

MANAGING DIRECTOR'S REPORT



I am pleased to report on the substantial achievements of Discovery Metals in the year to 30 June 2011.

The successful progression of our Company's strategy to add shareholder value has resulted in a substantial and sustained increase in the Company's share price and market capitalisation. Discovery Metals is now an ASX top 200 company.

Throughout the year we have significantly progressed the development of the Boseto copper project and are on track to deliver copper silver concentrate to market in the first half of 2012. The development of this project is the foundation of our strategy to deliver ongoing value to our shareholders. Despite turbulent and difficult global economic times and volatile metal prices we remain on time and on budget to commence production in the first half of the 2012 calendar year.

Key milestones achieved in relation to the Boseto copper project during the year include.

- Publishing the Boseto Bankable Feasibility Study and Boseto Development Plan outcomes covering an initial project life of 15 years;
- Establishing the first Ore Reserve for the Boseto copper project of 21.8 Million tonnes at 1.4% Cu and 18.2 g/t Ag (at a cut-off grade of 0.6% Cu);
- Securing the environmental approval for the increased scale processing facility to treat 3 million tonnes of ore per annum;

- Receiving the 15 year Mining Licence for the Boseto copper project;
- Instructing the EPC contractor (Sedgman) to proceed with construction of the Boseto processing facilities;
- Ordering long lead time items and mining equipment to facilitate production commencing in the first half of 2012;
- Commencing and completing an infill drilling programme and appointing mining consultants to progress a Definitive Feasibility Study (DFS) for the Zeta underground mine;
- Completing an 11 hole drilling programme that doubled the known depth of mineralisation at the Plutus Deposit and identified potential for underground mineral resources; and
- Completing the drilling programmes at the Selene and Nyx Prospects which delineated copper-silver mineralisation in close proximity to the Boseto copper project.

Since 30 June 2011 milestones for Boseto have been:

- Upgrading of the Zeta Mineral Resources by 25% as a result of infill drilling for the Zeta underground mining DFS resulting in an increase in the total Mineral Resource tonnes at Boseto by 9% to more than 111 million tonnes;
- Placing contracts to hedge approximately 40% of copper production and 60% of silver production during the planned debt repayment period;

- Complying with the Boseto debt project finance lenders' requirements to commence draw down of the debt finance; and
- Continuing the construction, recruitment and delivery of mining equipment for the Boseto copper project in line with delivery of the project on time and on budget.

Development of the Boseto copper project has been our key focus for more than 4 years now.

Beyond the immediate vicinity of the Boseto copper project, the 14 prospecting licences (8,877 square kilometres) the Company holds in north-west Botswana are highly prospective and our exploration team are actively exploring these prospecting licences to find the next standalone Boseto style project.

Key milestones achieved from our exploration programme for the year have been:

- Identifying two new exploration targets – Ophion and Ourea – with peak copper values in soil at Ophion similar to those sampled at the Zeta Deposit;
- Adopting a zoned approach to exploration with specific targets:

Zone	Development Objective
Boseto	New mineral resources used to extend life or expand capacity at Boseto
Mid Kalahari	Mineral resources used to establish new open pit mine and standalone processing plant
South West Kalahari	Mineral resources used to establish new underground mine and standalone processing plant

- Identifying additional exploration targets (with strike lengths) including:
 - > Boseto zone - Mango I (7 km), Mango II (11km) and Selene (7 km);
 - > Mid Kalahari zone - Ophion (now 22km), Kronos (10km), Hemera (23km), and Notus (11km);
 - > South West Kalahari zone – completed helicopter aeromagnetic survey and soil sample of the Hermes Prospect.

Since 30 June 2011 the exploration highlights include:

- Discovering and publishing initial mineralisation results at the exciting Mango Prospect in the Boseto zone; and
- Receiving formal renewal of the Company's 7 copper-silver prospecting licences in the Ghanzi districts.

We have formally added two more separately resourced streams of work to our Business Strategy during the past year. In addition to the:

- (1) Construction, commissioning and expansion of Boseto; and
- (2) Exploration activity across the Kalahari Copperbelt;

we have added

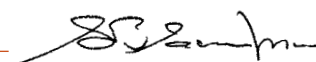
- (3) Building on our established presence, a search for value adding opportunities in Southern Africa; and

- (4) A more widespread search for value adding opportunities in favourable mining jurisdictions in Africa, Australia, Oceania and South-East Asia.

These last 2 streams of work are coordinated by two employees and do not impact the teams working on our primary focus at Boseto. Our successful application for prospecting licences in the southern part of Botswana in the Kalahari Manganese Field is an example of the types of opportunities we are pursuing to grow Discovery Metals and add further shareholder value.

I would like to thank my fellow Directors for their support and special thanks to all employees who have made the expeditious delivery of Boseto possible. The management team look forward to delivering our first copper project at Boseto into production in the first half of 2012.

Yours sincerely



Brad Sampson
Managing Director

