26 October 2009

BSE RELEASE

ANNUAL GENERAL MEETING
ANNUAL REPORT 2009

The Annual General Meeting (‘AGM’) of Discovery Metals Limited (‘Company’) will be held at 11 am (Qld time) on **Tuesday, 24 November 2009** at Christie Corporate Conference Centre, Atlantic Room, Level 2, 320 Adelaide Street, Brisbane, Queensland.

The following AGM documentation is being despatched to all shareholders:

1. Notice of Annual General Meeting
2. Explanatory Statement
3. Proxy Form

   Proxy forms must reach the registry office no later than Monday 23 November 2009 (you need to allow for the time difference to Western Australia).

   Proxy forms should be sent by Fax +267 393 22 43 or posted to:
   Corpserve Botswana Transfer Secretaries
   Postnet Kgaleview,
   Private Bag 149,
   Suite 117,
   Gaborone

The Annual Report is also available to all shareholders. You may obtain a copy of the Annual Report in either of two ways:

- **Via the internet**
  - Visit the Company’s website [www.discoverymetals.com.au](http://www.discoverymetals.com.au) under the tab marked “Reports and Announcements” you will find the link to the Annual Report (as well as to the Company’s public announcements),
  - Visit the BSE website [www.bse.co.bw/listed_companies/foreign_companies.php](http://www.bse.co.bw/listed_companies/foreign_companies.php) to find the link to the Company. The Annual Report will be in the second section of the webpage.

- **Printed copy**
  Please contact Corpserve Botswana Transfer Secretaries, Gaborone either by email contactus@corpservebotswana.com or by telephone +(267) 393 22 44 and request for a printed copy to be posted to you.
All material is available on the Company's website - www.discoverymetals.com.au

Yours faithfully
Roslynn Shand
Company Secretary
Discovery Metals Limited

For further information on this release and Discovery Metals Limited generally, please contact:
Brad Sampson  MANAGING DIRECTOR  Ph: +61 7 3218 0200  or  Mob: +61 4 38 771 037
brad@discoverymetals.com.au

AIM Nominated Advisor/Broker – Fairfax I.S. PLC, Contact Ewan Leggat/Laura Littley Ph: +44 20 7598 5368

UK PR – Conduit PR, Contact Jos Simson/Emily Fenton Ph +44 20 7429 6603/ +44 7899 870 450

ASX & BSE: DML  
AIM: DME

SHARE PRICE: A$0.49  SHARES: 194M  Market Cap: A$95M
NOTICE OF ANNUAL GENERAL MEETING

and

EXPLANATORY STATEMENT

DATE AND TIME OF MEETING

24 November 2009 at 11am

PLACE OF MEETING

Christie Corporate Conference Centre
Atlantic Room
Level 2
320 Adelaide Street
Brisbane Queensland
Notice of Meeting of Shareholders

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Shareholders of DISCOVERY METALS LIMITED ACN 104 924 423 (Company) will be held on Tuesday, 24 November 2009 commencing at 11am at the Christie Corporate Conference Centre, Atlantic Room, Level 2, 320 Adelaide Street, Brisbane (Queensland time).

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports
To receive and consider the financial statements of the Company and the reports of the Directors and Auditors for the year ended 30 June 2009.

RESOLUTIONS

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


Note: This is a non-binding vote by shareholders

2. Election of Director, Mr Gordon Galt
To consider and if thought fit, pass the following Resolution as an ordinary resolution:

“That in accordance with the Constitution of the Company, Mr Gordon Galt who retires by rotation and being eligible, it is resolved that Mr Gordon Galt be re-elected as a Director of Discovery Metals Limited.”

3. Election of Director, Mr John Shaw
To consider and if thought fit, pass the following Resolution as an ordinary resolution:

“That in accordance with the Constitution of the Company, Mr John Shaw who retires by rotation and being eligible, it is resolved that Mr John Shaw be re-elected as a Director of Discovery Metals Limited.”

4. Issue of Incentive Options to Director – Mr Morrice Cordiner
To consider and if thought fit, pass the following Resolution as an ordinary resolution:

“That, for the purposes of Listing Rules 7.1 and 10.14 of the ASX (Listing Rules) and Chapter 2E of the Corporations Act and for all other purposes, Shareholders approve the grant to Mr Morrice Cordiner, a Director of the Company, of 1,000,000 options under the Option Plan 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 4 by a Director and any associate of a Director. 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 it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5. 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 to Resource Capital Funds Management Pty Ltd (RCF) of 8,518,519 unlisted options for no consideration to subscribe for ordinary shares in the Company as set out in the Explanatory Statement (RCF Options) (with each RCF 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 Annual 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 5 by Resource Capital Funds Management Pty Ltd and any associate of Resource Capital Funds Management Pty Ltd. 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.
6. Approval to Issue Ordinary Shares

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

“That for the purpose of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 29,000,000 ordinary shares in the Company at any time during the period of 3 months after the date of the Annual General Meeting at a minimum issue price per Share which is at least 80% of the average market price of the Company’s Shares over the last five trading days prior to the day on which the issue is made (Placement Shares), by way of a placement to investors (Placement) that may be identified by the Company or that fall within one or more of the classes of exemptions specified in Section 708 of the Corporations Act (Investors). Full details of the nature of the allotment of Shares are set out in the Explanatory Statement accompanying this Notice of Meeting.”

Short Explanation: An equity issue can be approved by Shareholders in accordance with the Listing Rules. This allows the Company the flexibility to issue securities in the future over and above the threshold of 15% of the total ordinary shares in any 12 month rolling period. Please refer to the Explanatory Statement accompanying this Notice of Meeting.

Voting Exclusion

The Company will disregard any votes cast on this Resolution 6 by any person who may participate in the Placement and any person who may obtain a benefit from the Placement (except a benefit solely in the capacity of a holder of ordinary securities) or any associate of such a person. 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 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.

SPECIAL BUSINESS


To consider and if thought fit, pass the following Resolution as a special resolution:

“That the Company renews its proportional takeover approval provisions in the form set out in Clause 9 of the Constitution of Discovery Metals Limited (an extract of which is set out in the Explanatory Statement attached to this Notice of Meeting), for the purposes of section 648G of the Corporations Act.”

Please refer to the Explanatory Statement attached to this Notice of Meeting for more information regarding Resolutions 1 to 7

By order of the Board
Roslynn Shand
Secretary
15 October 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 22 November 2009 (7pm Sydney time / 6pm Brisbane time). 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 Annual 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 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 Annual 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 15 October 2009.

ORDINARY BUSINESS

RECEIVE AND CONSIDER THE FINANCIAL STATEMENTS AND REPORTS

This item does not require voting by shareholders. It is intended to provide an opportunity for shareholders to raise questions on the financial statements and reports. The auditors of the Company will be present at the meeting and available to answer any questions.

BACKGROUND TO THE RESOLUTIONS

RESOLUTION 1       REMUNERATION REPORT

1 Explanation

The Remuneration Report of the Company is included in the Directors’ Report within the Annual Report available to all Shareholders. The Corporations Act 2001 requires that a resolution be put to Shareholders to adopt the Remuneration Report. The vote on the Resolution is advisory only and does not bind the Directors of the Company. A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

RESOLUTION 2            ELECTION OF DIRECTOR, MR GORDON GALT

2 Explanation

In accordance with the Company’s Constitution, Mr Gordon Galt retires by rotation and, being eligible, offers himself for re-election as a Director of the Company. Mr Galt was appointed to the Board on 9 May 2007, is the Company’s Chairman and a member of the Audit & Financial Risk Committee. Mr Galt has no contractual relationships with the Company and has no business associations with other directors.

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

Gordon Galt is a senior mineral resources executive and an experienced director with international mineral industry experience. During his career, Mr Galt has worked in senior management, technical and operational roles across a wide range of commodities, primarily in gold, coal, magnesium and copper/lead/zinc. Mr Galt is by training, a mining engineer with post-graduate qualifications in finance. Both degrees are from the University of Queensland.

During the past ten years Mr Galt has worked mainly as the Managing Director of companies engaged in the development and operation of large resource projects, and he has also spent a period of time in banking. Mr Galt is currently engaged in funds management and corporate advisory work. In previous roles, Mr Galt 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.

During the past three years Mr Galt has held the following listed company directorships:

- Aquila Resources Limited from August 2007 to present
- Navigator Resources Limited from August 2008 to present
- Gloucester Coal Limited from April 2004 to August 2007

3 Recommendation

The Board (with Mr Gordon Galt abstaining) recommends that eligible Shareholders vote in favour of this Resolution.
RESOLUTION 3  ELECTION OF DIRECTOR, MR JOHN SHAW

1 Explanation

In accordance with the Company’s Constitution, Mr John Shaw retires by rotation and, being eligible, offers himself for re-election as a Director of the Company. Mr Shaw was appointed to the Board on 14 November 2006 as an independent, non-executive director and is a member of the Audit & Financial Risk Committee. Mr Shaw has no contractual relationships with the Company and has no business associations with other directors.

JOHN SHAW
BSc (Geological Engineering), FAusImm, MCIM, FAICD, SME

John Shaw has over 40 years experience in exploration, development and operations of open cut and underground mines. He previously was Vice President of the Australian Operations of Placer Dome Asia Pacific Limited and Managing Director of Kidston Gold Mines. Mr Shaw is a former Chairman of Gallery Gold Limited, Zimbabwe Platinum Mines Limited, Tri Origin Minerals Limited and Lodestone Exploration Limited. He was also involved with the development of the Mupane Gold Mine in NE Botswana. Mr Shaw is a non-executive director of IAMGOLD Corporation and Quadra Australia Pty Ltd.

During the past three years Mr Shaw has held the following listed company directorships:

- IAMGOLD Corporation from March 2006 to present
- Albidon Limited February 2008 to April 2009
- Tri Origin Minerals Limited from October 2003 to February 2008
- Lodestone Exploration Limited from May 2002 to November 2007

2 Recommendation

The Board (with Mr John Shaw abstaining) recommends that eligible Shareholders vote in favour of this Resolution.

RESOLUTION 4  ISSUE OF INCENTIVE OPTIONS TO A DIRECTOR, MR MORRICE CORDINER

1 Introduction

Resolution 4 seeks Shareholder approval for the grant by the Company of 1,000,000 Options (Options) to Mr Morrice Cordiner (Recipient Director) for the purpose of Listing Rules 7.1 and 10.14 and Chapter 2E of the Corporations Act.

On 29 April 2009, the Board agreed to the offer of the Options to the Recipient Director, by way of an incentive package with the grant of the Options to be subject to Shareholder approval. The grant of the Options to the Recipient Director was intended to act as a strong incentive to align with the Company's strategic plan focusing 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 other Directors and previously approved by Shareholders.

The exercise price determined by the Board of $0.35 per Option was determined following consideration of the 30-day Volume Weighted Average of the Company’s shares up to the date of the Board resolution on 29 April 2009. The Company's share price at the time of the offer to the Recipient Director was 27 cents. In light of the market price for the Company’s shares at that time and having regard to the Company’s previous 12 months trading, the exercise price set for the Options was considered reasonable. The number of Options to be issued to the Recipient Director was determined based on the level of his expertise and his additional involvement in fundraising activities of the Company. The exercise price of the Options also provides for an injection of funds into the Company in the event that the Options are exercised.

The Options will be issued to Mr Cordiner within 1 month of Shareholder approval. Provided Mr Cordiner is still a Director of the Company, the Options will vest on 24 November 2010 (Vesting Date), be exercisable on or after the Vesting Date and will expire on 12 December 2011. Once vested, Mr Cordiner will be immediately exercise the Options into Shares should he choose to do so.

As at the date of this Explanatory Statement the share price has increased to 47 cents.

2 Key Details of Options

The Options will be granted under and subject to the terms of the Option Plan. A summary of the plan rules is set out in Schedule 1 to this Explanatory Statement.

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>Terms of Options</th>
<th>Date of Issue</th>
<th>Vesting Date</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morrice Cordiner</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>24 November 2010</td>
<td>12 December 2011</td>
</tr>
</tbody>
</table>
Chapter 2E of the Corporations Act requirements

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 the Options by the Company constitutes the giving of a financial benefit to Mr Morrice Cordiner. As such, the Company seeks to obtain Shareholder approval for the issue of the Options to Mr Morrice Cordiner.

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) Mr Cordiner 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 Mr Cordiner is the grant of 1,000,000 Options.
(e) At the date of this Explanatory Statement, the issued capital of the Company is 194,078,380 Shares. The table below and Schedule 2 attached to this Explanatory Statement sets out:

(i) the issued capital of the Company should the Recipient Director exercise all his Options and no other securities are issued by the Company in the meantime; and
(ii) the issued capital of the Company on a fully diluted basis (if all options are exercised).

<table>
<thead>
<tr>
<th>Description</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Shares on issue</td>
<td>194,078,380</td>
</tr>
<tr>
<td>Existing options on issue (assuming all will be exercised prior to 25 March 2013)</td>
<td>35,660,569</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 Options of Recipient Director (but no others)</td>
<td>195,078,380</td>
</tr>
<tr>
<td>Maximum number of Shares on issue following exercise of all options, including the Options of Recipient Director (fully diluted)</td>
<td>230,738,949</td>
</tr>
</tbody>
</table>

(f) If Shareholders approve the grant of the Options to the Recipient Director, the exercise of all of the options by the Recipient Director will result in a dilution of all other Shareholder holdings in the Company of approximately 0.43% (subject to all other options issued being exercised prior to this date). The market price for Shares during the term of the Options would normally determine whether or not the Options are exercised. If, at any time, any of the Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Options, there may be a perceived cost to the Company.

(g) The Company is not aware of any other opportunity cost or benefit foregone as a result of the issue of the Options.

(h) Assuming Resolution 4 is approved by Shareholders, the Recipient Director will be entitled to the following securities in the Company, subject to satisfaction of the conditions relating to the vesting and exercise of the Options by the Recipient Director:

<table>
<thead>
<tr>
<th>Recipient Director</th>
<th>Number of Options to be issued</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>Morrice Cordiner</td>
<td>1,000,000</td>
<td>Nil</td>
<td>Nil</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

(i) Other than the Options, Mr Cordiner’s current Director’s annual remuneration is $40,000.

(j) 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.

(k) 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.

(l) If the Options are all exercised (at the exercise price of $0.35 per Option) the Company will receive $350,000. Any funds raised from the exercise of the Options will be used for working capital purposes and distributed as the Board sees fit.

(m) 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 to the Company as a result of the issue.
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 4.

4 Details Concerning Valuation of Options

It is a requirement of ASIC that a dollar value be placed on new options to be issued to the Directors.

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

An indicative valuation for the Options to be granted to the Recipient Director has been calculated (see table below).

<table>
<thead>
<tr>
<th>Recipient Director</th>
<th>Exercise Price (Expiry Date)</th>
<th>Value per options</th>
<th>Number of options</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morrice Cordiner</td>
<td>35 cents (12 December 2011)</td>
<td>$0.2497</td>
<td>1,000,000</td>
<td>$249,700</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td>1,000,000</td>
<td><strong>$249,700</strong></td>
</tr>
</tbody>
</table>

The above 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:

- 1,000,000 Options will vest on 24 November 2010 and are exercisable on or before 12 December 2011 at an exercise price of $0.35;
- 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 price volatility factor of 98% was assumed based on the volatility of the Company’s Shares over the previous three (3) year period; and
- an average risk-free interest rate of 5.03% which is the 3 year Commonwealth Treasury Bond as at 31 August 2009.

5 ASX Listing Rule requirements

Listing Rule 10.14 prohibits the issue of securities to a director of a company under an employee incentive scheme unless the approval of the Shareholders of the company is obtained. Furthermore, Listing Rule 7.1 prohibits a company from issuing more than 15% of its Shares in any one year without shareholder approval, unless one of the exceptions in Listing Rule 7.2 applies. None of the exceptions under Listing Rule 7.2 currently apply; therefore Shareholder approval under both Listing Rule 10.14 and Listing Rule 7.1 is sought.

The following disclosures are made for the purpose of Listing Rules 7.3 and 10.15:

(a) The maximum number of Options that may be issued to Mr Cordiner is 1,000,000.

(b) The Options will be issued for nil consideration. The Options are proposed to be granted to Mr Cordiner to provide an incentive for his future performance and commitment to the Company. The Board considered the experience and reputation of Mr Cordiner, the market price of securities in the Company and the current market practices when determining the number and exercise price of the Options to be issued to him.

(c) The Options will be issued to Morrice Cordiner personally.

(d) The key terms on which the Options will be issued are as noted under section 2 of this Resolution, titled ‘Key Details of Options’ with a more detailed summary of the terms set out in Schedule 1 of this Explanatory Statement.

(e) Given that the Options will be issued for no consideration and therefore no funds will be raised, the Company has no statement for the use of funds. If however the Options are exercised, given that an exercise price is required to paid, on exercise of the Options the Company will be provided with additional funding. It is intended that any such funds will be put towards the Company’s working capital.

(f) The Options will be allotted and issued to Mr Cordiner within 1 month of Shareholder approval.

(g) The following table sets out details of Options previously issued under the Option Plan since the Plan was last approved in November 2004.

<table>
<thead>
<tr>
<th>Recipient Director</th>
<th>Number</th>
<th>Terms of Options</th>
<th>Vesting Date</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gordon Galt</td>
<td>1,000,000 1,000,000</td>
<td>1,000,000 Options , exercise price of 30 cents 1,000,000 Options, exercise price of 35 cents</td>
<td>31 August 2007</td>
<td>1 May 2010</td>
</tr>
<tr>
<td>John Shaw</td>
<td>500,000 500,000</td>
<td>500,000 Options, exercise price of 30 cents 500,000 Options, exercise price of 35 cents</td>
<td>30 March 2007</td>
<td>1 May 2010</td>
</tr>
<tr>
<td>Ribson Gabonowe</td>
<td>1,000,000</td>
<td>1,000,000 Options at an exercise price of 50 cents</td>
<td>12 December 2008</td>
<td>12 December 2011</td>
</tr>
<tr>
<td>Recipient Director</td>
<td>Number</td>
<td>Terms of Options</td>
<td>Vesting Date</td>
<td>Expiry Date</td>
</tr>
<tr>
<td>--------------------------</td>
<td>------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>-----------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>Stuart Bradley Sampson</td>
<td>1,000,000</td>
<td>Tranche 1 of 1,000,000 Options at an exercise price of 44 cents.</td>
<td>Vested 1 February 2009</td>
<td>1 February 2012</td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
<td>Tranche 2 of 1,000,000 Options at an exercise price of 55 cents</td>
<td>Provided Mr Sampson is still</td>
<td>1 February 2013</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>employed by the Company as</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Managing Director,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tranche 2 will vest and be</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>exercisable one year after 1</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>February 2010</td>
<td></td>
</tr>
<tr>
<td>Jeremy Read</td>
<td>1,000,000</td>
<td>1,000,000 Options at an exercise price of 50 cents</td>
<td>12 December 2008</td>
<td>12 December 2011</td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
<td>1,000,000 Options at an exercise price of 20 cents</td>
<td>Expired</td>
<td>31 January 2006</td>
</tr>
<tr>
<td></td>
<td>750,000</td>
<td>750,000 Options, exercise price of 30 cents</td>
<td>Expired</td>
<td>1 February 2007</td>
</tr>
<tr>
<td></td>
<td>750,000</td>
<td>750,000 Options, exercise price of 35 cents</td>
<td>All exercised</td>
<td>1 February 2008</td>
</tr>
<tr>
<td></td>
<td>750,000</td>
<td>1,000,000 Options, exercise price of 30 cents</td>
<td>Expired</td>
<td>1 February 2009</td>
</tr>
<tr>
<td></td>
<td>750,000</td>
<td>1,000,000 Options, exercise price of 35 cents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Morrice Cordiner</td>
<td>1,000,000</td>
<td>1,000,000 options at an exercise price of 20 cents</td>
<td>Expired</td>
<td>31 January 2006</td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
<td>500,000 Options, exercise price of 30 cents</td>
<td>Expired</td>
<td>1 February 2009</td>
</tr>
</tbody>
</table>

(h) The names of all Directors or associates of Directors entitled to participate in the Option Plan are Gordon Galt, Stuart Bradley Sampson, John Shaw, Ribson Gabonowe, Morrice Cordiner and Jeremy Read.

(i) No loan is being provided by the Company for the acquisition of the Options.

(j) The Company intends to issue the Options under the Option Plan within 1 month from the Annual General Meeting, but in any event it will not do so any later than 3 months following the date of the Annual General Meeting.

6 Recommendation

The Board (with Mr Morrice Cordiner abstaining) recommends that eligible Shareholders vote in favour of this Resolution.

RESOLUTION 5 APPROVAL TO ISSUE OPTIONS

1 Introduction

Resolution 5 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue to Resource Capital Funds Management Pty Ltd (RCF) of 8,518,519 options to subscribe for ordinary shares in the capital of the Company (RCF Options).

As part of a placing of 12,777,778 shares to RCF in February 2009 (RCF Placement), the Company conditionally agreed to grant two options for every three shares subscribed for in the RCF Placement. The RCF Options will be unlisted and are to be issued as free attaching options in respect of the Shares issued in the RCF Placement. Each RCF 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 RCF Options expire on 25 May 2010.

2 The Resolution

Under Listing Rule 7.1, the prior approval of Shareholders is required to the proposed RCF 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 RCF Options:

(a) RCF will be issued with 8,518,519 options calculated on the basis of two options for every three Shares subscribed for by RCF in the RCF Placement;

(b) The RCF Options will be issued as soon as practicable after the date of the Annual General Meeting and in any event not later than three months after the date of the Annual General Meeting.

(c) The RCF Options are issued as free attaching options to the Shares issued under the RCF Placement. As such, no funds will be raised from the issue of the RCF Options. Any funds that are raised from the exercise of the RCF Options from time to time will be used for working capital purposes of the Company as determined by the Directors.

(d) Each RCF Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company. The RCF Options have an exercise price of 30 cents per Share and an expiry date of 25 May 2010. There are no vesting conditions. Accordingly, the RCF Options will vest upon the date of issue to RCF and RCF will be able to immediately exercise the RCF Options into Shares should it choose to do so.

3 Recommendation

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

RESOLUTION 6 APPROVAL TO ISSUE ORDINARY SHARES

1 Introduction

The Company is required to seek shareholder approval for any issue of securities greater than 15% of its issued capital pursuant to ASX Listing Rule 7.1. Resolution 6 seeks that approval.

2 Background on the Company and the Placement of Shares

Corporate Summary

The Company’s main activity is the advancing of its Boseto Copper Project in Botswana to production and the Company is undertaking a bankable feasibility study for this project.

The approval sought under Resolution 6 is designed to give the Company additional fund raising flexibility by broadening the funding alternatives over and above the general placement capacity provided to it under ASX Listing Rule 7.1. The use of funds raised will fall within the parameters detailed below. It is anticipated that strong investor interest will continue in the Company and its activities as it advances the Boseto Copper Project.

The issue of the Placement Shares pursuant to this Resolution will represent 13% of the expanded issued capital of the Company assuming the maximum number of Placement Shares are issued.

Use of Funds

In the event that the Company was to utilise the authority granted pursuant to Resolution 6, any such fund raising would be directed towards:

(a) progressing with a detailed bankable feasibility study based around the current known mineral resources at the Company’s Boseto Copper Project to determine if a viable mining operation can be established. A budget of AUD$5M has been estimated for the planned bankable feasibility work (excluding drilling);

(b) continuing with its planned exploration and drilling programs at the Boseto Copper Project designed to increase the current mineral resources and its category status;

(c) providing additional working capital for ongoing corporate costs; and

(d) paying deposits on outright purchases of long lead items for the Boseto Copper Project.

The Directors reserve the right to vary the application of funds in the best interests of all Shareholders.

3 The Resolution

3.1 Approval of Placement of Shares

The Company proposes to undertake the allotment and issue of up to 29,000,000 new fully paid ordinary shares no later than 3 months after the date of the Annual General Meeting at a minimum price that is at least 80% of the average market price of the Company’s Shares over the last five trading days prior to the day on which the issue is made, by way of a placement to investors that may be identified by the Company (in Australia, Botswana or the United Kingdom) or that fall within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. As at the date of the Notice of Meeting, the investors have not been identified.

3.2 Listing Rule Requirements

Under Listing Rule 7.1, the prior approval of Shareholders is required to issue the proposed Placement Shares 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 Shares:

(a) The maximum number of Placement Shares that the Company proposes to issue under the Placement is 29,000,000 new fully paid ordinary shares.

(b) The Placement Shares may be issued as soon as practicable after the date of the Annual General Meeting and in any event not later than three months after the date of the Annual General Meeting.

(c) The Placement Shares will be issued at a minimum issue price that is at least 80% of the average market price of the Company’s Shares over the last five trading days on which sales in the Shares were recorded prior to the day on which the issue is made.

(d) The Placement Shares will be issued to investors that are identified by the Company or its brokers or that fall within one or more of the classes of exemptions specified in Section 708 of the Corporations Act. The Company reserves the right to pay any broker a commission on all monies raised from allottees introduced by the broker.

The Company does not intend that the Shares to be issued under Resolution 7 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.

(e) The Company may not necessarily issue the maximum number of Shares for which authority has been granted and may in its absolute discretion issue such lesser number as it may determine.

(f) Placement Shares issued will rank equally in all respects with existing Shares from the issue date, on the terms of the Constitution. Shareholders are advised that certain rules of the AIM (AIM Rules) may also regulate the Company’s Shares in addition to the Listing Rules.

(g) The intended use of the funds raised from the Placement Shares is described in section 2 above.

(h) Allotment of the Placement Shares will occur progressively.

As Shareholder approval is only being sought under Listing Rule 7.1, Placement Shares cannot be issued to related parties of the Company as defined in Listing Rule 10.11, including (but not limited) to Directors and their spouses, entities controlled by Directors, and controlling Shareholders of the Company.

3.3 The Resolution if passed, will allow the Company to issue up to 29,000,000 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.

3.4 This issue of up to 29,000,000 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 2 attached to this Explanatory Statement sets out the issued capital of the Company should shareholders approve Resolution 6 and all of the options approved pursuant to Resolutions 4 and 5 are exercised and no other securities are issued by the Company in the meantime.

4 Recommendation

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

RESOLUTION 7 PROPORTIONAL TAKEOVER BID

1. Introduction

Clause 9 of the Company’s Constitution currently contains provisions dealing with proportional takeover bids for the Company’s shares in accordance with section 648G of the Corporations Act 2001. The provisions are designed to assist Shareholders to receive proper value for their shares if a proportional takeover bid is made for the Company.

1.1 Current Constitutional Provisions

An extract of Clause 9 is set out below:

9. Proportional Takeover Bid

(a) Registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under a Proportional Takeover Bid is prohibited unless and until an Approving Resolution approving the Proportional Takeover Bid is passed.

(b) A person (other than the Bidder or an associate of the Bidder) who, as at the end of the day on which the first offer under the Proportional Takeover Bid was made, held Bid Class Shares is entitled to:

(i) vote on a Approving Resolution; and

(ii) has one vote for each Bid Class Share held.
Where offers have been made under a Proportional Takeover Bid, the Directors must ensure that an Approving Resolution is voted on at a meeting of the persons described in clause 9(b) before the Approving Resolution Deadline.

An Approving Resolution is passed if more than 50% of the votes cast on the resolution are cast in favour of the resolution, and otherwise is taken to have been rejected.

The provisions of this Constitution that apply to a general meeting of the Company apply, with such modifications as the circumstances require, to a meeting that is called under this clause as if the meeting was a general meeting of the Company.

If an Approving Resolution to approve the Proportional Takeover Bid is voted on in accordance with this clause before the Approving Resolution Deadline, the Company must, on or before the Approving Resolution Deadline, give:

(i) the Bidder; and
(ii) each Relevant Financial Market,

a written notice stating that an Approving Resolution to approve the Proportional Takeover Bid has been voted on and whether it was passed or rejected.

If no Approving Resolution has been voted on in accordance with this clause as at the end of the day before the Approving Resolution Deadline, an Approving Resolution to approve the Proportional Takeover Bid is taken, for the purposes of this clause 9, to have been passed in accordance with this clause.

This clause 9 will, unless renewed in accordance with the Corporations Act 2001, automatically cease to have effect three years after the date of its adoption or renewal or last renewal (as the case may require).

1.2 Related Definitions

The definitions used in clause 9 of the Constitution are set out in Schedule 1 of the Constitution and many of them adopt relevant definitions from the Corporations Act. To assist Shareholders in reading this Explanatory Statement, an explanation of the definitions used in clause 9 are set out below.

(i) Approving Resolution means a resolution passed in accordance with clause 9 of the Constitution.

(j) Approving Resolution Deadline means in relation to a Proportional Takeover Bid, the day that is the 14th day before the last day of the Bid Period.

(k) Bid Class Shares means for a takeover bid, the class of securities to which the securities being bid for belong.

(l) Bidder means for a takeover bid, the person who makes or proposed to maker, or each of the people whom make or propose to make, the offers under the bid (whether personally or by an agent of nominee.

(m) Bid Period means for a Proportional Takeover Bid, the period which starts when the Bidder’s statement is given to the Company and ends at the end of the offer period, or 1 month later if no offer period is stipulated.

(n) Proportional Takeover Bid means an off-market bid for a specified proportion of the securities in the Bid Class.

(o) Relevant Financial Market means the prescribed financial market or markets on which the Company is listed (being the Australian Securities Exchange, the Botswana Stock Exchange and the Alternative Investment Market of the London Stock Exchange).

2. Explanation

2.1 Requirement to Renew

Under the Corporations Act 2001, the provisions must be renewed every three years or they will cease to have effect. Unless renewed, the current provisions will cease effect on 25 March 2010. If renewed, the proposed proportional takeover provisions in the Company’s Constitution will be in exactly the same terms as the existing provisions and will continue in force for a further three years until 25 March 2013.

2.2 Corporations Act Disclosure

The Corporations Act 2001 requires that the following information be provided to shareholders when they are considering the inclusion of proportional takeover provisions in a Constitution.

A proportional takeover bid is one where the offer made to each shareholder is only for a specified proportion (but not all) of the shares held by shareholders in a class of shares in the Company.

If the proportional takeover bid provisions are renewed and offers are subsequently made under a proportional takeover bid for a class of shares in the Company, Directors must hold a meeting of the Shareholders holding the class of shares the subject of the bid to enable them to consider and vote on whether or not the bid should proceed. A resolution approving the bid must be voted on before the 14th day before the end of the bid period. The resolution will be passed if more than 50% of votes are cast in favour of the approval. (The bidder and its associates are not allowed to vote on the resolution.) If no such resolution is voted on by that deadline, a resolution approving the bid is taken to have been passed and the proportional takeover bid will be permitted to proceed.

If a resolution to approve the bid is rejected, binding acceptances are required to be rescinded and all unaccepted offers and offers failing to result in binding contracts are taken to have been withdrawn and registration of any transfer of shares resulting from the proportional takeover bid will be prohibited.
If the bid is approved or taken to have been approved, the transfers resulting from the bid may be registered provided they comply with other provisions of the Corporations Act 2001 and the Company’s Constitution.

The proportional takeover provisions do not apply to full takeover bids.

3. Reasons for seeking approval

The Corporations Act permits proportional takeover approval provisions to be contained in the Company Constitution if certain requirements are satisfied. The Directors consider that shareholders should have the opportunity to have the proportional takeover approval provisions incorporated in the Company’s Constitution. Without the proportional takeover approval provisions, a proportional takeover bid may enable control of the Company to pass without members having the opportunity to sell all of their shares to the bidder. Shareholders may be exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium for their shares.

The proposed proportional takeover provisions lessen this risk by allowing shareholders the opportunity to decide whether a proportional takeover bid is acceptable and should be permitted to proceed.

4. No awareness of any proposal to acquire or to increase the extent of a substantial interest in the Company

As at the date of this notice of meeting, no director of the Company is aware of any proposal by any person to acquire, or to increase the extent of a substantial interest in the Company.

5. Review of advantages and disadvantages

While proportional takeover provisions were in effect there have been no takeover bids for the Company, either proportional or otherwise. Accordingly, there are no actual examples against which to review the advantages or disadvantages of the existing proportional takeover provisions (that is, Rule 9 of the existing Constitution) for the Directors and shareholders of the Company. The Directors are not aware of any potential proportional takeover bid that was discouraged by Rule 9.

6. Potential advantages and disadvantages

The Directors of the Company consider that the proposed renewal of the proportional takeover provisions has no potential advantages or potential disadvantages for Directors because they remain free to make a recommendation on whether a proportional takeover bid should be approved or accepted.

The potential advantages of the proposed proportional takeover provisions for Shareholders are:

(a) they give shareholders their say in determining by majority vote whether a proportional takeover bid should proceed;
(b) they may assist shareholders in not being locked in as a minority;
(c) they increase shareholders’ bargaining power and may assist in ensuring that any proportional bid is adequately priced;
(d) they enable shareholders to decide whether a proportional takeover bid is in their best interests;
(e) they ensure that all shareholders not associated with the proportional takeover bid have an equal opportunity to consider the merits of a proportional takeover bid and vote on whether it should be approved and permitted to proceed, which may provide an incentive for potential bidders to ensure that the terms of any proposed proportional takeover bid are structured to be attractive to shareholders, including appropriate pricing; and
(f) knowing the view of the majority of shareholders assists each individual shareholder in assessing the likely outcome of the proportional takeover bid and whether to approve or reject that offer.

Some potential disadvantages to Shareholders of the Company are:

(a) it is a hurdle and may discourage the making of proportional takeover bids in respect of the Company;
(b) this hurdle may depress the share price or deny shareholders an opportunity of selling their shares at a premium;
(c) it may be argued that the provisions constitute a potential restriction on the ability of shareholders to deal freely with their shares; and
(d) it may reduce the likelihood of a proportional takeover being successful.

However, the Directors of the Company do not perceive those or any other possible disadvantages as justification for not renewing the proportional takeover provisions for a further three years until 25 March 2013.

5. Recommendation

The Directors unanimously recommend that Shareholders vote in favour of this item of special business.
In this Explanatory Statement and the Notice of Meeting:

**Annual General Meeting** means the annual general meeting of the Company to be convened by 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, Morrice Cordiner, John Shaw, Ribson Gabonowe, Jeremy James Read and Stuart Bradley Sampson;

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

**Investors** means those investors that may be identified by the Company 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 annual general meeting dated 15 October 2009 which this Explanatory Statement accompanies and in which the Resolutions are set out;

**Option Plan** means the Discovery Metals Limited Employee Option Plan;

**Placement Shares** means the issue of up to 29,000,000 fully paid ordinary shares at a minimum price that is at least 80% of the average market price of the Company’s Shares over the last five trading days prior to the day on which the issue is made;

**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 – Summary of Option Plan Rules

The Options to be granted by the Company to the Recipient Director in accordance with Resolution 4 are to be issued pursuant to the terms of the Option Plan.

A summary of the Option Plan is set out in the following table:

<table>
<thead>
<tr>
<th>Key provision</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligibility criteria</td>
<td>The Option Plan is open to eligible employees of the Company (Eligible Participants) whom the Plan Committee determines is to receive an Offer under the Plan based on the contribution of the Employee to the Company including but not limited to the specialist technical, administrative and managerial contributions, and in relation to increasing overall net worth of the Company and increase in value to shareholders in the Company.</td>
</tr>
</tbody>
</table>
| Grant of options    | All options are offered to Eligible Participants for no consideration. An offer made under the Option Plan must be in writing and specify, amongst other things:  
  - the number of options for which the Eligible Participant may apply;  
  - the period within which the options may be exercised and any conditions to be satisfied before they can be exercised;  
  - the option expiry date;  
  - consideration (if any) for the issue of the options to the Eligible Participant; and  
  - the exercise price of the options, as determined by the Board in its absolute discretion.                                                                                                                                                                                                                                                                                                                                 |
| Exercise            | The options may be exercised (subject to any conditions that must be satisfied before they can be exercised), by the Eligible Participant giving a signed notice to the Company and paying the exercise price in full. On exercise the Company will issue the Eligible Participant with the relevant number of ordinary shares and apply for official quotation of those.                                                                                                                                                                                                 |
| Lapse               | The options will lapse on the earlier of the date specified by the Board in the offer or on the happening of any one or more of the events specified in the Option Plan rules, including termination of employment or resignation, or within 12 months of redundancy, death or total and permanent disablement.                                                                                                                                                                                                                   |
| Rights of Eligible Participants | Once the shares are allotted after the options have been exercised, the Eligible Participant will hold the shares free of restrictions and the shares will rank equally with all other ordinary shares on issue. The shares will rank for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue.                                                                                         |
| Change to Company's capital | If the Company undergoes a reorganisation or reconstruction of the issued capital of the Company or any other such change, the number of underlying securities or the exercise price or both will be correspondingly changed to the extent necessary to comply with the ASX Listing Rules applying to that change at that time. In all other respects the terms for the exercise of the options remain unchanged.                                                                                           |
| Participation in new issues | Eligible Participants are not entitled to participate in any new issue to existing shareholders in the Company unless they have become entitled to exercise their options under the Option Plan and exercise their options before the record date for the determination of entitlements to the new issue of securities and participate as a result of being shareholders. The Company must give Eligible Participants, in accordance with the ASX Listing Rules as applicable, notice of any new issues of securities before the record date for determining entitlements to the new issue. |
| Dealing with options | An Eligible Participant must not dispose of or grant a security interest over or otherwise deal with an option or an interest in an option, and the security interest or disposal or dealing is not recognised in any manner by the Company.                                                                                                                                                                                                                                                                 |
| Termination and amendment | The Option Plan may be terminated or suspended or amended at any time by the Board.                                                                                                                                                                                                                                                                                                                                                                                  |
| Administration      | The Option Plan is administered by the Board, which has an absolute discretion to determine appropriate procedures for its administration and resolve questions of fact or interpretation and formulate special terms and conditions (subject to the ASX Listing Rules) in addition to those set out in the Option Plan. |
In the last 12 months, the highest closing price of the Company’s Shares trading on the ASX was 49 cents on 14 October 2009. The lowest closing price of the Company’s Shares trading on the ASX was 10 cents on 28 October 2008 and 11 December 2008. The share price during the last 12 months traded at various levels within this range. The closing market sale price of the Company’s Shares trading on the ASX on 14 October 2009 was 49 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</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>Total Maximum Shares on issue following exercise of all options (cumulative total)</th>
<th>Voting Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Options issue to a Director</td>
<td>194,078,380</td>
<td>194,078,380</td>
<td>35,660,569</td>
<td>36,660,569</td>
<td>230,738,949</td>
<td>0.43%</td>
</tr>
<tr>
<td>5 Options issue to RCF</td>
<td>194,078,380</td>
<td>194,078,380</td>
<td>36,660,569</td>
<td>45,179,088</td>
<td>239,257,468</td>
<td>12.43%</td>
</tr>
<tr>
<td>6 Issue of 29M Shares</td>
<td>194,078,380</td>
<td>223,078,380</td>
<td>45,179,088</td>
<td>45,179,088</td>
<td>268,257,468</td>
<td>12.43%</td>
</tr>
</tbody>
</table>

[i] Assumes Resolution 5 is approved.

[ii] Assumes Resolutions 5 and 6 are approved.

[iii] Issue of the Placement Shares will represent 13% of the expanded issued capital assuming maximum number issued.
DISCOVERY METALS LIMITED  (Company)  
ACN 104 924 423  
PROXY FORM

SHAREHOLDER/S NAME/S AND ADDRESS - PLEASE COMPLETE IN BLACK INK

Name/s:  
Address/es:  

I/we appoint as my/our proxy the person named below at the General Meeting of the Company to be held on Tuesday, 24 November 2009 at 11am (Qld time) at the Christie Corporate Conference Centre, Atlantic Room, Level 2, 320 Adelaide Street, Brisbane in the State of Queensland and at any adjournment thereof.

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 ☐ The person named below 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.

If you are not appointing the Chairman of the meeting, 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 on Tuesday, 24 November 2009 at 11am (Qld time) at the Christie Corporate Conference Centre, Atlantic Room, Level 2, 320 Adelaide Street, Brisbane in the State of Queensland and at any adjournment of that meeting.

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Resolution 4, please place a mark in the box. By marking this box, you acknowledge that the Chair may exercise your proxy even if he has an interest in the outcome of Resolution 4 and that votes cast by the Chair of the meeting for Resolution 4 other than as proxy holder will be disregarded because of that interest. If you do not mark this box and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolution 4 and your votes will not be counted in calculating the required majority if a poll is called on the resolutions.

VOTING DIRECTIONS TO YOUR PROXY – please mark ☒ 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>2</td>
<td>Mr Gordon Galt be elected as a Director of Discovery Metals Limited.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3</td>
<td>Mr John Shaw be elected as a Director of Discovery Metals Limited.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4</td>
<td>Approve the grant to Mr Morrice Cordiner of 1,000,000 options to subscribe for fully paid ordinary shares in the Company.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5</td>
<td>Approve the grant to Resource Capital Funds Management Pty Ltd of 8,518,519 options to subscribe for fully paid ordinary shares in the Company.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>6</td>
<td>Approval for the Company to allot and issue up to 29,000,000 ordinary shares at any time during the period of 3 months after the date of the Annual General Meeting at a minimum issue price per Share which is at least 80% of the average market price of the Company’s Shares over the last five trading days prior to the day on which the issue is made by way of a placement to investors that may be identified by the Company or that fall within one or more of the classes of exemptions specified in Section 708 of the Corporations Act.</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>7</td>
<td>Approve the renewal of the proportional takeover provisions in the Constitution of Discovery Metals Limited</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 AND ☐ 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

<table>
<thead>
<tr>
<th>Individual or Security holder 1</th>
<th>Security holder 2</th>
<th>Security holder 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual/Sole Director and Sole Company Secretary</td>
<td>Director</td>
<td>Director/Company Secretary</td>
</tr>
</tbody>
</table>

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.
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 your 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

6. **RECEIPT OF PROXIES**
   To vote by proxy, please complete and sign the enclosed Proxy Form and return, via our Botswana share transfer secretaries, Corpserve Botswana, in either of the following ways:
   (a) In person or by post to: Corpserve Botswana, 1st Floor, Kwenya House, Plot 117, Gaborone International Finance Park, Postnet Kgale View, Private Bag 149, Suite 117, Gaborone, or;
   (b) By facsimile to the Company’s share transfer secretaries, Corpserve Botswana, on facsimile number (+267) 393-2243.

   so that it is received not later than 5:00 pm on Friday 20 November 2009.

   Proxy Forms received later than this time will be invalid.