4 November 2010

The Manager
Company Announcements Officer
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

Discovery Metals Limited (ASX / BSE code: DML / AIM code: DME)
Notification to Shareholders

Further to Discovery Metals Limited’s (ABN 29 104 924 423) announcement of its non-renounceable rights issue and institutional placement on 4 November 2010, we enclose copies of the following documents which will be mailed to shareholders (as applicable):

- Notification to Eligible Shareholders; and
- Notification to Non-Qualifying Foreign Shareholders.

Yours sincerely

Roslynn Shand
Company Secretary
[NOTIFICATION TO ELIGIBLE SHAREHOLDERS]

4 November 2010

Dear Shareholder,

NON-RENOUNCEABLE RIGHTS ISSUE

Equity Raising

Discovery Metals Limited (DML) has announced that it will conduct a placement of 45,300,000 fully paid ordinary shares (Placement Shares) to exempt institutional, sophisticated and professional investors at a price of A$1.12 (BWP7.280) per Placement Share (Placement) and following completion of the Placement will conduct an exempt pro-rata, non-renounceable rights issue (Rights Issue).

Any person who acquires Placement Shares will be eligible to participate in the Rights Issue (subject to the eligibility requirements set out below and in the Offer Document to be despatched to shareholders on 17 November 2010 (Offer Document)).

Rights Issue

A total of 86,875,646 Shares (Rights Issue Shares) will be available under the Rights Issue on the basis of 1 Rights Issue Share for every 4 existing shares held (Existing Shares) at a price of A$1.05 (BWP6.825) per Rights Issue Share to raise up to $91,219,429 (before the costs of the issue).

You will be eligible to participate in the Rights Issue if you hold Shares at 7.00pm (AEDT) on the Record Date (being 12 November 2010) and have a registered address in Australia, New Zealand or Botswana or you are an eligible institutional investor to whom the Company has decided to make an offer (Eligible Shareholders). Rights Issue Shares will be allotted into either ASX or BSE listed shares.

Funds raised under the Placement and the Rights Issue will primarily be used to further progress and develop the Boseto Copper Project, including to:

- progress the Project towards production which is currently scheduled for 2012;
- pay deposits on outright purchases of long lead items for the Project;
- fund construction of the Project facilities;
- purchase mine mobile equipment;
- continue with the Company’s planned exploration and drilling programs at the Project which is designed to increase its current mineral resources and its category status; and
- provide the Company with additional working capital for ongoing corporate costs.

The Rights Issue is fully underwritten. A summary of the underwriting agreements is set out in the short form Offer Document.

The Offer Document with personalised Application Form detailing the Rights Issue will be dispatched to Shareholders eligible to participate on 17 November 2010.

The Board recommends the Rights Issue to Shareholders.
Timetable

The current proposed timetable for the Rights Issue is set out below. The dates are indicative only and DML reserves the right to vary the dates (subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and to the underwriter’s consent if required).

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement of Equity Raising</td>
<td>4 November 2010</td>
</tr>
<tr>
<td>Lodge Appendix 3B and Cleansing Notice with ASX</td>
<td>4 November 2010</td>
</tr>
<tr>
<td>Dispatch of notices to Shareholders and Optionholders informing them of the Rights Issue</td>
<td>4 November 2010</td>
</tr>
<tr>
<td>Shares trade on an “ex” entitlement basis</td>
<td>8 November 2010</td>
</tr>
<tr>
<td>Record Date for entitlement to participate in the Rights Issue</td>
<td>12 November 2010</td>
</tr>
<tr>
<td>Offer Document and Application Form dispatched to Eligible Shareholders</td>
<td>17 November 2010</td>
</tr>
<tr>
<td>Closing Date for receipt of Application Form</td>
<td>2 December 2010</td>
</tr>
<tr>
<td>Rights Issue Shares quoted on deferred settlement basis</td>
<td>3 December 2010</td>
</tr>
<tr>
<td>ASX notified of under subscriptions</td>
<td>7 December 2010</td>
</tr>
<tr>
<td>Rights Issue Shares are allotted / issued (and entered into holders’ security holdings)</td>
<td>10 December 2010</td>
</tr>
<tr>
<td>Normal ASX / BSE trading for Rights Issue Shares commences</td>
<td>13 December 2010</td>
</tr>
<tr>
<td>Holding statements for Rights Issue Shares are dispatched to Shareholders</td>
<td>16 December 2010</td>
</tr>
</tbody>
</table>

*The “ex” date for entitlements is 8 November 2010; therefore shares purchased on or after 8 November 2010 will not provide the buyer with an entitlement to participate in the Rights Issue. Where fractions arise in the calculation of entitlements, they will be rounded up to the nearest whole number.

Information required to be given to you in accordance with the Listing Rules

1. Up to a maximum of 86,875,646 Rights Issue Shares will be issued pursuant to the Rights Issue (assuming no existing options are exercised prior to the Record Date).
2. The Rights Issue Shares will be fully paid ordinary shares and will rank equally in all respects from their date of allotment with the existing class of quoted Shares.
3. The issue price of the Rights Issue Shares is A$1.05 (BWP6.825) each.
4. DML will apply to ASX for admission of the Rights Issue Shares to official quotation.
5. The funds raised by the Rights Issue will be used primarily to further progress and develop the Boseto Copper Project (and as further described above), expenses of the Rights Issue, and administration.
6. It is expected that Rights Issue Shares will be entered into uncertificated holdings (certified for BSE holders) on 13 December 2010 and holding statements dispatched on 16 December 2010.
7. The total number and class of all securities that will be quoted on ASX (including the maximum number of Rights Issue Shares to be issued under the Rights Issue on an undiluted basis) is 434,378,231 fully paid ordinary shares.

8. Following the Rights Issue, the total number and class of all securities that will not be quoted on ASX is as follows:

<table>
<thead>
<tr>
<th>Number</th>
<th>Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>250,000</td>
<td>Options, exercise price of 36 cents on or before 1 October 2011.</td>
</tr>
<tr>
<td>2,000,000</td>
<td>Options, exercise price of 50 cents on or before 12 December 2011.</td>
</tr>
<tr>
<td>1,000,000</td>
<td>Options, vest 24 November 2010, exercise price of 35 cents on or before 12 December 2011.</td>
</tr>
<tr>
<td>1,000,000</td>
<td>Options, exercise price of 44 cents on or before 1 February 2012.</td>
</tr>
<tr>
<td>500,000</td>
<td>Options, exercise price of 43 cents on or before 25 March 2012.</td>
</tr>
<tr>
<td>100,000</td>
<td>Options, exercise price of 37.5 cents on or before 1 November 2012.</td>
</tr>
<tr>
<td>250,000</td>
<td>Options, exercise price of 26 cents on or before 1 November 2012.</td>
</tr>
<tr>
<td>1,000,000</td>
<td>Options, exercise price of 55 cents on or before 1 February 2013.</td>
</tr>
<tr>
<td>500,000</td>
<td>Options, exercise price of 54 cents on or before 25 March 2013.</td>
</tr>
<tr>
<td>250,000</td>
<td>Options, vest on 1 November 2010, exercise price of 32 cents on or before 1 November 2013.</td>
</tr>
<tr>
<td>1,250,000</td>
<td>Options, exercise price of 37.5 cents on or before 1 November 2013.</td>
</tr>
<tr>
<td>1,000,000</td>
<td>Options, exercise price of 35 cents on or before 1 November 2013.</td>
</tr>
</tbody>
</table>

9. DML currently has no dividend policy.

10. No shareholder approval for the Rights Issue is required.

11. The Rights Issue is non-renounceable. This means that shareholders who do not wish to take up their entitlements will not be able to trade or sell their entitlements. Their entitlements will simply lapse if not taken up.
12. The Rights Issue Shares will be offered on the basis of 1 Rights Issue Shares for every 4 Existing Shares held at 7.00pm AEDT on 12 November 2010 (Record Date).

13. In determining entitlements, any fractional entitlements will be rounded up to the nearest whole number.

14. Neither the Rights Issue nor the Offer Document constitutes an offer to acquire shares, to any Shareholders who are not resident in Australia, New Zealand or Botswana as at the Record Date. However, DML reserves the right to make offers under the Rights Issues to foreign persons who fall within an exempt investor category such that no disclosure document, lodgement or other registration is required in that jurisdiction in connection with the offer.

15. The Closing Date for the offer is 5.00pm AEDT (8.00am Gaborone time) on 2 December 2010.


17. UBS AG, Australia Branch is the sole bookrunner and underwriter for the Rights Issue.

18. The Offer Document for the Rights Issue and accompanying Application Form will be sent to Shareholders on 17 November 2010.

19. Existing option holders may participate in the Rights Issue upon exercise of their options and subject to registration of the resulting Shares prior to the Record Date.

20. The above information was provided to the ASX on 4 November 2010.

For further information on your entitlement, please contact your stockbroker or the Discovery Metals Shareholder Information Line on 1300 034 465 (from within Australia) or 61 3 9938 4379 (from outside Australia) at any time from 8:30am to 5:00pm (AEDT) Monday to Friday until the Closing Date.

Yours Sincerely,

DISCOVERY METALS LIMITED

Brad Sampson,
Managing Director
NOTIFICATION TO NON-QUALIFYING FOREIGN SHAREHOLDERS

10 November 2010

Dear Shareholder,

NON-RENOUNCEABLE RIGHTS ISSUE

This letter is to notify you that on 4 November 2010, Discovery Metals Limited (DML or Company) announced that it will conduct a placement of 45,300,000 fully paid ordinary shares (Placement Shares) to exempt institutional, sophisticated and professional investors at a price of A$1.12 (BWP6.825) per Placement Share (Placement) and following completion of the Placement will conduct an exempt pro-rata, non-renounceable rights issue (Rights Issue).

Under the Rights Issue, Eligible Shareholders are being offered 1 Rights Issue Share for every 4 Existing Shares at a price of A$1.12 (BWP7.280) per New Share to raise up to $91,219,429 (before the costs of the issue).

The record date for determining entitlements under the Rights Issue is expected to be 7.00 pm (AEDT) on 12 November 2010 (Record Date).

The Company has determined, having regard to the requirements and costs of compliance with the securities offering laws of other jurisdictions, that it will not make offers to Non-Qualifying Foreign Shareholders with a registered address outside of Australia, New Zealand or Botswana at 7.00pm AEDT on the Record Date and who are not eligible institutional investors to whom the Company has determined to make offers. The Company has determined that you are a Non-Qualifying Foreign Shareholder.

A copy of the Offer Document to be despatched in connection with the Rights Issue will be available for review on ASX’s website (asx.com.au) from 17 November 2010.

Thank you again for your continued support of Discovery Metals Limited. I trust that you understand the Company’s position in this matter.

Yours Sincerely,

DISCOVERY METALS LIMITED

Brad Sampson,
Managing Director
4 November 2010

Dear Option Holder,

NON-RENOUNCEABLE RIGHTS ISSUE

Equity Raising

Discovery Metals Limited (DML) has announced that it will conduct a placement of 45,300,000 fully paid ordinary shares (Placement Shares) to exempt institutional, sophisticated and professional investors at a price of A$1.12 (BWP7.280) per Placement Share (Placement) and following completion of the Placement will conduct an exempt pro-rata, non-renounceable rights issue (Rights Issue).

Any person who acquires Placement Shares under the Placement will be eligible to participate in the Rights Issue (subject to the eligibility requirements set out below and in the Offer Document which is to be despatched on 17 November 2010).

Rights Issue

A total of 86,875,646 Shares (New Shares) will be available under the Rights Issue on the basis of 1 Rights Issue Share for every 4 Existing Shares held at a price of A$1.05 (BWP6.825) per Rights Issue Share to raise up to A$91,219,429 (before the costs of the issue).

The record date for determining entitlements under the Rights Issue is expected to be 7.00pm (AEDT) on 12 November 2010 (Record Date).

You will be eligible to participate in the Rights Issue if you hold Shares at 7.00pm (AEDT) on the Record Date and have a registered address in Australia, New Zealand or Botswana or are an eligible institutional shareholder to whom the Company has decided to make offers under the Rights Issue. Rights Issue Shares will be allotted into either ASX or BSE listed shares.

Exercise of Options

You will need to check that your options are currently exercisable under the terms of your granted options before you can participate in the Rights Issue.

To exercise your options and participate in the Rights Issue you will need to deliver the following to the registered office of DML:

1. a notice in writing to the directors of DML specifying the number of options to be exercised (Option Exercise Notice);
2. your option certificate covering that number of options; and
3. payment for the exercise price for those options by way of a cheque made payable to DML.

Each share allotted as a result of the exercise of an option will rank equally with all other issued ordinary shares of DML.
To be eligible to participate in the Rights Issue, existing options must be exercised prior to the Record Date. For further information on your entitlement, please contact your stockbroker or the Discovery Metals Shareholder Information Line on 1300 034 465 (from within Australia) or +61 3 9938 4379 (from outside Australia) at any time from 8:30am to 5:00pm (AEDT) Monday to Friday until the Closing Date.

Yours Sincerely,

DISCOVERY METALS LIMITED

Brad Sampson,
Managing Director