minimal impact.
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	Effective 1 July 2012, expected to have minimal impact.

Apart from the above, other accounting standards, amendments and interpretations that will be applicable in future periods have been considered, however their impact is considered insignificant to the Company.

Note 4: Critical Accounting Estimates and Judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Impairment of assets

The Consolidated Group assesses each cash-generating unit half-yearly, to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use calculated in accordance with accounting policy Note 2(h). These assessments require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development and sustaining capital requirements and operating performance (including the magnitude and timing of related cash flows).

Taxation

The Company's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of

future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, future operating costs, capital expenditure, and other capital management transactions.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

(ii) Significant accounting estimates and assumptions

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options granted is determined using the Monte-Carlo option pricing model, taking into account the terms and conditions set out within note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimated useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Given the required use of estimates in the measurement of contained mineral content, mine lives are subject to inherent measurement uncertainty. Actual mineral content may significantly differ from estimates which could result in a change to future amortization and depreciation charges. Management will increase the charge where useful lives are less than the previously estimated useful lives and reduce the charge where they are greater than those estimates.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

Reductions in a life of mine may indicate an impairment, in which case management would assess the recoverability of those assets. Similarly estimates of useful lives for property, plant and equipment with lives shorter than the applicable mine life are open to measurement uncertainty. These result from uncertainties regarding future technical obsolescence, wear and tear and useful employment in the business of such assets.

Rehabilitation and dismantling obligations

Provision is made for the anticipated costs of future rehabilitation of exploration areas in accordance with the accounting policy in note 2(j). These provisions include future cost estimates associated with reclamation, dismantling of equipment, waste site closures, monitoring, demolition and decontamination. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, available technologies, engineering cost estimates, discount rates and estimates of timing. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation and dismantling provisions.

Estimated mineral reserves

The use of management estimates and assumptions relating to mineral reserves are the base inputs for future cash flow estimates used in impairment calculations and units-of-production amortization calculations; estimates of recoverable copper in stockpile; environmental, reclamation and closure obligations.

Exploration and Evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are likely either from future exploitation or sale. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available.

Note 5: Other Revenue & Costs

	2011 US\$'000	Restated 2010 US\$'000
Interest received	3,136	592
Management fee	191	81
Total Other revenue	3,327	673

Compliance Costs include accounting, audit, investor relations, registry and company secretarial expenses. The **cost of Foreign Currency Loss** reflects the strengthened Australian Dollar exchange rate on the portion of deposits held in Australian Dollars. **Other Expenses** include computer support, insurance, office rental and conferences costs. These costs, along with **Salary and Consultants** costs have increased in line with the ramp up in the construction of the Boseto copper project.

Note 6: Income Tax Expense

(a) Income tax expense comprises

	2011 US\$'000	Restated 2010 US\$'000
Income Statement		
Current Income tax		
Current income tax expense	-	-
Under/ (over) provision in respect of prior years	-	-
Deferred tax		
Relating to origination and reversal of temporary differences	330	-
Under/(over) provision in respect of prior years	-	-
	330	-
Income tax expense / (benefit) per the Income Statement	330	-

(b) Reconciliation of prima facie income tax expense to income tax expense per the Income Statement

	2011 US\$'000	Restated 2010 US\$'000
Accounting Profit / (Loss) before tax	(14,216)	
Income tax expense (benefit) at 30% (2010: 30%)	(4,265)	(1,234)
Increase (decrease) in income tax due to:		
Difference in tax rates	227	(7)
Non-deductible expenses	1,461	273
Effect of tax losses not recognised	2,907	968
Non-assessable income	-	-
Adjustment in respect of current income tax of previous year	-	-
Movement in unrecognised temporary differences	-	-
Income tax expense (benefit)		
Comprising:		
Current income taxes	-	-
Future income taxes	330	-

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

The unused tax losses for which no deferred tax assets has been recognised and the potential tax benefits from future are:

	2011 US\$'000	Restated 2010 US\$'000
Unused tax losses	(18,126)	(39,860)
Potential tax benefit	5,438	11,958

(c) Movement in deferred taxes

	2011 US\$'000	Restated 2010 US\$'000
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Property, plant and equipment	19,621	-
Exploration expenditure	8,534	11,958
Gross deferred tax liabilities	28,155	11,958
Set-off deferred tax assets	(27,820)	(11,958)
Net deferred tax liabilities	336	-
Deferred tax assets		
Provisions & Employee benefits	-	-
Carry forward revenue losses	27,820	11,958
Gross deferred tax assets	27,820	11,958
Set-off of deferred tax assets	(27,820)	(11,958)
Net deferred tax assets	-	-

Note 7: Interests of Key Management Personnel

The Directors Report shows details of the remuneration of Key Management Personnel (KMP) for the current and prior year. Details of appointment dates, position held and shares and options granted, exercised or forfeited and balances held are contained below. The information includes holding by associates of the named key management personnel.

(a) Names and positions held of the Company's KMP in office at any time during the year are:

KMP	Position	Dated Appointed	Date Resigned
Gordon Galt	Chairman – Non-Executive	9 May 2007	
Morrice Cordiner	Director – Non-Executive	30 May 2003	
Ribson Gabonowe	Director – Non-Executive	30 April 2008	
Jeremy Read	Director – Non-Executive	1 February 2008	
John Shaw	Director – Non-Executive	13 November 2006	
Brad Sampson	Managing Director	1 February 2008	
Paul Fulton	Chief Financial Officer	25 March 2008	
Ross Gibbins	Business Development Executive	1 November 2008	
Nick Franey	General Manager Exploration & Geology	6 April 2010	1 July 2011
Phillip Nolan	General Manager Boseto Operations	1 January 2011	
Jan Andersen	General Manager Technical Services	1 April 2011	

(b) Compensation for key management personnel

	2011 US\$'000	Restated 2010 US\$'000
Short-term employee benefits	1,276	875
Post-employment benefits	126	90
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payment	2,262	383
Total compensation	3,664	1,348

(c) Options – Number of Options held by KMP and associates

Name	Balance 30 June 2011	Total Vested 30 June 2011	Total Exercisable 30 June 2011	Total Un-exercis- able 30 June 2011
Gordon Galt	-	-	-	-
Morrice Cordiner	1,000,000	1,000,000	1,000,000	-
Ribson Gabonowe	513,750	513,750	513,750	-
Jeremy Read	1,000,000	1,000,000	1,000,000	-
John Shaw	-	-	-	-
Brad Sampson	2,000,000	2,000,000	2,000,000	-
Paul Fulton	1,500,000	1,500,000	1,500,000	-
Ross Gibbins	-	-	-	-
Phil Nolan	-	-	-	-
Jan Andersen	-	-	-	-

Name	Balance 30 June 2010	Total Vested 30 June 2010	Total Exercisable 30 June 2010	Total Un-exercis- able 30 June 2010
Gordon Galt	-	-	-	-
Morrice Cordiner	1,000,000	-	-	1,000,000
Ribson Gabonowe	1,000,000	1,000,000	1,000,000	-
Jeremy Read	1,000,000	1,000,000	1,000,000	-
John Shaw	-	-	-	-
Brad Sampson	3,000,000	3,000,000	3,000,000	-
Paul Fulton	1,500,000	1,500,000	1,500,000	-
Ross Gibbins	750,000	500,000	500,000	250,000
Nick Franey	-	-	-	-
Phil Nolan	-	-	-	-
Jan Andersen	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

(d) Shareholdings – Number of Share held by KMP and associates

Name	Balance 1 July 2010	Share rights vested	Options Exercised	Net Change Other*1	Balance 30 June 2011
Gordon Galt	1,552,990	500,000		(685,000)	1,367,990
Morrice Cordiner	-	250,000	-	(250,000)	-
Ribson Gabonowe	-	250,000	486,250	(250,000)	486,250
Jeremy Read	-	250,000	-	-	250,000
John Shaw	1,100,000	250,000	-	(850,000)	500,000
Brad Sampson	-	500,000	1,000,000	(1,500,000)	-
Paul Fulton	-	250,000	-	-	250,000
Ross Gibbins	-	125,000	-	(125,000)	-
Phil Nolan	-	-	-	-	-
Jan Andersen	-	-	-	-	-

*1 Net Change Other refers to shares purchased or sold during the year.

(e) Shareholdings – Number of unvested share rights held by KMP and associates

Name	Balance 1 July 2010	Share rights vested	Share rights awarded during the year	Balance 30 June 2011
Gordon Galt	2,000,000	500,000	-	1,500,000
Morrice Cordiner	1,000,000	250,000	-	750,000
Ribson Gabonowe	1,000,000	250,000	-	750,000
Jeremy Read	1,000,000	250,000	-	750,000
John Shaw	1,000,000	250,000	-	750,000
Brad Sampson	2,000,000	500,000	-	1,500,000
Paul Fulton	1,000,000	250,000	-	750,000
Ross Gibbins	500,000	125,000	-	375,000
Phil Nolan	-	-	1,000,000	1,000,000
Jan Andersen	-	-	750,000	750,000

Note 8: Loss per Share

	2011 US\$'000	Restated 2010 US\$'000
(a) Reconciliation of earnings to profit or loss		
Net Profit / (Loss)	(14,546)	(4,112)
Loss used in the calculation of basic LPS	(14,546)	(4,112)
Loss used in the calculation of diluted LPS	(14,546)	(4,112)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic LPS excluding Share Plan issues		
	380,720,104	229,046,568
Weighted average number of options outstanding	7,703,903	36,298,085
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted LPS	388,424,007	265,344,653

As the above detailed "Dilution" decreases the loss per share on exercise of the options, diluted earnings per share is reported excluding the options outstanding.

Note 9: Cash & Cash Equivalents

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Cash on hand and at bank	5,901	612	(50)
Deposits at call	82,906	32,918	7,135
	88,807	33,530	7,085

Credit Risk Exposure

All cash investments are held in transactional bank accounts or on term deposit held with international banks, each of which carries a Moody's short-term credit rating of A1 or above with maturity tenures of three months or less. The credit risk exposure of the Consolidated Group in relation to cash and deposits is the carrying amount and any accrued unpaid interest.

Note 10: Trade & Other Receivables

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
CURRENT			
Other receivables	36	130	3
GST/VAT receivable	3,840	246	194
	3,876	376	197

Receivables are non-interest bearing and unsecured. All of the receivables are not considered past due or impaired.

Fair Value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivable. Collateral is not held as security, nor is it the Company's policy to transfer receivables to special purpose entities. Refer to note 2(d) for more information on the risk management policy of the Consolidated Group and the entity's trade receivables.

Interest rate risk

Details regarding interest rate risk exposure is disclosed in note 19.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

Note 11: Prepaid expenses and deposits

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Prepayments to creditors and sub-contractors	1,611	27	22
Prepaid expenses – Other	39	-	-
Deposits to suppliers	331	268	135
	1,981	294	157

Note 12: Plant and Equipment**Movement in Carrying Amounts**

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

	Motor Vehicles US\$'000	Office & Furniture US\$'000	Buildings US\$'000	Computer & Plant & Equipment US\$'000	Capital Work in progress US\$'000	Rehab Asset US\$'000	Total US\$'000
Restated Balance at 30 June 2009	185	87	12	131	-	-	415
Additions	456	324	0	99	-	-	879
Disposals	0	0	0	(0)	-	-	(0)
Depreciation Expense	(53)	(41)	(8)	(36)	-	-	(137)
Translation Gains/(Losses) & Reclassification	(25)	(12)	-	(9)	-	-	(46)
Restated Balance at 30 June 2010	564	358	4	185	-	-	1,111
Additions	582	191	-	2,437	86,243 ^{*1}	2,764	92,217
Disposals	(9)	(41)	-	(5)	-	-	(55)
Depreciation Expense	(138)	(107)	(4)	(82)	-	-	(331)
Translation Gains/ (Losses)	55	70	-	57	1,419	48	1,649
Balance at 30 June 2011	1,054	471	-	2,592	87,662	2,812	94,591
Depreciation charged to Exploration Asset/ Capital Work in Progress	76	4	4	59	-	-	143
Net Depreciation Charge for year	62	103	-	23	-	-	188

Note *1: Includes capitalised borrowing costs of US\$1.456 million (2010: Nil)

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	2011 US\$'000	Restated 2010 US\$'000
Motor Vehicles	(138)	(52)
Office & Furniture	(107)	(41)
Buildings	(4)	(8)
Computer & Plant & Equipment	(82)	(36)
Total	(331)	(137)

Note 13: Exploration

Exploration rights and development costs carried forward in respect of areas of interest in the exploration phase:

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Opening balance	28,878	18,523	11,815
Translation gains/(losses)	(1,504)	3,500	(162)
Expenditure incurred (net of JOGMEC's reimbursement)	12,209	6,855	7,393
	39,583	28,878	19,046
Less expenditure impaired	(1,812)	-	(523)
Carrying Balance	37,771	28,878	18,523

Mining prospecting licence costs are carried forward in accordance with the accounting policy set out in Note 2. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation of the Boseto copper project in Botswana, or alternatively, sale of these areas of interest.

Note 14: Intangible Assets

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Computer Software	US\$'000	US\$'000	US\$'000
Balance at 1 July	46	-	-
Additions	566	63	-
Amortisation Expense	(70)	(16)	-
Translation gains/(losses)	26	(1)	-
Balance at 30 June	568	46	-

The Intangible Assets of the Consolidated Group comprise computer software purchased to control the planning and operation of the Boseto copper project.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

Note 15: Trade and Other Payables

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Current Liabilities			
Trade creditors & Accruals	19,425	829	1,113
	19,425	829	1,113

Accrued Expenses includes Withholding Tax, VAT & GST withheld from payments to suppliers and payable the month following deduction.

Note 16: Provisions

		2011 US\$'000	Restated 2010 US\$'000	Restated 1 July 2009 US\$'000
Current				
Employee Benefits	(i)	427	264	128
Mine rehabilitation	(ii)	-	-	-
Other		-	-	-
Total current portion		427	264	128
Non-Current				
Employee Benefits	(i)	-	-	-
Mine rehabilitation	(ii)	2,812	-	-
Other		-	-	-
Total non-current portion		2,812	-	-

(i) Employee benefits

This represents annual leave, long service leave.

(ii) Mine rehabilitation

The Consolidated Group recognises that it has an obligation to restore its mine sites to their original condition at the end of the life of mine. Mine rehabilitation costs are provided for at the present value of future expected expenditure when the liability is incurred. Although the ultimate cost to be incurred is uncertain, the Consolidated Group has estimated its costs based on feasibility and engineering studies using current restoration standards and techniques.

When this liability is recognised a corresponding asset is also recognised as part of the development costs of the mine and is amortised across the same useful life.

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Movements in mine rehabilitation provision			
At 1 July	-	-	-
Increase/(decrease) in provision	2,812	-	-
Paid during the year	-	-	-
Unwinding of discount	-	-	-
FX translation	-	-	-
At 30 June	2,812	-	-
Split between			
Current	-	-	-
Non-Current	2,812	-	-

Note 17: Interest bearing liabilities

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Current			
Obligations under finance leases and hire purchase contracts	73	-	-

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Non-Current			
Obligations under finance leases and hire purchase contracts	159	-	-

Fair value

The carrying amount of the Consolidated Group's interest bearing liabilities approximates their fair value.

Interest rate and liquidity risk

Information regarding interest rate and liquidity risk exposure is set out in note 19.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

Note 18: Issued Capital

	2011 US\$'000	2010 US\$'000	2011 Shares	2010 Shares
Fully paid ordinary shares at 30 June	213,017	75,480	437,114,481	300,987,060
(a) Ordinary Shares				
At beginning of reporting year	75,480	35,130	300,987,060	194,078,380
Shares issued during the year:				
Issued at 0 cents each *	-	-	-	13,000,743
Issued at A\$0.26 each	222	-	968,188	-
Issued at A\$0.30 each	-	8,675	-	31,811,117
Issued at A\$0.32 each	80	-	250,000	-
Issued at A\$0.35 each	-	414	-	1,300,000
Issued at A\$0.36 each	239	245	747,337	750,000
Issued at A\$0.37 each	185	-	500,000	-
Issued at A\$0.44 each	436	-	1,000,000	-
Issued at A\$0.45 each	-	14,336	-	35,046,820
Issued at A\$0.50 each	247	-	486,250	-
Issued at A\$0.76 each	-	17,323	-	25,000,000
Issued at A\$1.05 each	90,091	-	86,875,646	-
Issued at A\$1.12 each	50,929	-	45,300,000	-
Transaction costs relating to share issues	(4,892)	(643)		
At reporting date	213,017	75,480	437,114,481	300,987,060
* Shares on issue to parties external to Consolidated Group			427,424,310	287,987,060

* 9.7 million (2010: 13 million) shares are held by the Discovery Metals Directors and Employees Share Plan Trust Company which is a special purpose vehicle set up to administer the Consolidated Group's employee share plan. Details of the plan are disclosed in note 25.

(a) Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. All shares rank equally with regard to the Company's residual assets. Ordinary shares have no par value.

(b) Options

At 30 June 2011 there were 6,363,750 (2010: 10,315,525) unissued ordinary shares of the Company for which options were outstanding as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
8/05/2008	25/03/2012	A\$0.43	500,000
8/05/2008	25/03/2013	A\$0.54	500,000
12/12/2008	1/02/2013	A\$0.55	1,000,000
12/12/2008	12/12/2011	A\$0.50	1,513,750
25/06/2009	1/11/2013	A\$0.35	1,000,000
30/06/2009	1/11/2013	A\$0.375	750,000
30/06/2009	1/11/2012	A\$0.375	100,000
3/12/2009	12/12/2011	A\$0.35	1,000,000
			6,363,750

During the year ended 30 June 2011, the following ordinary shares of the Company were issued on the exercise of options granted under the Option Plan. No amounts are unpaid on any of the shares.

Grant Date	Exercise Price	Number of Shares Issued
01/09/2007	A\$0.260	718,188
05/12/2007	A\$0.360	497,337
12/12/2008	A\$0.440	1,000,000
04/02/2008	A\$0.360	250,000
30/06/2009	A\$0.375	250,000
31/12/2008	A\$0.260	250,000
31/12/2008	A\$0.320	250,000
30/06/2009	A\$0.375	250,000
12/12/2008	A\$0.500	486,250

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Note 19: Financial Risk Management Objectives and Policies

This note presents information about the Company's exposure to credit, liquidity, foreign exchange movements and market risk and the objectives, policies and processes the Company uses to measure and manage these risks.

The Consolidated Group's principal financial instruments comprise receivables, payables, finance leases, cash and short-term deposits.

(a) Risk exposures and responses

The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

Primary responsibility for the identification and control of financial risks rests with the audit

and financial risk committee under the authority of the Board. Exposure limits are reviewed by management on a continuous basis.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates via assessments of market forecasts for interest rates and monitoring liquidity risk through the development of future rolling cash flow forecasts.

For the year ended 30 June 2011, the Company did not use any form of derivatives as the Company's operations and related financial instruments are not at a level of complexity to require the use of derivatives to hedge its exposures. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The following table discloses the carrying amounts of each class of financial asset and financial liabilities at year end.

Category	2011 US\$'000	Restated 2010 US\$'000
Financial assets		
Cash and cash equivalents	88,807	33,530
Trade and other receivables	3,876	376
Financial liabilities		
Trade and other payables	19,425	829
Borrowings	-	-
Lease obligations	232	-

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. Considering the nature of the Consolidated Group's operations, ultimate customers and the relevant terms and conditions entered into with such customers, the Company believes that the credit risk is limited. The Company therefore does not have any significant exposure to credit risk.

The Company manages its exposure to credit risk via credit risk management policies which allocate credit limits based on the overall financial strength of the counterparty. Publicly available credit information from recognised providers is utilised for this purpose where available.

The Consolidated Group's potential concentration of credit risk consists mainly of cash deposits with banks and other receivables. The Company's cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets

is represented by the carrying value as at the balance sheet date. The Company considers the credit standing of counterparties when making deposits to manage the credit risk.

At balance date, there were no concentrations of credit risk with any counterparties.

The carrying amounts of financial assets (excluding available-for-sale financial assets) recognised in the Statements of Financial Position, and disclosed in more detail in the notes to the financial statements best represent the Company's maximum exposure to credit risk at the reporting date. In respect to those financial assets and the credit risk embodied within them, the Company holds no collateral security and there are no other significant credit enhancements in respect of these assets. The credit quality of all financial assets that are neither past due nor impaired is appropriate and is consistently monitored in order to identify any potential adverse changes. There are no significant financial assets that have had terms renegotiated that would otherwise, without that renegotiation, have been past due or impaired.

The ageing of trade and other receivables at the reporting date was as follows:

Trade and other receivables 2011	Past due but not impaired			
	Not past due US\$'000	Less than 30 days	Between 30 & 90 days	Total US\$'000
Other receivables	36	-	-	36
GST/VAT receivable	3,840	-	-	3,840

Restated 2010	Past due but not impaired			
	Not past due US\$'000	Less than 30 days	Between 30 & 90 days	Total US\$'000
Other receivables	130	-	-	130
GST/VAT receivable	246	-	-	246

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

(c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to

the Company's reputation. The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

Funds received by the Company from the issue of share capital are placed into a major bank's call and term deposits with varying maturity dates. These deposits are monitored closely to ensure that there is sufficient cash available so that operational obligations are met, whilst also ensuring that interest income is maximised.

The following are the contractual and expected maturities of the Company's liquid non-derivative financial assets and the Company's expected maturities of financial liabilities:

2011	Within 1 year US\$'000	1 to 2 years US\$'000	2 to 5 years US\$'000	Greater than 5 years US\$'000	Total contractual cash flows US\$'000	Total carrying value US\$'000
Trade and other payables	19,425	-	-	-	19,425	19,425
Lease obligation	92	174	-	-	266	232
Total	19,517	174	-	-	19,691	19,657

Restated 2010	Within 1 year US\$'000	1 to 2 years US\$'000	2 to 5 years US\$'000	Greater than 5 years US\$'000	Total contractual cash flows US\$'000	Total carrying value US\$'000
Trade and other payables	829	-	-	-	829	829
Lease obligation	-	-	-	-	-	-
Total	829	-	-	-	829	829

(d) Market Risk

(i) Foreign exchange risk

The Consolidated Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Botswana Pula, the Australian dollar and the South African Rand.

Foreign exchange risk arises from commercial transactions and recognized assets and liabilities denominated in a currency that is not the Consolidated Group's functional currency.

Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Consolidated Group's financial position.

Foreign exchange exposures may arise from transactions or balances held in currencies other than the functional currency of the operation or entity within the Consolidated Group. The Consolidated Group's potential currency exposures may arise from:

1. translational exposure in respect of non-functional currency monetary items
2. transactional exposure in respect of non-functional currency expenditure and revenues

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of an operation or entity within the Consolidated Group are periodically restated to functional currency of the entity, and the associated gain or loss is taken to the income statement.

The Consolidated Group may use derivative financial instruments to hedge exposure to foreign exchange risk arising from foreign currency expenditures.

The following table shows the US dollar equivalent sensitivity of financial assets and liabilities denominated in foreign currencies to a 10% movement in the underlying currency, with all other variables held constant.

	Australian Dollar Denominated Balances		Botswana Pula Denominated Balances	
	2011 US\$ 000's	Restated 2010 US\$ 000's	2011 US\$ 000's	Restated 2010 US\$ 000's
Cash and cash equivalents	41,623	31,822	2,242	1,400
Receivables	7.0	369	3,869	247
Finance lease liabilities	(232.0)	-	-	-
Accounts payable	(1,509)	(581)	(2,190)	(248)
Net Exposure	39,889	31,610	3,921	1,399

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

At 30 June 2011, has the Australian dollar (AUD) and Botswana Pula (BWP) moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher / (lower)		Other comprehensive income higher / (lower)	
	2011 US\$'000	Restated 2010 US\$'000	2011 US\$'000	Restated 2010 US\$'000
Judgments of reasonably possible movements:				
AUD to US Dollar +10% (2010: +10%)	(3,989)	(3,467)	8,439	-
AUD to US Dollar -10% (2010: -10%)	3,989	3,467	(8,439)	-

	Post tax profit higher / (lower)		Other comprehensive income higher / (lower)	
	2011 US\$'000	Restated 2010 US\$'000	2011 US\$'000	Restated 2010 US\$'000
Judgments of reasonably possible movements:				
BWP to US Dollar +10% (2010: +10%)	(392)	(140)	12,181	-
BWP to US Dollar -10% (2010: -10%)	3,92	140	(12,181)	-

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements and economic forecaster's expectations.
- The reasonably possible movement was calculated by taking the USD spot rate as at balance date, moving this spot rate by the reasonably possible movements and then re-converting the USD into AUD with the "new spot rate". This methodology reflects the translation methodology undertaken by the Group.
- A price sensitivity of derivatives has been based on a reasonably possible movement of spot rates at balance dates not on forward rates.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.
- The effect on other comprehensive income is the effect on the cash flow hedge reserve, the foreign currency translation reserve and/or the available for sale reserve.
- The sensitivity does not include financial instruments that are non-monetary items as these are not considered to give rise to currency risk.

(ii) Commodity price risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Consolidated Group's commodity inputs and outputs. The Consolidated Group is primarily exposed to commodity price risk arising from revenue derived from future copper sales. The Consolidated Group's commodity price risk associated with financial instrument relates primarily to changes in fair value caused by settlement adjustments to receivables.

As at June 30, 2011, the Consolidated Group had no outstanding derivative instruments in relation to the copper price risk.

Sensitivity

Since the Consolidated Group has not yet commenced commercial production and does not have any financial instruments in place to hedge the changes in fair value, there is no impact of copper price sensitivity as at June 30, 2011 (2010: \$nil).

(iii) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rate applicable to the financial instrument. The Consolidated Group is exposed to interest rate risk primarily on its cash and cash equivalents, security and environmental bonds and its finance leases.

Whilst the Consolidated Group aims to maximise its interest returns on money held on call and deposits at its bank, it does not rely on this income to finance its operations.

At 30 June 2011 the interest rate profile of the Consolidated Group's interest-bearing financial instruments was:

	Fixed interest rate maturity					Total US\$'000
	Average interest rate %	Variable interest rate US\$'000	Less than 1 year US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	
Financial Assets						
Bank balances	2.61	5,901	-	-	-	5,901
Short term deposits	2.34	82,906	-	-	-	82,906
Deposits to supplier	4.04	374	-	-	-	374
Financial Liabilities						
Finance leases	9.6	-	72	159	-	231

At 30 June 2010 the interest rate profile of the Consolidated Group's interest-bearing financial instruments was:

	Fixed interest rate maturity					Total US\$'000
	Average interest rate %	Variable interest rate US\$'000	Less than 1 year US\$'000	1 to 5 years US\$'000	More than 5 years US\$'000	
Financial Assets						
Bank balances	1.17	612	-	-	-	612
Short term deposits	5.52	-	32,918	-	-	32,918
Deposits to supplier	4.3	268	-	-	-	268
Financial Liabilities						
Finance leases	-	-	-	-	-	-

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the Consolidated Group's post tax loss and total comprehensive income for the period would have been affected as follows:

	Post tax loss higher (lower)		Total comprehensive income higher (lower)	
	2011 US\$'000	Restated 2010 US\$'000	2011 US\$'000	Restated 2010 US\$'000
+1% (100 basis points)	886	180	886	180
-0.5% (50 basis points)	(443)	(90)	(443)	(90)

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

The movements in the post-tax loss and total comprehensive income are due to higher (lower) interest revenue from its cash and cash equivalents, security and environmental bonds. The sensitivity is higher in 2011 than in 2010 because of the increased cash and cash equivalents balance.

Reasonably possible movements in interest rates were determined based on a review of the last two year's historical movements and economic forecaster's expectations.

The above sensitivity analysis based on balance date risk exposures may not be representative of the risk inherent in the financial instrument because the year-end exposure does not reflect the exposure expected going forward.

(iv) Fair value Risk

There are no financial instruments measured at fair value.

(v) Capital risk management

The Consolidated Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To effectively manage the Consolidated Group's capital requirements, the Consolidated Group's management has in place a capital and operating and cash planning, budgeting and forecasting processes. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Consolidated Group's assets. During the year the Company entered discussions to obtain Boseto project debt finance at the project company level. This is the first debt finance for the Consolidated Group, which was previously solely equity funded (refer Note 28). In the future the Company may adjust the capital structure, may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 20: Reserves

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Option Reserve	9,293	3,138	2,227
Foreign Currency Translation Reserve	13,190	1,116	259
	22,483	4,254	2,486

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options and shares allotted to the Directors and Employees Share Plan Trust account.

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of the foreign controlled subsidiaries assets to US Dollars at the balance date along with the translation of AUD functional net assets in to US Dollars for presentation purposes.

Note 21: Accumulated Losses

	2011 US\$'000	Restated 2010 US\$'000
Accumulated losses at the beginning of the year	16,592	12,480
Net loss attributable to members of Discovery Metals	14,546	4,112
Accumulated losses at the end of the year	31,138	16,592

Note 22: Contingent Liabilities

There are no known contingent liabilities. There has been no change in contingent liabilities and assets since the last annual reporting date.

Note 23: Commitments

(a) Leasing commitments

The Consolidated Group leases corporate office and administrative facilities in Brisbane, Australia and Gaborone, Botswana. The leases have varying terms, with options to renew the lease on respective expiry dates. There are no restrictions placed upon the lessee by entering into these leases.

Non-cancellable operating lease commitments contracted for at balance date but not yet incurred are as follows:

	2011 US\$'000	Restated 2010 US\$'000
Payable		
- not later than one year	242	170
- later than one year but not later than 5 years	703	618
- later than 5 years	-	-
Aggregate lease expenditure contracted for at reporting date but not provided for	945	788

Commitments for minimum lease payments in relation to non-cancellable finance leases are payable as follows:

	2011 US\$'000	Restated 2010 US\$'000
Payable		
- not later than one year	92	-
- later than one year but not later than 5 years	175	-
- later than 5 years	-	-
Total minimum lease payments	267	-
Less amounts representing finance charges	(35)	-
Present value of minimum lease payments	232	-
Included in the financial statements as:		
Current interest bearing liabilities	73	-
Non-current interest bearing liabilities	159	-
Total included in interest-bearing liabilities	232	-

(b) Capital expenditure commitments

	2011 US\$'000	Restated 2010 US\$'000
Capital expenditure commitments contracted for:		
Payable – not later than one year	125,211	-
Payable – not later than two year	-	-
Payable – not later than three years	-	-

The major items of capital commitment for 2011 are: Process plant: (\$57.0 million), Diesel Power Station: (\$8.6 million), Blast Hole Drills: (\$10.1 million), mine infrastructure (\$38.5 million). Additionally the excavator (\$16 million) and truck and support fleet contracts (\$46 million) were executed in July 2011.

(c) Exploration Expenditure Commitments

The Consolidated Group has certain obligations to perform minimum exploration work and expend minimum amount of money on mineral exploration prospecting licences. The Consolidated Group has committed to expend a minimum of \$3.1 million (2010: \$2.2 million) over the next two years to keep its current Botswana prospecting licences in good standing. Annual ongoing commitments of this value are likely, subject to renewal applications being processed.

Note 24: Segment Reporting

The Consolidated Group operates in one business segment being the mining industry, in two geographical locations, namely Australia and Botswana. The Consolidated Group has two strategic business units, which operate separately under different management structures due to the geographical separation and the Consolidated Group's primary focus on the Boseto copper project. The business units are:

1. The 100% owned Boseto copper project in north-west Botswana;
2. The 85% owned Dikoloti Nickel Project in eastern Botswana, an exploration joint venture with JOGMEC.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the Company is managed and provides a meaningful insight into the business activities of the Consolidated Group.

The Consolidated Group has identified its reportable operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources. Its reporting is on an operational basis which coincides with geographical segments. The operating performance of each of these segments is reported to the Board of Directors on at least a monthly basis. Corporate office activities are not allocated to operating segments and form part of the balance of unallocated revenue, expenses, assets and liabilities.

Accounting policies and inter-segment transactions

Segment information is prepared in conformity with the accounting policies of the Company as disclosed in Note 2 and Accounting Standard IFRS 8 "Operating Segments". The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Interest revenue
- Finance costs
- Hedging gains or losses
- Income taxes
- Corporate expenses

Segments are presented after elimination of inter-company transactions. So as to ensure there are no asymmetrical allocations to reportable segments, the following assets and liabilities have been excluded from operating segments:

- Cash and cash equivalents
- Current and deferred tax balances
- Interest bearing loans and borrowings
- Derivative financial instruments
- Assets and liabilities of the corporate office

Transfer prices between segments are set on an arms' length basis in a manner similar to transactions with third parties.

The following tables present details of revenue and operating profit by business segment. The information disclosed in the tables below is derived directly from the internal financial reporting system used by corporate management to monitor and evaluate the performance of our operating segments separately.

2011 For the year ended 30 June 2011	Boseto Copper Project US\$'000	Dikoloti Nickel Project US\$'000	Corporate US\$'000	Consoli- dated Group US\$'000
Revenue from external customers	-	-	-	-
Inter-segment revenue	-	-	3,083	3,083
Interest & Refunds	95	17	3,032	3,145
Expenses	(1,227)	(7)	(15,683)	(16,918)
Exploration expenditure impaired	-	-	(1,812)	(1,812)
(Loss) / income before elimination	(1,132)	10	(11,380)	(12,502)
Less: Elimination	1,187	-	(1,187)	-
Less: Elimination – Exploration asset	-	-	(1,714)	(1,714)
Less: income tax benefit	-	-	(330)	(330)
(Loss)/ income after income tax	55	10	(14,611)	(14,546)
Reportable segment assets	137,117	37	90,440	227,594

2010 (Restated) For the year ended 30 June 2010	Boseto Cop- per Project US\$'000	Dikoloti Nickel Project US\$'000	Corporate US\$'000	Consoli- dated Group US\$'000
Revenue from external customers	-	-	-	-
Inter-segment revenue	-	-	1,058	1,058
Interest & Refunds	150	-	649	799
Expenses	(1,154)	(6)	(4,809)	(5,969)
(Loss) / income before elimination	(1,004)	(6)	(3,101)	(4,112)
Less: Elimination	1,187	-	(1,187)	-
Less: Elimination (capitalised as exploration cost)	-	-	-	-
Less: income tax benefit	-	-	-	-
(Loss)/ income after income tax	54	(6)	(4,160)	(4,112)
Reportable segment assets	26,559	3,055	34,620	64,235

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

(a) Assets by geographical region

Region	30 June 2011 US\$'000	Restated 30 June 2010 US\$'000
Australia	83,726	32,463
Botswana	143,868	31,772
Total Assets	227,594	64,235

There are no customers for the period under review since the Consolidated Group is still in development stage and has not yet commenced commercial production.

Note 25: Share Based Payments**Share Options**

The Consolidated Group's option plan for key management personnel (being directors and executives receiving the highest remuneration) are share options in the Parent Entity. All options granted to key management personnel are ordinary shares in Discovery Metals Limited, which confer a right of one ordinary share for every option held. Refer to the remuneration report section of the Directors Report for further information.

	2011		2010	
	Number of Options	Weighted Price (A\$)	Number of Options	Weighted Price (A\$)
Outstanding at the beginning of the year	10,315,525	0.415	35,660,569	0.334
Granted	-	-	9,518,519	0.321
Exercised	3,951,775	0.3723	33,861,117	0.303
Expired	-	-	1,002,446	0.300
Outstanding at year-end	6,363,750	0.442	10,315,525	0.415
Exercisable at year-end	6,363,750	0.442	9,065,525	0.425

The options outstanding at 30 June 2011 had a weighted average exercise price of A\$0.442 and a weighted average remaining contractual life of 1.289 years. Exercise prices range from A\$0.35 to A\$0.55 in respect of options outstanding at 30 June 2011. Management options are disclosed in the remuneration report section of the Directors Report. The weighted average fair value of the options granted to management during the year ended 30 June 2010 was A\$0.307 per option for a total value of A\$307,000.

There were no options granted in the year ended 30 June 2011. This value of the options was calculated by using a Black Scholes option pricing model applying the following inputs for the year ended 30 June 2010:

Weighted Average	2011	Restated 2010
Exercise price	-	A\$0.50
Life of the option	-	2.002 years
Underlying share price	-	A\$0.50
Expected share price volatility	-	96%
Risk free interest rate	-	4.74%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Directors & Employees Share Plan – 2010

In 2008, the Consolidated Group installed an Employee Share Plan for all employees who were “not granted options as part of their salary package”. The plan is not applicable to management personnel. The plan provides for up to 10% of the employee’s salary to be granted as shares in the Parent Entity and is subject to satisfactory performance of the individual, the Consolidated Group’s safety performance and continued service by the employee for the 2 years following the award year.

During the year ended 30 June 2010, the Consolidated Group revised the Directors and Employees Share Plan (“ESP”), replacing the granting of options with 13 million shares issued to a Plan Trust Company to be released to the executives and directors when performance hurdles are met. The Directors and Employees Share Plan (‘Share Plan’) was approved by shareholders at the 24 February 2010 Shareholders General Meeting.

For directors and executive management (‘Eligible Employees’), the shares are subject to the following vesting conditions and are only be able to be released from the Share Plan after these conditions have been satisfied.

- (a) The shares will vest in four tranches and each tranche will be subject to the performance hurdles in (b) below. Any further tranches will be advised by the Plan Committee;
- (b) Each tranche of shares will not be able to be released from the Share Plan unless and until the following performance hurdles have been achieved:
 - (i) tranche one = The processing plant for the Boseto copper project has been built and commissioned and the plant has achieved an output of 10,000 tonnes of copper;
 - (ii) tranche two = The share price (as traded on ASX) has exceeded A\$1.00 per share for more than 10 trading days (which need not be consecutive);
 - (iii) tranche three = The share price (as traded on ASX) has exceeded A\$1.50 per share for more than 10 trading days (which need not be consecutive); and
 - (iv) tranche four = The share price (as traded on ASX) has exceeded A\$2.00 per share for more than 10 trading days (which need not be consecutive).

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for the year ended 30 June 2011

Recommended entitlements for Eligible Employees for each of the 4 tranches are:

Tranche	Chairman/ MD	Directors/ GMs	Managers
One	500,000	250,000	125,000
Two	500,000	250,000	125,000
Three	500,000	250,000	125,000
Four	500,000	250,000	125,000

These rights have been independently valued by PKF Corporate Advisory using a Black Scholes option pricing model for tranche 1 and Monte-Carlo simulation methods for tranches 2, 3 and 4.

Tranche	Value per right	Expected Maturity
One	A\$0.76	13 July 2012
Two	A\$0.74	15 November 2011
Three	A\$0.6990	1 November 2013
Four	A\$0.6619	1 December 2014

The release of the shares from the Plan Trust Company is subject to continued employment and the individual meeting performance expectations for their role. The shares will vest in the event of an unconditional takeover of the Company or a shareholder approved scheme of arrangement for acquisition of more than 50% of the Company's issued capital.

During the year Tranche 2 (A\$1.00 hurdle) was met and shares released to eligible employees including Directors and Key Management Personnel.



Directors & Employees Share Plan – 2011

During the year ended 30 June 2011, the Company granted to new key executives share rights with varying grant dates. The tranches one, three and four had the same vesting conditions compared to those granted in prior periods. The Share Rights will vest in tranches and each tranche will be subject to specific vesting conditions. Tranche 5 was determined during the year ended 30 June 2011. Details are as follows:

Tranche	GMs	Managers
One	250,000	125,000
Three	250,000	125,000
Four	250,000	125,000
Five	250,000	125,000

Tranche 5 – includes measures for Shareholder Return and a “good service” component. It is intended to present the proposed ongoing Long Term Incentive Plan for executive management to shareholder for approval at the November 2011 Annual General Meeting. This tranche only applies to 3 executives including 1 key management personnel (Phil Nolan).

These rights have been independently valued by PKF Corporate Advisory using a Black Scholes option pricing model for tranche 1 and Monte-Carlo simulation methods for tranches 3, 4 and 5.

Tranche	Average Value per right	Expected Maturity
One	A\$1.16	30 June 2012
Three	A\$1.14	31 May 2011 to 31 October 2011
Four	A\$1.09	30 September 2011 to 30 April 2012
Five	A\$0.94	15 October 2012 to 30 June 2014

	2011 Number of Share Rights	2010 Number of Share Rights
Unvested share rights		
Opening Balance	13,000,000	-
Granted during the year	3,375,000	13,000,000
Vested during the year	(3,309,829)	-
Forfeited during the year	-	-
Closing Balance as at 30 June	13,065,171	13,000,000
Issued to Trust	9,690,171	13,000,000
Not issued to Trust	3,375,000	-

Note 26: Events Subsequent to Reporting Date

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Group, the results of those operations or the state of affairs of the Consolidated Group in future financial years other than the following:

On 27 July 2011, the Company announced that it has completed the conditions precedent to the US\$180 million Boseto copper project finance and delivered the first debt utilisation request to the syndicate. The loan is intended to be drawn down as funding is required. The interest rate margin over LIBOR is 3.75%. No political risk insurance for this debt provided in Botswana which provides opportunity for lower margins on debt finance. The Company has entered into copper and silver price hedge contracts as required under the Boseto finance package. The hedging counterparties are the 3 banks in the debt finance Standard Chartered Bank, Standard Bank and Credit Suisse. Caterpillar Finance is not part of the hedging syndicate.

The debt project finance facility is secured over Boseto's assets, leases and 100% of the shares the Company owns in the Project subsidiary entity (Discovery Copper Botswana Proprietary Limited). The debts of the subsidiary project company are guaranteed by the Parent entity until financial completion of the Boseto project, which is expected during the second half of 2012.

The Company has hedged approximately 40% of copper and 65% of silver (for the scheduled period of the loan repayment). The hedge contracts provide downside price protection on a portion of the Boseto production. Approximately 60% of the copper production will be sold at spot market prices. The total hedged quantities are 40,000 tonnes of copper and 1,850,000 ounces of silver. The average prices attained for these hedge contracts are US\$4.01 per pound (/lb) for copper and US\$36.07 per ounce (/oz) for silver. These compare very favourably to the Bankable Feasibility Study (BFS) prices of US\$3.00/lb for copper and US\$17/oz for silver and the cash costs of US\$1.24/lb.

Hedging derivative swap contracts have been put in place with the 3 banks to provide price protection for the revenue stream from Boseto during the scheduled debt repayment period from the second half of 2012 until early 2015. The forward price for copper hedging is currently offered at a discount of approximately 4% cumulative per year of term for each forward contract. The term for the Boseto contracts ranges from 1 year to 3.75 years and therefore the average price attained of US\$4.01/lb is approximately 92% of the spot price of \$4.35/lb prevailing on the day the hedge contracts were executed.

On 24 August 2011, the Company announced an update Mineral Resource for the Zeta deposit.

Note 27: Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit/(Loss) after Income Tax

	2011 US\$'000	Restated 2010 US\$'000
Profit/(Loss) after income tax	(14,546)	(4,112)
Non-cash flows in result		
Exploration expenditure impaired	1,812	-
Amortisation	-	-
Depreciation	258	81
Share based payment	4,870	911
Deferred income tax expense	330	-
Unrealised foreign exchange loss	2,375	-
Loss on sale of assets	26	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(3,500)	(309)
Increase/(decrease) in payables	1,076	(352)
Increase/(decrease) in prepaid expenses and deposits	(19)	-
Increase/(decrease) in income taxes	(336)	-
Increase/(decrease) in provisions	166	134
Cash flows from operations	(7,488)	(3,647)

Note 28: Controlled Entities

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)	
		2011	2010
Discovery Copper Mauritius Ltd	Mauritius	100%	-
Discovery Metals Mauritius Ltd	Mauritius	100%	-
Discovery Mines Mauritius Ltd	Mauritius	100%	-
Discovery North East Mauritius Ltd	Mauritius	100%	-
Discovery Copper Botswana Proprietary Ltd	Botswana	100%	100%
Discovery Metals Botswana Proprietary Ltd	Botswana	100%	100%
Discovery Mines Proprietary Ltd	Botswana	100%	100%
Discovery North East Proprietary Ltd	Botswana	100%	100%

On 1 July 2010, the Company incorporated 4 new subsidiary companies in Mauritius, one holding company for each of the Botswana subsidiaries. The interposing of the Mauritian subsidiaries will allow for optimum funds movements between Australia and Botswana.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

Note 29: Company Details

The **Registered Office**
of the Company is:

Level 20
333 Ann Street
BRISBANE QLD 4000

The **Australian office** is:

Level 20
333 Ann Street
BRISBANE QLD 4000

The **Botswana office** is:

Plot 21314 Sebele Station Road
Phakalane
GABORONE, Botswana

Note 30: Auditors Remuneration

	2011 US\$'000	Restated 2010 US\$'000
(a) Audit Services		
Amounts received, or due and receivable, for the audit and review of the financial reports of the entity by:		
Ernst & Young	96	47
RSM Bird Cameron Partners	-	31
Total audit fees	96	78
(b) Other Services		
Amounts receivable, or due and receivable for other services in relation to the entity:		
Ernst & Young ⁽¹⁾	163	10
RSM Bird Cameron Partners	-	-
Total Other Services fees	163	10
Total remuneration of auditors	259	88

(1) Other services comprised of:
- Assurance services in relation to equity raisings
- Accounting advice, tax and other assurance related services

Note 31: Information relating to discovery metals limited (parent entity)

	2011 US\$'000	Restated 2010 US\$'000	Restated 2009 US\$'000
Current assets	83,227	32,191	4,951
Total assets	231,844	66,779	27,935
Current liabilities	4,691	1,844	370
Total liabilities	4,691	1,844	370
Net assets	227,153	64,935	27,565
Equity			
Issued capital	213,017	75,480	35,130
Foreign currency translation reserve	26,600	(1,430)	(242)
Share based payment reserve	9,416	3,138	2,227
Accumulated losses	(21,880)	(12,253)	(9,550)
Total equity	227,153	64,935	27,565
Profit or loss of the parent entity	(9,627)	(2,703)	(2,418)
Total comprehensive income/ (loss) of the parent entity	15,543	(3,891)	(2,660)

The debts of the subsidiary project company are guaranteed by the Parent entity until financial completion of the Boseto project, which is expected during the second half of 2012.

Leasing commitments

The Parent Company leases corporate office and administrative facilities in Brisbane. The leases have varying terms, with options to renew the lease on respective expiry dates. There are no restrictions placed upon the lessee by entering into these leases.

Non-cancellable operating lease commitments contracted for at balance date but not yet incurred are:

	2011 US\$'000	Restated 2010 US\$'000
Payable		
- not later than one year	242	130
- later than one year but not later than 5 years	703	558
- later than 5 years	-	-
Aggregate lease expenditure contracted for at reporting date but not provided for	945	688

DIRECTORS' DECLARATION

The directors of Discovery Metals Limited declare that:

1. The financial statements and notes, comprising the statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements, are in accordance with the *Corporations Act 2001*:
 - (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the Company and the Consolidated Group;
2. The Managing Director and Chief Financial Officer have each declared that:
 - (a) the financial records of the Consolidated Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. In the directors' opinion there are reasonable grounds to believe that the Company and Consolidated Group will be able to pay its debts as and when they become due and payable.

The Company and its wholly-owned subsidiaries, as declared in Note 28 of the notes to the financial statements, have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the board of directors.



Brad Sampson
Managing Director



Gordon Galt
Chairman

Brisbane: 31st August 2011