BSE RELEASE
30 October 2009

Quarterly Report – 1 July to 30 September 2009

Discovery Metals Limited (AIM: DME) (ASX/BSE: DML)
(‘Discovery Metals’ or the ‘Company’)

HIGHLIGHTS

Boseto Copper Project Bankable Feasibility Study

- The Bankable Feasibility Study (‘BFS’) is 60% complete and remains on track for finalisation in the March quarter of 2010.
- The Environmental and Social Impact Assessment (‘ESIA’) is complete and the report is being reviewed prior to submission to the Government of Botswana for approval. The Company sees no mitigated impacts or risks that will preclude the development of the Boseto Copper Project.
- Discovery Metals has commenced assessment of the underground potential at the Zeta Prospect.
- The Boseto Copper Project BFS Progress Economics Update, released 6 October, shows:
  - Operating costs - 10 year average Net Cash Costs US$1.04/lb (January 2009 - US$1.06/lb)
  - Capital costs - US$150 million (January 2009 - US$131 million) allowing for price changes
  - Project economics improved with 10% rate of return being achieved at less than US$1.53/lb
  - NPV range from US$116 million (US$2.00/lb) to US$426 million (US$4.00/lb copper price)
  - Internal Rates of Return range from 18% (US$2.00/lb) to 57% (US$4.00/lb copper price)
  - Payback is expected within 2 years of production commencing (at the base case copper price).

Exploration & Infill Drilling

- The Boseto in-fill drilling programmes for the BFS, to upgrade portions of the mineral resource to Indicated and Measured categories, were completed on schedule in September 2009.
- The regional soil sampling programme focussed on the extension of current mineral resources.
- In October, an AUD$3 million Dikoloti joint exploration programme with JOGMEC was announced.

Corporate

- On 26 October, the Company announced a Shareholder Share Purchase Plan (SPP). The SPP will offer those shareholders recorded on the register as at 23 October 2009 with addresses in Australia and New Zealand, the opportunity to purchase up to AUD$15,000 worth of shares (subject to receipt of an ASX waiver) at 45 cents per share.
• On 23 October, the Company announced the completion of additional funding by the placement of 29,100,00 shares at 45 cents per share (25.5P in the UK) to raise AUD $13.1 million, to fund completion of the BFS, allow continued exploration and to provide funds to place deposits on long lead items in the future.
• At the end of September 2009, Discovery Metals held AUD $4.8 million in cash.
• The Annual Financial Report for the year ended 30 June 2009, was released on 18 September.

1. Boseto Copper Project Bankable Feasibility

The Boseto Copper Project ("Project") Bankable Feasibility Study ("BFS") was approximately 60% complete by the end of the quarter. Finalisation of the BFS remains on schedule for the end of the first quarter 2010. This timetable was driven by the need to complete the infill drilling programme, which has significantly extended existing mineral resources.

The infill drilling programme was completed at the end of September and final assay results are expected by the end of the year. The programme is expected to improve confidence in portions of the Zeta, Plutus and Petra Inferred Mineral Resources and was designed to upgrade portions of this mineralisation from Inferred Mineral Resource to Indicated and Measured Mineral Resource categories.

The updating of the current mineral resources is set to continue with the completion of the Zeta Resource model in October 2009 and the Plutus and Petra Resource models scheduled for completion in December 2009.

A major milestone for the Boseto Copper Project was achieved during the quarter with the completion of the groundwater resource study and confirmation of water availability significantly exceeding the requirements of planned operations. This was announced to the market on 2 July 2009.

Work on the copper concentrator design has continued and is expected to culminate in a detailed capital expenditure estimate to BFS standard in the first quarter of 2010.

A BFS progress update highlighting changes since the completion of the Pre-Feasibility Study ("PFS") in July 2008 was published on 6 October 2009. Key outcomes of the work to date include:

• The average copper grade has increased 20%;
• The capital cost has reduced 19%;
• The average operating costs have reduced 27%;
• Suitable ground water resources in excess of 400% of project requirements have been identified within 15 kilometres of plant location;
• Significant new mineral resource prospects have been identified for future drilling within 15 kilometres of plant location;
• An average concentrate grade of 44% was predicted;
• The major design features of the process plant has been finalised following extensive metallurgical and geotechnical test work and studies; and
• Completion of the Environmental Impact Assessment.

(a) BFS team

Discovery Metals continues to use a small team of experienced executives to manage a number of specialist consulting teams who are carrying out the BFS for the Boseto Copper Project. Significant aspects of the planned Project development are subjected to a review by external specialists.
Completed work or reports on critical areas (resource geology and mine planning, ground water supply, metallurgy and process plant design and environmental compliance) have been forwarded to consultants performing the independent engineering review. The process has been designed to ensure that the quality of information contained in the BFS is verified to provide improved confidence in the study outcomes and to contribute towards a BFS that meets the requirements of all stakeholders including prospective investors, the Botswana Government and local Maun authorities and debt financiers.

The principal consultancy groups working on the BFS are:

- Snowden Mining Industry Consultants (‘Snowden’) has undertaken mineral resource estimation, geotechnical assessment, open pit design, production schedule optimisation, grade control assessment and underground mining conceptual studies;
- GRD-Minproc are progressing the engineering package including process engineering, plant design and associated infrastructure;
- SRK Consulting (‘SRK’) was assigned the Environmental and Social Impact Assessment (ESIA), together with the skills assessment study related to the area surrounding the proposed mine/processing site, as well as undertaking the tailings dam study. SRK has also completed the hydro-geological work required to define a water resource for the Project;
- Metallicon, a South African based metallurgical consulting group, with extensive copper and platinum experience, is assisting with understanding the metallurgy, coordinating the test work and advising on the process design; and
- SRK Consulting has supplied a team from Australia supplemented by specialists from their Johannesburg office to form the independent review team for the BFS.

The BFS team has been complemented with highly experienced consultants in the fields of geology, mining equipment evaluation, human resources strategy and project execution as required.

During the quarter, several peer reviews conducted were carried out by internationally accredited consultancy companies in the areas of resource classification and resource modelling, metallurgy, mineral processing, hydro-geology and environmental impact assessment with the results of the peer review confirming the BFS work to date, with minimal additional work required.

(b) Mineral Resource Evaluation

The infill drilling programme required to improve confidence in portions of the Zeta, Plutus and Petra Inferred Mineral Resource and upgrade significant portions of these deposits from Inferred Mineral Resources to Indicated Resource status was completed during the quarter. An updated Zeta mineral resource estimation was completed and announced on 19 October 2009. The final Plutus/Petra resource estimate for the BFS is planned for completion in December 2009.

The total Mineral Resource at the Boseto Copper Project, reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, “2004 Edition”) at a cut off grade of 0.6% Cu is:

60.4 Mt @ 1.4% Cu and 19.5g/t Ag containing 846kt copper metal and 38 Moz of silver comprising:

- Measured Mineral Resources of 3.9 Mt @ 1.6% Cu and 23.0 g/t Ag;
- Indicated Mineral Resources of 7.8 Mt @ 1.5% Cu and 22.8 g/t Ag; and
- Inferred Mineral Resources of 48.7 Mt @ 1.4% Cu and 18.7 g/t Ag.
(c) Open Pit Mining Study

An open pit design and mining engineering study was undertaken by Snowden during the quarter. The study included detailed pit design and production scheduling to optimise cash flows and the project NPV. These formed the basis of the BFS Project Update announced on 6 October 2009. Snowden also produced the final landform impacts at closure for the current proposed open pits at Zeta, Plutus and Petra for the ESIA.

Detailed open pit design work for Zeta, Plutus & Petra and production schedule exercises have been completed with the aim of minimising waste mining and maximising ore delivery to the plant. Production scenarios using the different options of stockpiling low grade material and / or oxide material were evaluated.

(d) Underground Mining Study

Snowden has been commissioned to commence with an underground mining study for Zeta and the outcomes from this project are expected to be:

- Identification of the areas at Zeta that are most prospective for underground mining;
- An estimate of the optimal cut-off grade required for underground mining;
- An estimate of the stope size based on the potential cut-off grade;
- An estimated mining cost, mining quantities and potential mining inventory;
- An initial underground mining schedule; and
- An estimate on the required access location for the underground mine at Zeta.

It is intended to include the potential upside from an underground development at Zeta in the BFS document. It is planned to drill a number of deeper holes beneath the Plutus Prospect to explore for a continuation of high grade zones which may also present underground potential.

(e) Grade Control Study

Snowden has also been commissioned to carry out a grade control study for the BFS and work has commenced. The study will address the following main points:

- Grade control philosophy;
- Resource model confidence;
- Control of mining (dilution);
- Control of metal flows to plant;
- Mass balance and metal accounting; and
- Control of product quality and metal sales.

Grade control is critical to the operations at Boseto and management is confident that the mining of mineralised zones can be tightly controlled.

(f) Geotechnical Assessment

Snowden has completed a geotechnical assessment of the pit slope parameters to be used in the BFS, which included development of geotechnical and structural models for each deposit, assessment of potential pit slope failure mechanisms and a suite of kinematic and limit equilibrium analyses to assess slope stability and determine slope design parameters to the required probability of failure.
The geo-mechanical laboratory testing programme included compressive strength tests, slake durability tests on the weathered materials as well as direct shear tests on core containing structural features. The results confirmed the pit slope angles as assumed in the Pre-Feasibility Study.

(g) Processing Study

Process Engineering has been completed for the concentrator design with the generation of Block Flow Diagrams, Process Flow Diagrams, Process Design Criteria, Mass Balance and Mechanical Equipment Lists. The results from this work have undergone an extensive peer review and been scrutinised by an external independent review team.

Detailed plant design has commenced with the development of Piping & Instrumentation Diagrams, General Arrangement and detailed plant design drawings.

Procurement has issued the majority of the tender packages for the main equipment and the technical and financial adjudication process has commenced. This work will lead to a detailed and up to date capital expenditure estimate to BFS standard.

The processing plant throughput is currently planned at 2Mtpa. The comminution circuit comprises single stage crushing, SAG milling with pebble crushe and then ball milling. The flotation circuit incorporates a conventional rougher-cleaner-re-cleaner circuit for sulphide and oxide material.

A metallurgical variability test work programme for comminution and flotation work encompassing Plutus, Zeta and Petra samples is ongoing. The results, analyses and interpretation of test work findings confirm present metallurgical understanding of the Boseto mineralisation.

(h) Infrastructure Studies

Ongoing discussions continued with the Botswana Power Corporation (‘BPC’) requesting power supply by the first quarter of 2012.

BPC confirmed that the contracts for Botswana’s new power plant projects have been awarded and their plans remain on track to significantly increase the country’s power grid capacity. The present Botswana power supply deficit is expected to decline gradually over the next few years until 2012, after which a small power surplus is anticipated.

The probable power supply route to the Boseto Copper Project would be via Maun by extension of the Francistown-Maun power line. An independent electrical consultant has been appointed by BPC to assess the ability of the existing network capability to support up to a 20MW load for the Project, which is more than the Boseto Copper Project’s maximum requirements.

Discovery Metals appointed an electrical engineering consultancy company to complete a comparison of the different fuel sources and power generation techniques available to the Project. The detailed evaluation stage of this work has commenced with BFS level of accuracy for the three most viable self generation fuel source options, namely diesel, heavy fuel oil and coal.

The capital cost estimate includes an allowance for the full self generation of all the power needs of the operation.

(i) Environmental Impact Assessment

The final draft version of the Environmental and Social Impact Assessment (‘ESIA’) report has been completed. All specialist studies including archaeology, ecology, groundwater supply and impact, noise, air quality, soil and land use capability and socio-economic considerations have been completed. The ESIA report is presently undergoing extensive internal review. It is intended to meet the requirements of the Botswana Department of Environmental Affairs (‘DEA’), and the Terms of Reference study (‘ToR’) as approved by the DEA in early 2008.
No impacts that would be considered to constitute an unacceptable level of risk in developing the Boseto Copper Project have been identified in the ESIA studies.

Archaeological clearance for the development of the Boseto Copper Project has been granted by the National Museum. The archaeological clearance covers the proposed mine footprint area as well as for the linear infrastructure (power line, road and water pipeline).

The baseline monitoring programme has been established in line with the Equator Principles and Performance Standards of the International Finance Corporation (‘IFC’). This is consistent with Discovery Metals’ commitment to progress the Boseto Copper Project in a manner compliant with the Equator Principles.

(j) Hydro-Geological Study

On 2 July 2009, Discovery Metals announced the successful delineation of groundwater resources more than sufficient to meet the processing and other operational needs of the Project. The groundwater resources were defined after an extensive programme which included the drilling of eleven water exploration boreholes. Well fields to develop these ground water resources will be situated within approximately 15 kilometres of the proposed plant site.

(k) Tailings Disposal Study

The PFS design recommended conventional wet tailings deposition using a ring main with spigots. With the water resource now confirmed, conventional wet tailings deposition will form part of the BFS design. Field work regarding geotechnical investigations and soil analyses has been completed and final design work will commence in the last quarter of 2009.

(l) Update of BFS Progress Inputs/Outputs

An extensive update of the Boseto Copper Project economics was released on 6 October 2009. The updated financial evaluation shows:

- **Cash Operating costs** continue to be in the middle of the copper producer costs curve with the updated 10 year estimated average cost of US$1.04/lb (January 2009 - US$1.06/lb);
- **Capital costs** have been increased to US$150 million (January 2009 - US$131 million) based on an increased contingency for capital component price changes;
- **Overall project economics** have improved despite including additional capital contingency and exploration expenditure, with the break even copper price at which the project provides a 10% discounted cash flow rate of return now being less than US$1.53/lb;
- **Net Present Values** ranging from US$116 million at a US$2.00/lb copper price to US$426 million at a US$4.00/lb copper price;
- **Internal Rates of Return** ranging from 18% at a US$2.00/lb copper price to 57% at a US$4.00/lb copper price; and
- **Payback** is expected within 2 years of production commencing (at the base case copper price).

Annual production from the Boseto copper concentrator is planned to average approximately 25,000 tonnes of copper and nearly 700,000 ounces of silver contained in a high grade concentrate.
2. Exploration & Infill Drilling

Botswana Copper Project (Discovery Metals 100%)

The Botswana copper tenements comprise 14 prospecting licences covering 10,100 square kilometres in north-west Botswana. The tenements extend from 60 kilometres south-west of Maun to the Namibian border, a distance of over 300 kilometres. These tenements contain approximately 1,300 strike kilometres of potential copper-silver mineralisation across the Kalahari Copper Belt.

To date, less than 150 kilometres have been explored by Discovery Metals’ soil sampling programme, with the reported Mineral Resources contained within 18 kilometres of the strike length. In addition to the reported Mineral Resources, Zeta and Plutus/Petra remain open at depth and along strike. Mineralised prospects not yet included in the Mineral Resource include Quirinus, South-West Petra, Nexus and north east extensions of Plutus, Nexus and Zeta.

Activity in the last quarter focussed on infill drilling to enhance the status of the existing Mineral Resources and some resource extension drilling to increase the size of the resource. Regional soil sampling programmes continued in a number of areas within 10 kilometres of the proposed plant site. A total of 90 diamond drill holes for 6,400m were completed during the quarter.

Zeta Infill Drilling Programme

The Zeta Mineral Resource was last updated in October 2009 to:

35.4 Mt @ 1.4% Cu and 22.3 g/t Ag at a cut-off grade of 0.6% Cu

consisting of Measured Mineral Resources of 3.9 Mt @ 1.6% Cu and 23.0 g/t Ag, Indicated Mineral Resources of 7.0 Mt @ 1.5% Cu and 23.8 g/t Ag and Inferred Mineral Resources of 24.5 Mt @ 1.4% Cu and 21.8 g/t Ag.

The BFS final infill drilling programme for the Zeta resource is complete and the final assay results have been received. These assays are currently undergoing quality review prior to announcement in the December quarter. The programme will upgrade the resource classification of the Zeta resource for the BFS. A sectional logging programme is underway which will provide final geological control for the definition of the mining reserves for the BFS programme.

Petra Prospect Drilling Programme

The Petra Mineral Resource was last updated in April 2009 to:

9.1 Mt @ 1.2% copper (Cu) and 14.1 g/t silver (Ag) using a cut-off grade of 0.6% Cu

consisting of Indicated Mineral Resources of 0.8 Mt @ 1.4% Cu and 14.0 g/t Ag and Inferred Mineral Resources of 8.3 Mt @ 1.2% Cu and 14.1 g/t Ag.

The Petra resource now connects directly to the Plutus resource creating a continuous strike length of more than 10 kilometres, open at depth and in both directions along strike.

Plutus Prospect Drilling Programme

The Inferred Mineral Resource for the Plutus Prospect was last updated in October 2008 to:

15.9 Mt @ 1.6% copper (Cu) and 16.4 g/t silver (Ag) at a cut-off grade of 0.6% Cu.

The Plutus infill drilling programme will improve the quality of the Plutus Resource (from inferred to indicated status) and is focussed on the portion of the resource being considered for open pit mining. The current round of drilling results will produce assay information from a number of shallow holes specifically drilled to improve the Company’s understanding of the near surface mineralisation, where previous drilling and metallurgical testing has demonstrated the presence of oxide copper minerals including chrysocolla and malachite.
Infill drilling at Plutus was completed in September 2009 with a new Mineral Resource estimate expected to be completed late in 2009 using all the assays from this programme.

These results will assist in defining the boundaries of higher grade mineralised zones within the Plutus mineral resource where the **grades exceed 2% copper**. These +2% copper zones are anticipated to enable development of shallow higher-grade starter pits which will contribute to improved project economics as well as provide potential for future underground resources.

**Quirinus Prospect Drilling Programme**

The Quirinus Prospect is located approximately 15 kilometres from the current identified Mineral Resources at Zeta, Plutus and Petra and is located within trucking distance of the proposed concentrator site.

Three discrete anomalous copper zones (greater than 100ppm Cu) were delineated by soil geochemistry at Quirinus, with the total anomalous copper signature of 13.4 kilometres in strike length. Four diamond drill holes and three reverse circulation holes were drilled at Quirinus, confirming copper-silver mineralisation identified by the Niton soil geochemical programme.

There has been no further work on the Quirinus Prospect this year as efforts were focused on the mineral resources currently designated for the BFS and the Project development decision. Further exploration and delineation programmes at Quirinus are expected to be carried out in 2010.

**Regional Soil Geochemical Exploration Programme**

The regional soil geochemical programme (using a Niton hand held XRF analyser) focussed on the north-east extension of the Plutus resource and the completion of the soil testing of the 11 kilometre strike length south-west of and including the Nexus Prospect. A total of 2,200 samples were analysed during the quarter. Although the Nexus Prospect itself is not included in the overall Mineral Resource for the BFS, it demonstrates the highly prospective nature of the exploration area. Nexus has the added benefit of being closer to the proposed Boseto Copper Project process plant than the Zeta resource.

The Petra Prospect strike length has further doubled to almost 24 kilometres a result of regional geochemistry, mapping and drilling as reported previously. Regional geological mapping along strike from Petra has identified well developed copper oxide mineralisation located near surface in two trenches approximately 12.5 kilometres to the south-west of the Petra resource. The tenor of the soil geochemistry exceeds that of the soil geochemistry of Zeta in places. Two recently completed holes to the south-west of the existing Petra Prospect intersected copper mineralisation over widths exceeding 10 metres. The holes also confirmed the consistent stratigraphy and mineralisation as identified in the Plutus and Petra Prospects.

The combined strike length of the Petra and Plutus Prospects now exceeds 24 kilometres, with the mineral resources determined from assays from over just 9 kilometres drilled to date.

The sterilisation soil sampling programme was completed for the north-east extension of Nexus and the north-east Zeta extension during the quarter. The soil sampling teams continue to work on the north-east Plutus extension. The next targets for Niton sampling are further to the south of Zeta. With sufficient near Boseto drilling targets now generated, the Niton crews are gearing up for a programme of targeted regional soil sampling in 2010.
3. **Dikoloti Nickel Project, North-East Botswana (Discovery Metals 85% owned)**

There was no exploration or test work for the Dikoloti nickel project during the quarter.

The Dikoloti nickel project comprises four prospecting licences covering an area of 600 square kilometres surrounding the three nickel deposits of BCL Limited in the Selebi-Phikwe region of north-east Botswana. Discovery Metals has earned an 85% interest from Xstrata, which is currently diluting its equity in this project. An Inferred Mineral Resource of **4.1Mt @ 0.7% Ni, 0.5% Cu and 1.2 ppm PGE’s** (Pt + Pd) at a cut-off of 0.5% Ni for 28,700 tonnes of contained nickel has been reported in accordance with the guidelines of the JORC (2004) code.

During 2007, a Scoping Study based upon GEOLEACH™ was completed based upon the encouraging leaching results previously reported test work.

In August 2009, Discovery Metals was formally notified of renewal of the Dikoloti exploration licenses by the Botswana Department of Geological Survey, with the next renewal date of June 2011.

Discovery Metals announced on 8 October 2009 that it has entered into a Joint Exploration Agreement with The Japan Oil, Gas and Metals National Corporation (JOGMEC) to fund an AUD$3 million exploration programme for Dikoloti.

The highlights of the agreement are:

- Funding by JOGMEC of AUD$3 million for exploration on the Dikoloti prospecting areas;
- Discovery Metals will remain operator of the joint venture during the farm-in exploration period and for any future projects or operating phases;
- The joint venture will be controlled by a joint operating committee, with representation of both JOGMEC and Discovery Metals.
- A number of highly prospective exploration targets have been identified adjacent to the existing Inferred Mineral Resource;
- JOGMEC has the right to earn-in a joint venture interest of up to 60%; and
- Should the exploration programme prove successful, it would be expected that JOGMEC would assign its interest to another Japanese entity for the development and operating phases.

4. **Australian Projects**

   a) **Musgrave Project, Western Australia (Discovery Metals 100% owned)**

A joint venture agreement is in place with Redstone Resources Limited (‘Redstone’).

No on-ground work was conducted during the quarter. Exploration results to date were being reviewed by Redstone as part of future exploration programme planning.

   b) **Litchfield Project, Northern Territory (Discovery Metals 100%)**

The Litchfield tenements are in the process of being relinquished.

5. **Corporate Activities**

On 26 October, the Company announced a Shareholder Share Purchase Plan (SPP). The SPP will offer those shareholders recorded on the register as at 23 October 2009 with addresses in Australia and New Zealand, the opportunity to purchase up to AUD$15,000 worth of shares (subject to receipt of an ASX waiver) at 45 cents per share.
On 23 October, the Company announced it had successfully placed 29,100,000 shares at AUD 45 cents per share (25.5p in the UK) for AUD $13.1 million (net of expenses) with institutional and retail investors in both the United Kingdom and Australia. In anticipation of a successful BFS outcome, this funding will enable the assembly of the Company’s project team responsible for the construction of the Boseto Copper Project facilities commencing in 2010. The funding will also allow the Company to pay early cash deposits on long lead items with the aim of shortening the development time-frame to the production of copper concentrate.

At the end of the September 2009, Discovery Metals held AUD $4.8 million in cash.

The Annual Financial Report for the year to 30 June 2009 was released on 18 September and reflected the substantial progress being made on the Boseto Copper Project.

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**Competent Persons Statement**

The information in this report that relates to Exploration Results is based on information compiled by Mr Fred Nhiwatiwa who is a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM). Mr Nhiwatiwa is a full-time employee of Discovery Metals Limited. Mr Nhiwatiwa has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

The information in this report as it relates to the Zeta, Plutus and Petra Mineral Resources for the Boseto Copper Project was reviewed by David Arnott, who is a MAusIMM. Mr Arnott is employed fulltime by Snowden Mining Industry Consultants Pty Ltd (Snowden). Mr Arnott has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

The information in this report as it relates to the Dikoloti Mineral Resource was reviewed by Mr Stefan Mujdrica of Xtract Mining Consultants Pty Ltd. At the time of reviewing the reported Mineral Resource, Mr Mujdrica was employed by Snowden. Mr Mujdrica is a MAusIMM and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”.

Messrs Nhiwatiwa, Arnott and Mujdrica consent to the inclusion in this report of the matters based on information provided by them and in the form and context in which it appears.

**Forward Looking Statements**

This release includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address future activities and events or developments that Discovery Metals expects, are forward-looking statements. Although Discovery Metals believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in forward-looking statements.
Directory

DISCOVERY METALS LIMITED
ABN 29 104 924 423

Web site www.discoverymetals.com.au
Email: info@discoverymetals.com.au

Investor information contacts:

Brad Sampson
Managing Director
Phone: +61 7 3218 0200  Mobile: +61 4 3877 1037
Email: brad@discoverymetals.com.au

or

Paul Fulton
Chief Financial Officer
Phone: +61 7 3218 0218  Mobile: +61 4 0054 4831
Email: paul.fulton@discoverymetals.com.au

Shareholder enquiries:

Queries related to share registry matters should be directed to:
Computershare Investor Services
Level 19, 307 Queen Street
Brisbane, Queensland 4000
Tel: 1300552270 or +61 7 3237 2100
Fax: +61 7 3237 2152
Web site: www.computershare.com

Registered Office

Level 8, 410 Queen Street
Brisbane, Queensland 4000, Australia
Phone: +61 7 3218 0222
Fax: +61 7 3218 0233

Botswana Country Office

Unit 2, Ipelo House Plot 103, International Commerce Park
Gaborone, Botswana
Phone: +267 318 0751
Fax: +267 318 0752

AIM Listing:

AIM Nominated Advisor & AIM Broker
Fairfax I.S. PLC
Contact: Ewan Leggat  Phone: +44 20 7460 4389
Contact: Laura Littley  Phone: +44 20 7460 4387

United Kingdom investor information:

Conduit PR
Contact: Jos Simson/Emily Fenton
Ph +44 20 7429 6603 / +44 20 7429 6608
Mobile +44 7899 870 450 / +44 7788 554 035

Stock exchange listings

Australian Stock Exchange - ASX Code: DML
Botswana Stock Exchange - BSE Code: DML
Alternate Investment Market - London Stock Exchange
AIM Code: DME

Issued capital

The current (30 June 2009) ordinary issued capital of the Discovery Metals is 194,078,380 ordinary shares and 35,660,569 shareholder, director and executive options.

Directors

Gordon Galt – Chairman
Brad Sampson – Managing Director
Morrice Cordiner – Non-Executive Director
Ribson Gabonowe – Non-Executive Director
Jeremy Read– Non-Executive Director
John Shaw – Non-Executive Director

Company Secretary - Roslynn Shand
# Appendix 5B

## Mining exploration entity quarterly report


### Name of entity

**Discovery Metals Limited**

<table>
<thead>
<tr>
<th>ABN</th>
<th>Quarter ended (&quot;current quarter&quot;)</th>
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<tbody>
<tr>
<td>29 104 924 423</td>
<td>30 September 2009</td>
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</tbody>
</table>

### Consolidated statement of cash flows

#### Cash flows related to operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Current quarter $A’000</th>
<th>Year to date (3 months) $A’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 Receipts from product sales and related debtors</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.2 Payments for exploration and evaluation</td>
<td>(3,394)</td>
<td>(3,394)</td>
</tr>
<tr>
<td>(a) exploration and evaluation</td>
<td>(3,394)</td>
<td>(3,394)</td>
</tr>
<tr>
<td>(b) development</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(c) production</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(d) administration</td>
<td>(918)</td>
<td>(918)</td>
</tr>
<tr>
<td>1.3 Dividends received</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.4 Interest and other items of a similar nature received</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>1.5 Interest and other costs of finance paid</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.6 Income taxes paid</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.7 Other (Indirect Taxes)</td>
<td>149</td>
<td>149</td>
</tr>
</tbody>
</table>

**Net Operating Cash Flows**

<table>
<thead>
<tr>
<th></th>
<th>Current quarter $A’000</th>
<th>Year to date (3 months) $A’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4,086)</td>
<td>(4,086)</td>
<td></td>
</tr>
</tbody>
</table>

#### Cash flows related to investing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Current quarter $A’000</th>
<th>Year to date (3 months) $A’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.8 Payment for purchases of:</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(a) prospects</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(b) equity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(c) other fixed assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.9 Proceeds from sale of:</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(a) prospects</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(b) equity</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>(c) other fixed assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.10 Loans to other entities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.11 Loans repaid by other entities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.12 Other (provide details if material)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Net investing cash flows**

<table>
<thead>
<tr>
<th></th>
<th>Current quarter $A’000</th>
<th>Year to date (3 months) $A’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1.13 Total operating and investing cash flows (carried forward)

<table>
<thead>
<tr>
<th></th>
<th>Current quarter $A’000</th>
<th>Year to date (3 months) $A’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4,086)</td>
<td>(4,086)</td>
<td></td>
</tr>
</tbody>
</table>

+ See chapter 19 for defined terms.

30/09/2009
1.13 Total operating and investing cash flows (brought forward) | (4,086) | (4,086)

**Cash flows related to financing activities**

<table>
<thead>
<tr>
<th>Item</th>
<th>Current quarter</th>
<th>Year to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.14 Proceeds from issues of shares, options, etc.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.15 Proceeds from sale of forfeited shares</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.16 Proceeds from borrowings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.17 Repayment of borrowings</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.18 Dividends paid</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1.19 Other (provide details if material)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Net financing cash flows | 0 | 0

Net increase (decrease) in cash held | (4,086) | (4,086)

1.20 Cash at beginning of quarter/year to date | 8,862 | 8,862

1.21 Exchange rate adjustments to item 1.20 | | |

1.22 Cash at end of quarter | 4,776 | 4,776

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

<table>
<thead>
<tr>
<th>Item</th>
<th>Current quarter</th>
<th>Year to date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.23 Aggregate amount of payments to the parties included in item 1.2</td>
<td>£60</td>
<td></td>
</tr>
<tr>
<td>1.24 Aggregate amount of loans to the parties included in item 1.10</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

1.25 Explanation necessary for an understanding of the transactions | - |

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows | - |

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest | - |

**Financing facilities available**

Add notes as necessary for an understanding of the position.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount available $A’000</th>
<th>Amount used $A’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Loan facilities</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3.2 Credit standby arrangements</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

* See chapter 19 for defined terms.
Estimated cash outflows for next quarter

<table>
<thead>
<tr>
<th></th>
<th>$A’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Exploration and evaluation</td>
<td>2,000</td>
</tr>
<tr>
<td>4.2 Development</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,000</td>
</tr>
</tbody>
</table>

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

<table>
<thead>
<tr>
<th></th>
<th>Current quarter $A’000</th>
<th>Previous quarter $A’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Cash on hand and at bank</td>
<td>4,776</td>
<td>8,862</td>
</tr>
<tr>
<td>5.2 Deposits at call</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.3 Bank overdraft</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5.4 Other (provide details)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total: cash at end of quarter (item 1.22)</strong></td>
<td>4,776</td>
<td>8,862</td>
</tr>
</tbody>
</table>

Changes in interests in mining tenements

<table>
<thead>
<tr>
<th></th>
<th>Tenement reference</th>
<th>Nature of interest (note (2))</th>
<th>Interest at beginning of quarter</th>
<th>Interest at end of quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 Interests in mining tenements relinquished, reduced or lapsed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.2 Interests in mining tenements acquired or increased</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

+ See chapter 19 for defined terms.

30/09/2009
## Issued and quoted securities at end of current quarter

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

<table>
<thead>
<tr>
<th>Description</th>
<th>Total number</th>
<th>Number quoted</th>
<th>Issue price per security (see note 3) (cents)</th>
<th>Amount paid up per security (see note 3) (cents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1 Preference +securities (description)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.3 +Ordinary securities</td>
<td>194,078,380</td>
<td>194,078,380</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buybacks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.5 +Convertible debt securities (description)</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.7 Options (description and conversion factor)</td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>30 cents</td>
<td>1 May 2010</td>
</tr>
<tr>
<td></td>
<td>1,300,000</td>
<td>1,300,000</td>
<td>35 cents</td>
<td>1 May 2010</td>
</tr>
<tr>
<td></td>
<td>718,188</td>
<td>718,188</td>
<td>26 cents</td>
<td>1 September 2010</td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>30 cents</td>
<td>1 September 2010</td>
</tr>
<tr>
<td></td>
<td>497,337</td>
<td>497,337</td>
<td>36 cents</td>
<td>5 December 2010</td>
</tr>
<tr>
<td></td>
<td>250,000</td>
<td>250,000</td>
<td>36 cents</td>
<td>1 October 2010</td>
</tr>
<tr>
<td></td>
<td>250,000</td>
<td>250,000</td>
<td>36 cents</td>
<td>1 October 2011</td>
</tr>
<tr>
<td></td>
<td>500,000</td>
<td>500,000</td>
<td>43 cents</td>
<td>25 March 2012</td>
</tr>
<tr>
<td></td>
<td>500,000</td>
<td>500,000</td>
<td>54 cents</td>
<td>Vest 25/03/2010, Expiry 25/03/2013</td>
</tr>
<tr>
<td></td>
<td>2,000,000</td>
<td>2,000,000</td>
<td>50 cents</td>
<td>Expiry 12/12/2011</td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>44 cents</td>
<td>Vest 1/02/2009</td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>55 cents</td>
<td>Expiry 1/02/2012</td>
</tr>
<tr>
<td></td>
<td>750,000</td>
<td>750,000</td>
<td>26 cents</td>
<td>Vest 1/11/2009</td>
</tr>
<tr>
<td></td>
<td>750,000</td>
<td>750,000</td>
<td>32 cents</td>
<td>Expiry 1/11/2012</td>
</tr>
<tr>
<td></td>
<td>20,795,044</td>
<td>20,795,044</td>
<td>30 cents</td>
<td>Expiry 1/11/2013</td>
</tr>
<tr>
<td></td>
<td>100,000</td>
<td>100,000</td>
<td>37.5 cents</td>
<td>Expiry 1/11/2012</td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>35 cents</td>
<td>Expiry 1/11/2013</td>
</tr>
<tr>
<td></td>
<td>1,250,000</td>
<td>1,250,000</td>
<td>37.5 cents</td>
<td>Expiry 1/11/2013</td>
</tr>
<tr>
<td>7.8 Issued during quarter</td>
<td>-</td>
<td>-</td>
<td>Exercise Price</td>
<td>Expiry Date</td>
</tr>
<tr>
<td>7.9 Exercised during quarter</td>
<td>-</td>
<td>-</td>
<td>Exercise Price</td>
<td>Expiry Date</td>
</tr>
<tr>
<td>7.10 Expired during quarter</td>
<td>-</td>
<td>-</td>
<td>Exercise Price</td>
<td>Expiry Date</td>
</tr>
<tr>
<td>7.11 Debentures (totals only)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.12 Unsecured notes (totals only)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* See chapter 19 for defined terms.
Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does *not* give a true and fair view of the matters disclosed.

Sign here: ..................................................... Date: 30 October 2009

(Company Secretary)

Print name: Roslynn Shand

Notes

1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 Issued and quoted securities The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, AASB 1022: Accounting for Extractive Industries and AASB 1026: Statement of Cash Flows apply to this report.

5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.

30/09/2009