Please find attached the Notice of General Meeting, Explanatory Statement and Proxy form released today.

Yours faithfully
Roslynn Shand
Company Secretary
Discovery Metals Limited

Further information on the Company is available on its website:
www.discoverymetals.com.au
NOTICE OF GENERAL MEETING

and

EXPLANATORY STATEMENT

DATE AND TIME OF MEETING

25 June at 11am

PLACE OF MEETING

Christie Corporate Conference Centre
Endeavour 1 Room
Level 1
320 Adelaide Street
Brisbane Queensland
AGENDA

1. **Ratification of prior share placement**
   
   To consider and if thought fit, pass the following Resolution as an ordinary resolution:
   
   "That, pursuant to Listing Rule 7.4 and for all other purposes, Shareholders approve and ratify the prior allotment and issue of a total of 8,970,345 fully paid ordinary shares in the capital of the Company as set out in the Explanatory Statement accompanying this Notice of Meeting."

   **Voting Exclusion**
   
   In accordance with the Listing Rules, the Company will disregard any votes cast on Resolution 1 by any of the persons who participated in the issue of shares identified in this resolution and any associate of any of those persons. The Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by the person chairing the Meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

2. **Approval to Issue Options**
   
   To consider and if thought fit, pass the following Resolution as an ordinary resolution:
   
   "That, in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve and authorise the grant by the Directors of 5,980,230 unlisted options for no consideration to subscribe for ordinary shares in the Company as set out in the Explanatory Statement (UK Options) (with each UK Option to subscribe for one fully paid ordinary share in the capital of the Company at an exercise price of 30 cents per share and with an expiry date of 25 May 2010) at any time during the period of 3 months after the date of the General Meeting and upon the terms and conditions as disclosed in the Explanatory Statement accompanying this Notice of Meeting."

   **Voting Exclusion**
   
   In accordance with the Listing Rules, the Company will disregard any votes cast on this Resolution 2 by any of the persons who will participate in the grant of options identified in this resolution and any associate of any of those persons. The Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or if it is cast by the person chairing the Meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

3. **Approval to Issue Ordinary Shares and Options**
   
   To consider and if thought fit, pass the following Resolution as an ordinary resolution:
   
   "That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue by way of a placement to Macquarie Bank Limited, up to 11,111,111 fully paid ordinary shares at an issue price per Share of 18 cents together with up to 7,407,407 free attaching options (MBL Options) in the Company (with each MBL Option to subscribe for one fully paid ordinary share in the capital of the Company at an exercise price of 30 cents per share and with an expiry date of 25 May 2010) at any time during the period of 3 months after the date of the General Meeting. Full details of the nature of the allotment of Shares are set out in the Explanatory Statement accompanying this Notice of Meeting."

   **Voting Exclusion**
   
   In accordance with the Listing Rules, the Company will disregard any votes cast on this Resolution 3 by Macquarie Bank Limited and any associate of Macquarie Bank Limited. The Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

4. **Approval to Issue Ordinary Shares and Options**
   
   To consider and if thought fit, pass the following Resolution as an ordinary resolution:
   
   "That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue by way of a placement to Taurus Funds Management Pty Ltd, up to 11,111,111 fully paid ordinary shares in the Company at an issue price per Share of 18 cents each together with up to 7,407,407 free attaching options (TF Options) in the Company (with each TF Option to subscribe for one fully paid ordinary share in the capital of the Company at an exercise price of 30 cents per share and with an expiry date of 25 May 2010) at any time during the period of 3 months after the date of the General Meeting. Full details of the nature of the allotment of Shares are set out in the Explanatory Statement accompanying this Notice of Meeting."
5. Issue of Options to Director – Mr Stuart Bradley Sampson

To consider and if thought fit, pass the following Resolution as an ordinary resolution:

“That, for the purpose of Listing Rule 10.11 Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the grant to Mr Stuart Bradley Sampson, a Director of the Company, of 1,000,000 options to subscribe for fully paid ordinary shares in the Company (Options) on the terms set out in the attached Explanatory Statement.”

Voting Exclusion

In accordance with the Listing Rules, the Company will disregard any votes cast on Resolution 5 by Stuart Bradley Sampson and any associate of Stuart Bradley Sampson. The Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or if it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

Please refer to the Explanatory Statement attached to this Notice of Meeting for more information regarding Resolutions 1 to 5.

By order of the Board
Roslynn Shand
Secretary
5 May 2009

See the following notes on Voting and Proxies

ATTENDANCE AND VOTING AT THE MEETING

In accordance with applicable law, the Directors have made a determination that all the Shares of the Company are taken, for the purposes of determining the right of members to attend and vote at the meeting, to be held by persons who held them at the close of business on 23 June 2009. If you are not the registered holder of a relevant Share at that time you will not be entitled to vote in respect of that Share.

You may vote by attending the meeting in person or by proxy (see below).

Ordinary resolutions require the support of more than 50% of those Shareholders voting in person, by proxy, by representative or by attorney. Special resolutions require the support of at least 75% of those Shareholders voting in person, by proxy, by representative or by attorney.

Every question arising at this General Meeting will be decided in the first instance by a show of hands. A poll may be demanded in accordance with the Company’s Current Constitution.

On a show of hands, every Shareholder who is present in person or by proxy, representative or attorney, will have one vote. Upon a poll, every person who is present in person or by proxy, representative or attorney, will have one vote for each Share held by that person.

PROXIES

A member who is entitled to attend and vote at the meeting may appoint a person, who need not be a member of the Company, as the member’s proxy to attend and vote on behalf of the member.

A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

A proxy form accompanies this Notice of Meeting. Should you wish to appoint a proxy, please complete the proxy form and return it at least 48 hours before the meeting:

- by delivery or mail to the Discovery Metals Limited registered office, Level 8, 410 Queen Street Brisbane Qld, 4000 (GPO Box 3261 Brisbane Qld 4001); or
- by facsimile to facsimile number – (07) 3218 0233.

If the appointment is signed by an attorney, the power of attorney or a certified copy of it must be sent with the proxy form.
IMPORTANT NOTICE

This Explanatory Statement contains an explanation of, and information about, the Resolutions to be considered at the General Meeting. Shareholders should read this Explanatory Statement in full. This Explanatory Statement forms part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

If you are in doubt about what to do in relation to the proposals, you should consult your financial or other professional adviser.

Words or expressions used in the Notice of Meeting and in this Explanatory Statement are defined in the Glossary. Unless otherwise stated, all references to sums of money, ‘$’ and ‘dollars’ are references to Australian currency.

This Explanatory Statement is dated 5 May 2009.

BACKGROUND TO THE RESOLUTIONS

RESOLUTION 1 – RATIFICATION OF PRIOR ISSUE OF ORDINARY SHARES

1. Introduction

Resolution 1 seeks shareholder ratification pursuant to Listing Rule 7.4 for the issue of a total of 8,970,345 fully paid ordinary shares in the capital of the Company as detailed in Table 1 below (UK Placing).

ASX Listing Rule 7.1 prohibits (subject to certain exceptions such as pro-rata issues and bonus issues) the Company from issuing or agreeing to issue new securities representing more than 15% of its total issued ordinary shares during the following 12 month period, without shareholder approval.

ASX Listing Rule 7.4 permits an issue of shares to be approved retrospectively. It provides that an issue of securities is deemed to have been made with shareholder approval if Listing Rule 7.1 is not breached at the time the securities were issued and shareholders subsequently approve (ratify) the issue.

By shareholders approving the issue of securities it enables the Company to give the Board flexibility to issue further securities up to the 15% limit over the following 12 month period. Once the issue of the total number of 8,970,345 ordinary shares is approved, these shares will not be counted as a new issue for the purposes of the 15% limit in Listing Rule 7.1.

ASX Listing Rule 7.5 requires that the information listed below be provided to shareholders for the purpose of obtaining shareholder approval pursuant to ASX Listing Rule 7.4.

<table>
<thead>
<tr>
<th>Date of Issue</th>
<th>Parties</th>
<th>Price per Share</th>
<th>Number of Shares Issued</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 April 2009</td>
<td>Persons identified by the Company’s United Kingdom broker, Fairfax I.S. PLC</td>
<td>18 cents</td>
<td>8,970,345</td>
<td>Progressing the Boseto Copper Project feasibility study and for working capital</td>
</tr>
</tbody>
</table>

The shares allotted and issued rank equally in all respects with all existing issued shares and the funds raised are to be used for progressing the Boseto Copper Project (Boseto Project) feasibility study and for working capital purposes as determined by the Board.

2. Recommendation

The Board unanimously recommends that eligible Shareholders vote in favour of this Resolution.

RESOLUTION 2 – APPROVAL TO ISSUE OPTIONS

1. Introduction

Resolution 2 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of 5,980,230 options to subscribe for ordinary shares in the capital of the Company (UK Options).
As part of the UK Placing, the Company has conditionally agreed to grant two options for every three shares subscribed for in the UK Placing. The UK Options will be unlisted and are to be issued as free attaching options in respect of the Shares issued in the UK Placement. Each UK Option will entitle the holder to subscribe for one fully paid ordinary share in the capital of the Company at an exercise price of 30 cents per Share. The UK Options expire on 25 May 2010.

2 The Resolution

Under Listing Rule 7.1, the prior approval of Shareholders is required to the proposed UK Options because the securities to be issued will (in the absence of Shareholder approval and taking in conjunction with other issues that are counted for the purposes of Listing Rule 7.1) exceed 15% of the number of securities on issue at the commencement of the previous 12 month period.

In compliance with the requirements of Listing Rule 7.3 Shareholders are advised of the following information in relation to the proposed UK Options:

(a) The UK Options will be issued as soon as practicable after the date of the General Meeting and in any event not later than three months after the date of the General Meeting.
(b) The UK Options are issued for as free attaching options to the Shares issued under the UK Placement.
(c) The UK Options will be issued to those persons who subscribed for Shares in the UK Placement, on the basis of two options for every three Shares subscribed for in the UK Placement.
(d) Each UK Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company. The UK Options have an exercise price of 30 cents per Share and an expiry date of 25 May 2010.
(e) There are no funds raised from the issue of the UK Options in addition to the funds raised from the issue of the Shares in the UK Placement, as described above. Any funds that are raised from the exercise of the UK Options from time to time will be used for working capital purposes of the Company as determined by the Directors.

The terms of the Options to be issued are set out in Schedule 1 to this Explanatory Statement.

3 Recommendation

The Board unanimously recommends that eligible Shareholders vote in favour of this Resolution.

RESOLUTIONS 3 and 4 - APPROVAL TO ISSUE ORDINARY SHARES

1 Introduction

Resolutions 3 and 4 referred to in the accompanying Notice of Meeting seek Shareholder approval for the purpose of Listing Rule 7.1.

Macquarie Bank Limited and Taurus Funds Management Pty Ltd have each agreed to subscribe $2 million for Shares and free attaching options in the Company, to assist the Company to further advance its bankable feasibility study of the Boseto Project and on-going corporate costs. Details of the proposed issue are set out below. The proposed issue is subject to Shareholder approval sought under Resolutions 3 and 4.

2 The Resolution

2.1 Approval of Placement of Shares and attaching Options

The Company proposes to undertake the allotment and issue of up to 22,222,222 new fully paid ordinary shares at an issue price of 18 cents together with 14,814,814 free attaching options having an exercise price of 30 cents each and expiring 25 May 2010 (together, the shares and options are referred to as Placement Securities), no later than 3 months after the date of the General Meeting.

2.2 Listing Rule Requirements

Under Listing Rule 7.1, the prior approval of Shareholders is required to the proposed issue of the Placement Securities because the securities to be issued will exceed 15% of the number of securities on issue at the commencement of the previous 12 month period.

In compliance with the requirements of Listing Rule 7.3 Shareholders are advised of the following information in relation to the proposed Placement Securities:

(a) The Placement Securities will be issued as soon as practicable after the date of the General Meeting and in any event, not later than three months after the date of the General Meeting.
(b) The Placement Securities will be issued at an issue price of 18 cents.
The Placement Securities will be issued to Macquarie Bank Limited and Taurus Funds Management Pty Ltd as follows:

<table>
<thead>
<tr>
<th>Placee</th>
<th>Shares</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macquarie Bank Limited</td>
<td>11,111,111</td>
<td>7,407,407</td>
</tr>
<tr>
<td>Taurus Funds Management Pty Ltd</td>
<td>11,111,111</td>
<td>7,407,407</td>
</tr>
</tbody>
</table>

The Company does not intend that the Placement Securities to be issued under Resolutions 3 and 4 will be issued to any person or persons in such numbers that will trigger the takeover provisions in Part 6.1 of the Corporations Act 2001, without prior Shareholder approval.

The Shares to be issued under Resolutions 3 and 4 will rank equally in all respects with existing Shares from the issue date, on the terms of the Constitution.

The intended use of the funds raised from the issue of the Placement Securities is:

- progressing with a detailed bankable feasibility study based around the current known mineral resources at the Boseto Project to determine if a viable mining operation can be established;
- continuing with its planned exploration and drilling programmes at the Boseto Project designed to increase the current known mineral resources; and
- providing additional working capital.

2.3 The Resolution if passed, will allow the Company to issue 22,222,222 Shares to raise additional funds which the Directors believe can offer the following advantages to the Company and its current Shareholders:

(a) The funds raised will allow the Company to advance its development activities, and
(b) These funds and the plans that can then be put in place are expected to assist the Company with its ongoing expansion.

2.4 This issue of 22,222,222 Shares could bring the following disadvantages to the Company and its current Shareholders:

(a) the additional Shares will dilute the holdings of current Shareholders. Accordingly, the relative voting power of each Shareholder and the corresponding control over the affairs of the Company will be reduced.

Schedule 1 attached to this Explanatory Statement sets out the terms of the Options to be issued should Shareholders approve Resolutions 3 and 4.

Schedule 2 attached to this Explanatory Statement sets out the issued capital of the Company should shareholders approve Resolutions 3 and 4 and all of the options approved pursuant to Resolutions 2 and 5 are exercised and no other securities are issued by the Company in the meantime.

3 Recommendation

The Board unanimously recommends that eligible Shareholders vote in favour of this Resolution.

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**RESOLUTION 5. ISSUE OF OPTIONS TO DIRECTOR**

1 Introduction

Resolution 5 seeks Shareholder approval for the grant by the Company of the following options to a Director:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Stuart Bradley Sampson</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

(referred to as ‘Recipient Director’) for the purpose of Listing Rule 10.11 and Chapter 2E of the Corporations Act.

The grant of the options to the Recipient Director is intended to act as a strong incentive to align with the Company’s strategic plan focussing on seeking improved performance, the growth of the Company and better returns for shareholders.

The terms for the Options are in keeping with those options already issued to Directors and approved by shareholders. The Options will be issued to the Recipient Director within 1 month of Shareholder approval. There are no vesting conditions and once the Options are issued, the Recipient Director is able to immediately exercise the Options into Shares should they choose to do so.

As at the date of this Explanatory Statement the share price is 26 cents.
Key Details of Options

Key details of the options to be granted by the Company to the Recipient Director are set out below.

<table>
<thead>
<tr>
<th>Recipient Director</th>
<th>Number</th>
<th>Offer Price</th>
<th>Exercise Details</th>
<th>Date of Issue</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart Bradley Sampson</td>
<td>1,000,000</td>
<td>No consideration is payable by the Recipient Director.</td>
<td>1,000,000 Options at an exercise price of 35 cents</td>
<td>Within 1 month of Shareholder approval</td>
<td>1/11/2013</td>
</tr>
</tbody>
</table>

Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits the Company from giving a financial benefit to a related party of the Company unless either:

(a) the giving of the financial benefit falls within one of the various exceptions to the provisions; or
(b) prior Shareholder approval is obtained to the giving of the financial benefit.

For the purpose of Chapter 2E, the Recipient Director is a related party by virtue of the fact that he is a Director of the Company and the grant of options by the Company constitutes the giving of a financial benefit to the Recipient Director. The Company seeks to obtain Shareholder approval.

In accordance with the requirements of Chapter 2E, and in particular with section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of options to the Recipient Director:

(c) The Recipient Director is a related party of the Company to whom the proposed Resolution would permit the financial benefits to be given.
(d) The nature of the financial benefit to be given to the Recipient Director is the grant of 1,000,000 Options.
(e) At the date of this Explanatory Statement, the issued capital of the Company is 171,856,158 Shares. The table below and Schedule 2 attached to this Explanatory Statement sets out the issued capital of the Company should the Recipient Director exercise all of his Options and no other securities are issued by the Company in the meantime.

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Shares on issue</td>
<td>171,856,158</td>
</tr>
<tr>
<td>Existing options on issue (assuming all will be exercised prior to 25 March 2013)</td>
<td>12,515,525</td>
</tr>
<tr>
<td>Options proposed to be issued to the Recipient Director</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Maximum number of Shares on issue following exercise of all options held</td>
<td>185,371,643</td>
</tr>
</tbody>
</table>

(f) If Shareholders approve the grant of options to the Recipient Director, the exercise of all the options by the Recipient Director will result in a dilution of all other Shareholder holdings in the Company of approximately .54% (subject to all other options issued being exercised prior to this date). The Company is not aware of any other opportunity cost or benefit foregone as a result of the issue of the Options.

(g) Assuming Resolution 5 is approved by Shareholders, the Recipient Director will be entitled to the following securities in the Company, subject to the exercise of the Options by the Recipient Director:

<table>
<thead>
<tr>
<th>Recipient Director</th>
<th>Number of Shares issued following exercise of options</th>
<th>Options currently held by Recipient Director</th>
<th>Shares currently held by Recipient Director</th>
<th>Total Shares held after exercise of all options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart Bradley Sampson</td>
<td>1,000,000</td>
<td>2,000,000</td>
<td>Nil</td>
<td>3,000,000</td>
</tr>
</tbody>
</table>

(h) The Recipient Director’s current annual remuneration is $385,000.

(i) The Recipient Director does not wish to make a recommendation in relation to the particular resolution for the issue of Options to him as he has a material personal interest in the outcome of that particular resolution.

(j) The Options will be granted to the Recipient Director for no consideration and therefore no funds will be raised by the grant of the Options to the Recipient Director. Any funds raised from time to time due to the exercise of any Options will be used for working capital purposes and applied as the Board sees fit.

(k) There is no GST or stamp duty payable by the Company in respect of the issue of the Options. The Company is not aware of any adverse tax consequence as a result of the issue.

(l) Other than the information set out in this Explanatory Statement the Company believes there is no other information that would be reasonably required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 5.
Details Concerning Valuation of Options

The Options to be granted to the Recipient Director will not be quoted on the ASX and as such have no actual market value.

Prosperity Advisers Pty Ltd has provided an indicative valuation for the Options to be granted to the Recipient Director (see table below).

<table>
<thead>
<tr>
<th>Recipient Director</th>
<th>Exercise Price</th>
<th>Value per options</th>
<th>Number of options</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stuart Bradley Sampson</td>
<td>35 cents</td>
<td>$0.176</td>
<td>1,000,000</td>
<td>$176,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>1,000,000</strong></td>
<td><strong>$176,000</strong></td>
</tr>
</tbody>
</table>

The valuation was made using the Black-Scholes options Pricing Model on the basis of the following assumptions regarding the various inputs that comprise the valuation model:

- The Shares of the Company are quoted and remain quoted on the ASX for the life of the Options.
- As at the date of this Explanatory Statement, the Company has not forecast any future dividend payments. For the purposes of this valuation it has been assumed that the Company’s projected annual dividend yield is nil.
- A volatility factor of 99% was assumed based on the volatility of the Company's Shares over the previous three (3) year period.
- A risk free rate of 3.37% which is the 5 year Commonwealth Treasury Bond as at 1 May 2009.

ASX Listing Rules

Listing Rule 10.11 prohibits the issue of securities to a director of a company unless the approval of the Shareholders of the company is obtained. Listing Rule 7 broadly prohibits a company from issuing more than 15% of its Shares in any one year. Pursuant to Listing Rule 7.2 (Exception 14), if Shareholder approval is given under Listing Rule 10.11, further approval is not required for the purposes of Listing Rule 7.1.

Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting requesting Shareholder approval under Listing Rule 10.11. In accordance with Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 5.

(a) The Company will grant 1,000,000 Options in total to the Recipient Director. If all options are exercised by the Recipient Director, the Recipient Director will be entitled to a total of 1,000,000 Shares.
(b) The Options will be issued to the Recipient Director within 1 month of Shareholder approval. Other than stated in the terms and conditions of the Options set out in Schedule 3 to this Explanatory Statement, there are no restrictions on the exercise of the Options.
(c) The Options are granted to the Recipient Director for no consideration and therefore, no funds will be raised by the grant of the Options to the Recipient Director. Any funds raised from time to time due to the exercise of any options will be used for working capital purposes and distributed as the Board sees fit.
(d) The Company acknowledges that the issue of Options to directors is not in accordance with recommendation 9.3 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations (Recommendations). Despite the Recommendations, the Company considers it appropriate to issue these Options as a strong incentive to more closely align the Recipient Director’s interests with the Company’s strategic plan focussing on seeking improved performance, the growth of the Company and better returns for shareholders.
(e) For details of the exercise prices and expiry dates of the Options please refer to section 4 above.
(f) The Options will be issued to the Recipient Director on a date which is not more than one month after the date of the General Meeting.
(g) For details of the indicative valuations of the Options, please refer above.
(h) The terms and conditions of the Options to be issued to the Recipient Director are set out in Schedule 3 to this Explanatory Statement.

Recommendation

The Board (with Stuart Bradley Sampson abstaining) unanimously recommends that eligible Shareholders vote in favour of the Resolution.
In this Explanatory Statement and the Notice of Meeting:

**ASX** means ASX Limited ACN 008 624 691;

**Board** means the board of directors of the Company;

**Chairman** means the chairman of the Board;

**Company** means Discovery Metals Limited ACN 104 924 423;

**Constitution** means the constitution of the Company currently in force;

**Corporations Act** means the Corporations Act 2001 (Cth);

**Directors** means the Directors of the Company as at the date of this Explanatory Statement being Gordon Galt, Morris Cordiner, John Shaw, Ribson Gabonowe, Jeremy James Read and Brad Sampson;

**Explanatory Statement** means this explanatory statement that accompanies and forms part of the Notice of Meeting;

**General Meeting** means the extraordinary general meeting of the Company to be convened by the Notice of Meeting;

**Investors** means those investors that may be identified by the Company’s Brokers or that fall within one or more of the classes of exemptions specified in Section 708 of the Corporations Act

**Listing Rules** means the Official Listing Rules of ASX;

**Notice of Meeting** means the notice of general meeting dated 5 May 2009 which this Explanatory Statement accompanies and in which the Resolutions are set out;

**Placement Securities** means the issue of up to 22,222,222 fully paid ordinary shares at an issue price of 18 cents together with the issue of up to 14,814,814 unlisted free options at an exercise price of 30 cents per options with an expiry date of 25 May 2010;

**Resolution** means the resolutions referred to in the Notice of Meeting;

**Share** means a fully paid ordinary share in the Company; and

**Shareholder** means a holder of Shares.
Schedule 1 – Terms and Conditions of UK, MBL AND TF Options

The options to be granted by the Company to the UK, Macquarie Bank Limited and Taurus Funds Management Pty Ltd optionholders (collectively called "Optionholders"), in accordance with Resolutions 2, 3 and 4 in this Explanatory Statement are to be issued on the following terms and conditions:

1. Each option entitles the Optionholders to subscribe for one Share in the capital of the Company upon payment 30 cents (Exercise Price) on or before 25 May 2010 (Exercise Date).

2. The options are exercisable after the date of grant until any time up to 5.00 pm Brisbane time on the Expiry Date by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the options are exercised to the registered office of the Company.

3. Options will lapse if any options are not exercised by the Expiry Date.

4. Each of the Optionholders may exercise only some of its options. However options must be exercised in multiples of 1,000 at any one time, unless each of the Optionholder exercises all its options that are able to be exercised at that time.

5. The options will not be listed and are not transferable.

6. All Shares issued upon exercise of the option will, from the date they are issued, rank pari passu in all respects with the Company’s then issued Shares.

7. Optionholders cannot participate in new issues of capital offered to Shareholders of the Company (in respect to unexercised options) during the currency of the options without exercising the options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give Optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

8. Subject to paragraph 9, if the Company makes a bonus Share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per option or any other terms of those options.

9. In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company the rights of the Optionholders, including the number of options or the exercise price of the options or both will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

Optionholders will be sent all communications sent to Shareholders of the Company, but options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Optionholders in the manner provided by the Constitution for the giving of notices to Shareholders, and the relevant provisions of the Constitution apply with all necessary modification to notices to Optionholders.
Schedule 2 – Capital Structure

In the last 3 months, the highest closing price of the Company’s Shares trading on the ASX was 31 cents on 17 and 20 April 2009. The lowest closing price of the Company’s Shares trading on the ASX was 13 cents on 12 March 2009. The share price during the last 3 months traded at various levels within this range. The closing market sale price of the Company’s Shares trading on the ASX on 4 May 2009 was 26 cents.

In the event that each of the resolutions as set out in the Notice of Meeting are passed, the capital structure of the Company will be as follows:

<table>
<thead>
<tr>
<th>Resolution No</th>
<th>Existing Shares on issue prior to approval</th>
<th>Shares on issue after approval</th>
<th>Options on issue prior to approval</th>
<th>Options on issue after approval</th>
<th>Maximum Shares on issue following exercise of all options (cumulative total)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>171,856,158</td>
<td>171,856,158</td>
<td>12,515,525</td>
<td>18,495,755</td>
<td>190,351,913</td>
</tr>
<tr>
<td>3 and 4</td>
<td>171,856,158</td>
<td>194,078,380</td>
<td>18,495,755*</td>
<td>33,310,569*</td>
<td>227,388,949</td>
</tr>
<tr>
<td>5</td>
<td>171,856,158</td>
<td>194,078,380**</td>
<td>33,310,569#</td>
<td>34,310,569</td>
<td>228,388,949</td>
</tr>
</tbody>
</table>

* provided Resolution 2 is approved  
** provided Resolutions 3 and 4 are approved  
# provided Resolution 2, 3 and 4 are approved
Schedule 3 – Terms and Conditions of options

The options to be granted by the Company to the Recipient Director (RD Optionholder), in accordance with Resolution 5 in this Explanatory Statement are to be issued on the following terms and conditions:

1. Each option entitles the RD Optionholder to subscribe for one Share in the capital of the Company upon payment 35 cents (Exercise Price) on or before 1 November 2013 (Exercise Date).

2. The options are exercisable after the date of grant until any time up to 5.00 pm Brisbane time on the Expiry Date by completing an option exercise form and delivering it together with the payment for the number of Shares in respect of which the options are exercised to the registered office of the Company.

3. Options will lapse if the RD Optionholder ceases to be a Director of the Company within 2 months of the date of grant, other than as a result of not being re-elected by Shareholders at the Company’s next annual general meeting, or if any options are not exercised prior to the Expiry Date.

4. The RD Optionholder may exercise only some of the RD Optionholder’s options, which does not affect the RD Optionholder’s right to exercise the remainder of his options by the deadline in paragraph 3 above. Options must be exercised in multiples of 1,000 at a time, unless the RD Optionholder exercises all options able to be exercised at that time.

5. The options are transferable.

6. All Shares issued upon exercise of the option will, from the date they are issued, rank pari passu in all respects with the Company’s then issued Shares.

7. The RD Optionholder cannot participate in new issues of capital offered to Shareholders of the Company (in respect to unexercised options) during the currency of the options without exercising the options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give the RD Optionholder the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

8. Subject to paragraph 9, if the Company makes a bonus Share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per option or any other terms of those options.

9. In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company the rights of the RD Optionholder, including the number of options or the exercise price of the options or both will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

The RD Optionholder will be sent all communications sent to Shareholders of the Company, but options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to the RD Optionholder in the manner provided by the Constitution for the giving of notices to Shareholders, and the relevant provisions of the Constitution apply with all necessary modification to notices to the RD Optionholder.
**APPOINTMENT OF PROXY:**

I/we being a member of Discovery Metals Limited and entitled to vote and attend hereby appoint

- The Chairman of the meeting [ ] OR
- [ ] [ ]

If you are not appointing the Chairman of the meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered security holder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Discovery Metals Limited to be held at the Christie Corporate Conference Centre, Endeavour 1 Room, 320 Adelaide Street, Brisbane in the State of Queensland and at any adjournment thereof.

**VOTING DIRECTIONS TO YOUR PROXY – please mark X to indicate your directions**

<table>
<thead>
<tr>
<th>No</th>
<th>RESOLUTION</th>
<th>FOR</th>
<th>AGAINST</th>
<th>ABSTAIN*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Approve and ratify the prior allotment and issue of a total of 8,970,345 fully paid ordinary shares in the capital of the Company as set out in the Explanatory Statement accompanying this Notice of Meeting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Approve and authorise the grant by the Directors of 5,980,230 unlisted options for no consideration to subscribe for ordinary shares in the Company as set out in the Explanatory Statement (UK Options) (with each UK Option to subscribe for one fully paid ordinary share in the capital of the Company at an exercise price of 30 cents per share and with an expiry date of 25 May 2010) and upon the terms and conditions as disclosed in the Explanatory Statement accompanying this Notice of Meeting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Approve the allotment and issue by way of a placement to Macquarie Bank Limited, up to 11,111,111 fully paid ordinary shares at an issue price per Share of 18 cents together with 7,407,407 free attaching options (MBL Options) in the Company (with each MBL Option to subscribe for one fully paid ordinary share in the capital of the Company at an exercise price of 30 cents per share and with an expiry date of 25 May 2010) at any time during the period of 1 month after the date of the General Meeting. Full details of the nature of the allotment of Shares are set out in the Explanatory Statement accompanying this Notice of Meeting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Approve the allotment and issue by way of a placement to Taurus Funds Management Pty Ltd, up to 11,111,111 fully paid ordinary shares in the Company at an issue price per Share of 18 cents each together with 7,407,407 free attaching options (TF Options) in the Company (with each TF Option to subscribe for one fully paid ordinary share in the capital of the Company at an exercise price of 30 cents per share and with an expiry date of 25 May 2010) at any time during the period of 1 month after the date of the General Meeting. Full details of the nature of the allotment of Shares are set out in the Explanatory Statement accompanying this Notice of Meeting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Approve the grant to Mr Stuart Bradley Sampson, a Director of the Company, of 1,000,000 options to subscribe for fully paid ordinary shares in the Company on the terms set out in the attached Explanatory Statement.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**If you leave your proxy undirected with respect to any resolution and in favour of the Chairman (or if your appointed proxy fails to attend), then the Chairman will vote such proxies in favour of those resolutions.**

*If you mark the Abstain box for a particular item, you are directing your proxy note to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**Appointing a second Proxy:** We wish to appoint a second proxy

- Mark with an “X” if you wish to appoint a second proxy
- % OR

State the percentage of your voting rights or the number of securities for this Proxy

**PLEASE SIGN HERE** This section must be signed in accordance with the instruction overleaf to enable your directions to be implemented

Individual or Security holder 1

Security holder 2

Security holder 3

Individual/Sole Director and Sole Company Secretary

Director

Director/Company Secretary

**IMPORTANT –** This Proxy Form (and any power of attorney under which it is signed) MUST be received no less than 48 hours before the proposed time for the meeting. Any Proxy Form received after that time will not be valid.
NOTES FOR COMPLETION OF PROXY FORM

1. YOUR ADDRESS
   This is the address that should appear on the Company’s share register. Security holders sponsored by a broker (in which case your reference number will commence with an ‘X’) should advise their broker of any change of address. Please note you cannot change ownership of your securities using this form.

2. APPOINTMENT OF PROXY
   If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered security holder in the space.

3. VOTES ON ITEMS OF BUSINESS
   You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4. APPOINTMENT OF A SECOND PROXY
   You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company’s share registry or you may copy this form.
   To appoint a second proxy you must:
   (a) indicate that you wish to appoint a second proxy by marking the box.
   (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
   (c) return both forms together in the same envelope.

5. SIGNING INSTRUCTIONS
   You must sign this form as follows in the spaces provided:
   Individual: where the holding is in one name, the holder must sign.
   Joint Holding: where the holding is in more than one name, all of the security holders must sign.
   Power of Attorney: to sign under a Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified copy of the Power of Attorney to this Proxy Form when you return it.
   Companies: where the company has a Sole Director who is also the Sole Company Secretary, this Proxy Form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director of a Company Secretary. Please indicate the office held by signing in the appropriate place.
   If a representative of a corporate security holder or proxy is to attend the meeting, the appropriate “Certificate of Appointment of Corporate Representative” should be produced prior to admission. A form of the certificate may be obtained from the Company’s share registry or at www.computershare.com.au

RECEIPT OF PROXIES

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 48 hours before the commencement of the meeting at 11am on Thursday, 25 June 2009. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents must be lodged:

IN PERSON: By delivery to the registered office of Discovery Metals Limited – Level 8, 410 Queen Street, Brisbane Queensland 4000

BY MAIL: By mailing your Proxy Form to the registered office of Discovery Metals Limited - Level 8, 410 Queen Street, Brisbane Queensland 4000 OR GPO Box 3261 Brisbane Queensland 4001

BY FAX: By faxing your Proxy Form to +61 7 3218 0233