For a pro-rata non-renounceable rights issue of 1 Rights Issue Share for every 4 Existing Shares held by Eligible Shareholders at 7.00pm AEDT (5.00pm Botswana Time) on the Record Date at an issue price of A$1.05 (BWP6.825) per Rights Issue Share.

LEAD MANAGER
UBS AG, Australia Branch

SOLE UNDERWRITER
UBS AG, Australia Branch

CO-MANAGERS
Blackswan Equities Pty Ltd
Fairfax I.S. plc
RBS Morgans Limited
Capital Corporate Finance (Pty) Ltd

Important Notice
This is an important document that requires your immediate attention.

This Offer Document is not a prospectus and it does not contain all of the information that an investor may require in order to make an informed decision regarding the Rights Issue Shares offered.

This Offer Document should be read in its entirety before deciding whether to apply for the Rights Issue Shares. If you are in doubt about what to do, you should consult your professional adviser without delay.

The Rights Issue Shares offered by this Offer Document should be considered speculative.

The Rights Issue opens on Wednesday 17 November 2010 and closes at 5.00pm AEDT (8.00am Botswana Time) on Thursday 2 December 2010.
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IMPORTANT INFORMATION

This Offer Document is dated 17 November 2010.

The information contained in this Offer Document is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Offer Document or are in any doubt as to how to deal with it, you should immediately consult your professional adviser.

This Offer Document has been prepared in accordance with section 708AA of the Corporations Act which relates to rights issues by certain entities that do not require the provision of a prospectus or other disclosure document. This Offer Document does not contain all of the information which a prospective investor may require to make an investment decision or which would otherwise be required under Australian law or any other law to be disclosed in a prospectus. Eligible Shareholders should rely on their own knowledge of the Company, refer to disclosures made by the Company to ASX and consult their professional advisers before deciding whether to apply for Rights Issue Shares. Announcements made by Discovery Metals to ASX are available from the ASX website www.asx.com.au. The information in this Offer Document does not constitute a securities recommendation or financial product advice.

By returning an Application Form or lodging an Application Form or otherwise arranging for payment for your Rights Issue Shares through BPAY® in accordance with the instructions on the Application Form, you acknowledge that you have received and read this Offer Document and agree to all of the terms and conditions in this Offer Document.

1.1 Offering Restrictions

This Offer Document has been prepared for circulation to Eligible Shareholders in Australia, New Zealand and Botswana. No action has been taken to lodge this Offer Document in any jurisdiction, or to otherwise permit an offering of Rights or Shares, in any jurisdiction outside Australia, New Zealand and Botswana, or to a person that is not an Eligible Institutional Shareholder.

The Rights Issue Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

This Offer Document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand). This Offer Document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

The Rights Issue is not being extended to any Shareholder whose registered address is outside Australia, New Zealand and Botswana other than Eligible Institutional Shareholders. Any other person who receives this Offer Document (including an electronic copy) should ignore it. Any failure to comply with foreign legal restrictions in connection with the Rights Issue may constitute a violation of applicable securities laws, and persons who come into possession of this Offer Document should seek advice on and observe any such restrictions.

The Rights Issue may only be accepted by Eligible Shareholders and does not constitute an offer in any place in which or to any person to whom, it would be unlawful to make such an offer. An Application Form is attached to this Offer Document for Eligible Shareholders who wish to take up their Entitlement.
The Rights Issue Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. The Rights Issue Shares to be issued under the Rights Issue may be offered and sold solely outside the United States to persons that are not US Persons and are not acting for the account or benefit of US Persons in “offshore transactions” in reliance on Regulation S under the US Securities Act. No party has offered or sold and no party will offer or sell, directly or indirectly, any Rights Issue Shares in the United States or to, or for the account or benefit of, US Persons, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

1.2 Future performance and forward looking statements

Neither Discovery Metals nor any other person warrants or guarantees the future performance of the Rights Issue Shares or any return on any investment made pursuant to the Rights Issue.

The forward looking statements in this Offer Document are based on Discovery Metal’s current expectations about future events. They are, however, subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Discovery Metals and its Directors that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by the forward looking statements in this Offer Document.

1.3 Governing law

This Offer Document, the Equity Raising and the contracts formed on acceptance of the Applications are governed by the law applicable in Queensland, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of Queensland, Australia.

1.4 Disclaimer

This Offer Document has been prepared by the Company. No party other than the Company has authorised or caused the issue of this Offer Document or takes responsibility for, or makes any statements, representations or undertakings in, this Offer Document. In particular, the Underwriter, its related bodies corporate, directors, employees, representatives or agents:

› have not, authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this document;

› does not make, or purport to make, any statement in this document, and there is no statement in this document which is based on any statement by UBS; and

› to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representations regarding, and takes no responsibility for, any part of this document.

Neither ASX nor ASIC takes any responsibility for the contents of this Offer Document.

No person is authorised to give information or to make any representation in connection with this Offer Document which is not contained in the Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Offer Document.
1.5 Privacy

Discovery Metals and its share registry have already collected certain personal information from you as a Shareholder. If you complete an Application Form, you will be providing personal information to the Company (directly or by the Company’s share registry). The Company collects, holds and will use that information to assess your Application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration. The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company’s share registry.

You can access, correct and update the personal information held about you by contacting the Company or its registry at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.
CHAIRMAN’S LETTER

17 November 2010

Dear Shareholder,

On behalf of the Board of Discovery Metals Limited, I am pleased to invite you to participate in a non-renounceable Rights Issue of approximately 86.9 million Rights Issue Shares at an issue price of A$1.05 (BWP6.825) per share to raise up to approximately A$91 million (before expenses). The Entitlement under the Rights Issue is one Rights Issue Share for each four Existing Shares held at the Record Date (1 for 4). This Offer Document outlines the details of the Rights Issue.

The Rights Issue is being made to all Eligible Shareholders whose registered addresses are within Australia, New Zealand and Botswana on the Record Date and to Eligible Institutional Shareholders.

On 4 November 2010, the Company announced that it would undertake the Placement to sophisticated, professional and other exempt investors. The Company has successfully completed the Placement of 45.3 million Placement Shares and raised approximately A$51 million. Placees who received Placement Shares will be entitled to participate in the Rights Issue on the terms set out in this Offer Document.

The funds to be raised by the Company under the Equity Raising will be used to:

(a) progress the Project towards production which is currently scheduled for 2012;
(b) pay deposits on outright purchases of long lead items for the Project;
(c) fund construction of the Project facilities;
(d) purchase mine mobile equipment;
(e) 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
(f) provide the Company with additional working capital for ongoing corporate costs.

Following the recent completion of the bankable feasibility study for the Boseto Copper Project in Botswana, the Company’s main focus and activity is the advancing of the Project into production, which is scheduled for the first half of 2012.

The 3Mtpa Boseto Copper Project feasibility studies were recently completed and announced, showing:

- The Bankable Feasibility Study (BFS) examined the open pit mining of proved and probable Ore Reserves only for an initial five year period, with power provided by diesel generation;
- BFS Net Present Value (five years): US$251M averaging 34,400tpa of copper production at a C1 cash cost of US$1.28/lb;
- The Boseto Development Plan (BDP) examined the continuation of mining beyond the BFS period, with mining of reserves plus Inferred Mineral Resources via open pit methods and inclusion of the Zeta underground mine. The BDP covers a 15 year period and establishment of a coal fired power station to provide power;
- BDP Net Present Value (15 years): US$375M averaging 36,400tpa of copper production at a C1 cash cost of US$1.23/lb;
- Payback for both studies is less than two years after production commences.
Botswana has over 40 years of uninterrupted democratic leadership, progressive social and economic policies together with capital investment have resulted in Botswana being one of Africa’s leading economies. Botswana has one of the world’s highest growth rates, enjoying middle income per capita GDP and ranked by credit rating services as one of the best countries in Africa. It is ranked No. 4 of the most secure nations for resource sector investment, behind Canada, Finland and Chile and ahead of the USA and any Australian state (Fraser Institute survey August 2010).

The Company has recently received confirmation of the grant of surface rights (being the required land tenure for the Boseto Project) and expects to receive approval for the grant of its Boseto Copper Project mining licence before the end of the year. At this time, the Company will also receive confirmation from the Government of Botswana as to whether it wishes to exercise its right to take up a 15% interest in the Boseto Project. Further information on this right is included at Section 6.1 of this Offer Document.

Please read this Rights Issue Offer Document carefully before deciding whether to invest or not to invest. An investment in Discovery Metals contains specific risks which you should consider before making that investment decision. If there is any matter on which you require further information, you should consult your stockbroker, accountant or other professional advisor.

Whilst the Directors cannot guarantee the future performance of the Company’s Shares, I commend the Rights Issue to you and look forward to your continuing support to construct the Boseto Copper Project.

Yours sincerely,

Gordon Galt
Chairman
Discovery Metals Limited

Notes to Chairman’s Letter:
1. Discovery Metals has environmental approval for throughput of 2Mtpa and has applied to have this increased to 3Mtpa.
2. Costs are per pound of copper during forecast debt repayment period July 2012 to December 2014.
1 SUMMARY OF KEY INFORMATION

1.1 Key offer details

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rights Issue Offer Price</td>
<td>A$1.05 (BWP6.825)</td>
</tr>
<tr>
<td>Number of Rights Issue Shares to be issued:</td>
<td>86,875,646</td>
</tr>
<tr>
<td>Entitlement</td>
<td>1 Rights Issue Share for every 4 Existing Shares held as at the Record Date</td>
</tr>
<tr>
<td>Gross Rights Issue proceeds</td>
<td>Approximately $A91 million</td>
</tr>
<tr>
<td>Rights Issue Shares allotment</td>
<td>ASX or BSE listed shares</td>
</tr>
</tbody>
</table>

1.2 Key Dates

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement of Equity Raising (Placement and Rights Issue)</td>
<td>4 November 2010</td>
</tr>
<tr>
<td>Appendix 3B and cleansing notice lodged with ASX</td>
<td>4 November 2010</td>
</tr>
<tr>
<td>Shareholder and optionholder notices sent (advising of timetable and requirement to exercise Options to participate)</td>
<td>4 November 2010</td>
</tr>
<tr>
<td>Ex Date (Shares trade on an “ex” Entitlement basis)</td>
<td>8 November 2010</td>
</tr>
<tr>
<td>Record Date</td>
<td>12 November 2010</td>
</tr>
<tr>
<td>Despatch of Offer Document and Application Form</td>
<td>17 November 2010</td>
</tr>
<tr>
<td>Opening date (Rights Issues opens for receipt of Applications)</td>
<td>17 November 2010</td>
</tr>
<tr>
<td>Closing Date for Applications and payment in full</td>
<td>2 December 2010</td>
</tr>
<tr>
<td>Shares quoted on deferred settlement basis</td>
<td>3 December 2010</td>
</tr>
<tr>
<td>ASX notified of shortfall</td>
<td>7 December 2010</td>
</tr>
<tr>
<td>Rights Issue Shares are issued (and entered into holders’ security holdings)</td>
<td>10 December 2010</td>
</tr>
<tr>
<td>Normal ASX (and BSE) trading for Rights Issue Shares commences</td>
<td>13 December 2010</td>
</tr>
<tr>
<td>Holding statements are dispatched to Shareholders</td>
<td>16 December 2010</td>
</tr>
</tbody>
</table>

These dates may be varied by Discovery Metals in accordance with the Corporations Act, with the Listing Rules and with the consent of UBS (if required).
2 INVESTMENT HIGHLIGHTS

› Placement of 45.3 million Placement Shares successfully completed, raising a total of approximately A$51 million

› 1 for 4 Rights Issue is fully underwritten by UBS to raise a total of approximately A$91 million

› Opportunity to invest after completion of the 3Mtpa\(^1\) Bankable Feasibility Study for DML’s flagship Boseto Copper Project

› Boseto Copper Project features:
  – Boseto Mineral Resource – 102.8Mt @ 1.4% Cu\(^2\) & 17.3 g/t Ag
  – Boseto Ore Reserve – 21.8Mt @ 1.4% Cu & 18.2g/t Ag\(^2\)
  – Near term production – Target 2012
  – Significant exploration upside potential – less than 400km of 1,300km strike explored to date
  – Attractive operating costs of US$1.23/lb\(^3\)
  – Botswana globally recognised as a favourable mining destination

› Copper sector has favourable dynamics with few emerging copper producers with near term production

› Notice to proceed has been issued to Sedgman to commence construction of the copper concentrating plant

Notes:
1. The Company has environmental approval for throughput of 2Mpta and has applied for an increase to 3Mpta.
2. Refer to the Competent Persons Statement in Annexure A at page 40 of this Offer Document.
3. Development Plan feasibility study for the period 1 July 2012 to 31 December 2014.
3 OFFER DETAILS

3.1 Equity Raising

Discovery Metals intends to raise approximately A$142 million under the Equity Raising, which comprises an institutional placement of approximately A$51 million (Placement) (now complete) and a pro-rata non-renounceable rights issue of approximately A$91 million (Rights Issue).

All new Rights Issue Shares will be fully paid ordinary shares and will rank equally from the date of their issue, in all respects with all Existing Shares (and with all new Placement Shares issued under the Placement).

The Rights Issue is fully underwritten. A summary of the underwriting agreements is set out in Section 6 of this Offer Document.

3.2 Placement

On Thursday 4 November 2010, Discovery Metals announced that the Placement would be conducted by way of institutional bookbuild. The Placement was successfully completed with a total of 45,300,000 Placement Shares being issued to raise a total of approximately A$51 million.

Placement Shares issued to Eligible Shareholders will be eligible to participate in the Rights Issue on the terms set out in this Offer Document.

3.3 Rights Issue

The Company is offering Eligible Shareholders the opportunity to participate in a pro-rata non-renounceable rights issue of 86,875,646 Rights Issue Shares in the Company on the basis of 1 Rights Issue Share for every 4 Existing Shares held on the Record Date, being 7.00 pm AEDT (5.00pm Botswana Time) on 12 November 2010, at the Rights Issue Offer Price of A$1.05 (BWP6.825) per Rights Issue Share.

The number of Rights Issue Shares to which you are entitled (your Entitlement) is shown on the accompanying Application Form.

Fractional Entitlements will be rounded up to the nearest whole number of Rights Issue Shares. If the Company considers that holdings have been split to take advantage of rounding, the Company reserves the right to aggregate holdings held by associated Eligible Shareholders for the purpose of calculating Entitlements.

3.4 Opening and Closing Dates

The Rights Issue will open for receipt of acceptances on Wednesday 17 November 2010. The Closing Date and time for acceptances and payments is 5.00 pm AEDT (8.00am Botswana Time) on Thursday 2 December 2010, subject to Discovery Metals varying those dates in accordance with the Corporations Act, with the Listing Rules and with the consent of UBS (if required). Discovery Metals must receive your Application Form and payment or your BPAY® payment [for applications by non-Botswana resident Shareholders] before this time.
3.5 Who is entitled to participate in the Rights Issue?

The Rights Issue constitutes an offer only to Eligible Shareholders, being Shareholders who are registered as the holder of Shares on the Record Date (being 7.00 pm AEDT / 5.00pm Botswana Time on 12 November 2010) and who have a registered address in Australia, New Zealand or Botswana and are eligible under all applicable laws to receive an offer under the Rights Issue.

If you have received Placement Shares under the Placement and satisfy each of these requirements you will be eligible to participate in the Rights Issue and will receive a personalised Application Form detailing your Entitlement. Readers should refer to Section 3.11 for further information on eligibility.

3.6 No Rights trading

The Rights Issue is non-renounceable. This means that your Right to subscribe for Rights Issue Shares under this Offer Document is not transferable and there will be no trading of Rights on ASX. If you choose not to take up your Rights, or you are not an Eligible Shareholder, you will receive no benefit and your shareholding in Discovery Metals will be diluted as a result.

3.7 Timetable for the Equity Raising

The Key Dates and timetable for the Equity Raising is set out in Section 1 of this Offer Document.

These dates are indicative only and subject to change. The Company, in conjunction with the Underwriter, reserves the right, subject to the Corporations Act and the ASX Listing Rules, to vary the above dates.

3.8 Rights Issue Allotment and Application Money

Application Money will be held in a subscription account on trust until allotment of the Rights Issue Shares. If any Application Money is refundable, it will be refunded as soon as reasonably practicable after the Closing Date. The Company is not obliged to refund amounts of less than A$10.00 and reserves the right to either refund those amounts or donate them to charity. Interest earned on the Application Money will be for the benefit of Discovery Metals and will be retained by Discovery Metals irrespective of whether Rights Issue Shares are issued.

No allotment of the Rights Issue Shares will occur until ASX grants permission to quote the Rights Issue Shares.

The Rights Issue Shares are expected to be allotted by no later than 5.00pm AEDT (8.00am Botswana Time) on 10 December 2010. Statements of holding of Rights Issue Shares will be mailed after allotment occurs.

3.9 Applications above your Entitlement

The Rights Issue is fully underwritten by UBS. However, the Company’s intention is to maximise the number of Rights Issue Shares that are available to Shareholders.

While you are not entitled to receive or be allocated any Rights Issue Shares in addition to your Entitlement; in the event that all Shareholders do not take up their full Entitlements, the Company will consider applications for up to 50% greater than your Entitlement.
If you do apply for more than your Entitlement, you may only receive a further allocation to the extent that there is a shortfall and provided that you are an Eligible Shareholder or Eligible Institutional Shareholder to whom offers were made under this Rights Issue. Any shortfall allocation is at the sole discretion of the Company and Rights Issue Shares may still be taken up by the Underwriter (or third parties arranged by the Underwriter). In exercising this discretion, the Company will not make any allocation in addition to your Entitlement that would result in a breach of the Corporations Act or the Listing Rules.

The Company expects any Rights Issue Shares allocated in excess of your Entitlement to be issued at the same time as, or as soon as practicable after, the date on which all other Rights Issue Shares are issued (being 10 December 2010) and in any event, by no later than 31 December 2010.

3.10 ASX Quotation

Application for admission of the Rights Issue Shares to official quotation on ASX has been made.

Subject to approval being granted by ASX, it is expected that quotation and normal trading of Rights Issue Shares will commence on 13 December 2010.

The fact that ASX may agree to grant official quotation of the Rights Issue Shares is not to be taken in any way as an indication of the merits of the Company or the Rights Issue Shares.

Rights Issue Shares taken up by Shareholders resident in Botswana may also be settled in BSE listed Shares.

3.11 Non-Resident Shareholders

No action has been taken to register or qualify the Rights Issue Shares or the Rights Issue, or otherwise to permit an offering of the Rights Issue Shares in any jurisdiction outside Australia, New Zealand or Botswana, or to a person that is not an Eligible Institutional Shareholder.

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.

The Company reserves the right to make offers under the Rights Issue to persons with registered addresses outside of Australia, New Zealand or Botswana, provided that those persons are Eligible Institutional Shareholders and the Company is satisfied that it is not precluded from lawfully issuing the Rights Issue Shares without disclosure. If you are an Eligible Institutional Shareholder to whom the Company wishes to make an offer of Rights Issue Shares, you will receive a personalised Application Form detailing your Entitlement.

This Offer Document and accompanying Application Form do not, and are not intended to constitute an offer in any place in which, or to any person whom, it would not be lawful to make such an offer. The distribution of this Offer Document and accompanying Application Form may be restricted by law and persons who come into possession of this Offer Document and accompanying Application Form should seek advice and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws.
3.12 Enquiries

If you have any questions concerning the Rights Issue, please call the Discovery Metals Shareholder Information Line on 1300 034 465 (from within Australia) or +61 3 9938 4378 (from outside Australia) at any time from 8:30am to 5:00pm (AEDT) Monday to Friday until the Closing Date or visit our website at www.discoverymetals.com.au. For any questions concerning the Rights Issue from Botswana resident Shareholders, please call 393 2244 (from within Botswana).

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of subscribing for Rights Issue Shares under this Offer Document.
4 PURPOSE AND EFFECTS OF THE OFFER

4.1 Purpose of the offer

The Equity Raising (including the funds to be raised under the Rights Issue) will primarily be used by the Company to further progress and develop its Boseto Copper Project in Botswana. The Company has recently completed a bankable feasibility study for the Boseto Copper Project which indicates that the Project is likely to be in production by 2012.

The Company has made detailed disclosure to the market regarding the Boseto Copper Project and the results of the bankable feasibility study were announced by the Company on 31 August 2010 and can be obtained from www.asx.com.au.

The Company’s subsidiary [Discovery Copper (Botswana) (Pty) Ltd] is the direct holder of the Boseto Copper project and that entity also intends to obtain project financing for the development of that Project in early 2011.

4.2 Funds raised

A total of 45,300,000 Placements Shares were issued under the Placement at a price of A$1.12 (BWP7.280), raising a total of A$50,736,000.

A total of 86,875,646 Rights Issue Shares are available under this Rights Issue at the Rights Issue Offer Price. The Rights Issue is fully underwritten by UBS and UBS will subscribe for (or procure applications for) the Rights Issues at the Rights Issue Offer Price. Consequently, the amount of funds raised under the Rights Issue will be A$91,219,429.

Before the expenses of Equity Raising, the Company expects the total proceeds from the Placement and the Rights Issue to be A$141,955,429.

4.3 Effect of the offer

The information contained in this section 4.3 assumes that no Options are exercised, resulting in additional Shares being issued and registered as at the Record Date.

As the Equity Raising is fully underwritten, the principal effect of the offer will be to:

(a) increase cash reserves by A$141,955,429, before deducting estimated expenses of the Equity Raising; and

(b) increase the number of Shares on issue from 302,202,585 to approximately 434,378,231.

Upon completion of the Equity Raising (and issue of any shortfall shares to, or arranged by the underwriter), the issued capital of the Company will comprise:

<table>
<thead>
<tr>
<th>Shares</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares on issue immediately prior to the Equity Raising</td>
<td>302,202,585</td>
</tr>
<tr>
<td>Placement Shares issued</td>
<td>45,300,000</td>
</tr>
<tr>
<td>Rights Issue Shares on offer under this Offer Document</td>
<td>86,875,646</td>
</tr>
<tr>
<td><strong>TOTAL (upon completion of the Equity Raising)</strong></td>
<td><strong>434,378,231</strong></td>
</tr>
</tbody>
</table>

A copy of the pro-forma balance sheet showing the effects of the Equity Raising on cash reserves and share capital is included below at Section 4.6.
4.4 **Effect for Shareholders**

If all Eligible Shareholders take up their Entitlements in full under the Rights Issue, Shareholders’ interests in the Company will not change except to the extent that the shareholding of Non-Qualifying Foreign Shareholders will have been diluted, and the interests of Eligible Shareholders will have increased correspondingly.

The interests of Shareholders who do not take up their Entitlement in full will be diluted.

The interests of Shareholders who only take up part of their Entitlement will also be diluted, but to a lesser extent.

Further, if not all Shareholders take up their Entitlement in full and some Shareholders apply for Rights Issue Shares in excess of their Entitlement and are allocated further Rights Issue Shares in accordance with Section 3.9 of this Offer Document, the dilutionary impact on non-participating or partially participating Shareholders will be greater than it otherwise would be.

4.5 **Potential Effect on Control**

The Equity Raising is fully underwritten by UBS, subject to the terms of the Underwriting Agreement. The maximum number of Shares available under the Equity Raising is 132,175,646 representing approximately 30.4% of the Company’s issued Shares following successful completion of the Equity Raising (and assuming no Options are exercised).

Section 606 of the Corporations Act prohibits a person from acquiring relevant interests in 20% or more of the issued voting shares of a listed company, unless certain exceptions apply or the acquisition is pursuant to a takeover bid. There are no relevant exceptions in relation to the Equity Raising. Under the terms of the Underwriting Agreement UBS has the ability to enter into sub-underwriting arrangements to ensure that it does not acquire Shares or voting power in the Company of 20% or more.

The Company’s decision to consider allocations over and above a Shareholder’s Entitlement (as set out in Section 3.9 of this Offer Document) also has the potential to have an impact on control. However, the maximum amount that any Eligible Shareholder may apply for in excess of their Entitlement is capped at 50%. Further, the Company maintains sole discretion regarding the manner in which excess Entitlements are allocated and will exercise this discretion to ensure that there is no impact upon the control of the Company.

4.6 **Pro-forma balance sheet**

Set out below is a pro-forma balance sheet of the Company assuming the successful completion of the Equity Raising. It is based on the Company’s consolidated balance sheet in the 30 June 2010 statutory accounts which were audited by RSM Bird Cameron. It is also prepared on the assumption that no Options are exercised, resulting in additional Shares being issued and registered as at the Record Date and the assumption that the Underwriting Agreement is not terminated.

Reference should be made to the full statutory accounts of Discovery Metals (available from ASX’s website at www.asx.com.au, or on request from Discovery Metals) and its accompanying notes. The financial accounts were audited by RSM Bird Cameron.

Ernst & Young, the Investigating Accountant, has undertaken a review (but not an audit) of the historical financial information and pro-forma financial information set out below.
<table>
<thead>
<tr>
<th></th>
<th>Consolidated Actual 30 June 2010 (Audited) $AUD</th>
<th>Consolidated Actual 30 September 2010 (Un-audited) $AUD</th>
<th>Consolidated Pro-Forma 30 September 2010 (Un-audited) $AUD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>39,340,219</td>
<td>36,344,654</td>
<td>174,044,654</td>
</tr>
<tr>
<td>Trade &amp; other receivables</td>
<td>786,095</td>
<td>1,088,471</td>
<td>1,088,471</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>40,126,314</td>
<td>37,433,125</td>
<td>175,133,125</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>1,303,510</td>
<td>1,480,071</td>
<td>1,480,071</td>
</tr>
<tr>
<td>Exploration expenditure</td>
<td>33,882,987</td>
<td>36,140,468</td>
<td>36,140,468</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>53,419</td>
<td>51,091</td>
<td>51,091</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td>35,239,916</td>
<td>37,671,630</td>
<td>37,671,630</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>75,366,230</td>
<td>75,104,755</td>
<td>212,804,755</td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade &amp; other payables</td>
<td>972,325</td>
<td>1,158,900</td>
<td>1,258,900</td>
</tr>
<tr>
<td>Short-term provisions</td>
<td>309,134</td>
<td>327,796</td>
<td>327,796</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>1,281,459</td>
<td>1,486,696</td>
<td>1,586,696</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>1,281,459</td>
<td>1,486,696</td>
<td>1,586,696</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>74,084,771</td>
<td>73,618,059</td>
<td>211,218,059</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital</td>
<td>88,085,126</td>
<td>88,435,880</td>
<td>226,035,880</td>
</tr>
<tr>
<td>Reserves</td>
<td>6,580,813</td>
<td>4,924,121</td>
<td>4,924,121</td>
</tr>
<tr>
<td>Accumulated losses</td>
<td>(20,581,168)</td>
<td>(19,741,942)</td>
<td>(19,741,942)</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>74,084,771</td>
<td>73,618,059</td>
<td>211,218,059</td>
</tr>
</tbody>
</table>

This pro-forma balance sheet does not include all the notes of the type normally included in an annual financial report. Accordingly, the pro-forma balance sheet is to be read in conjunction with the annual report for the year ended 30 June 2010, the notes below and any public announcements made by Discovery Metals during the period from 30 June 2010 in accordance with the continuous disclosure requirements of the Corporations Act 2001.
Specific Matters

1. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation of the Boseto Copper Project and the Dikoloti Nickel Project in Botswana, or alternatively, sale of these areas of interest.

2. The functional and presentation currency used in the preparation of the pro-forma balance sheet is Australian Dollars. The Group expects to change its functional currency to US Dollars post capital and debt raising and the commencement of development works for the Boseto Copper Project. No financial impact of this change has been reflected above as the ultimate impact will depend on prevailing rates at future balance dates.

Pro-forma Adjustments

The pro-forma balance sheet reflects the impact of raising A$141,955,429 from the Placement and Rights Issue, pre costs of A$4,358,662. This has resulted in a net increase in cash and equity.

No future income tax benefit, if any, has been recorded with respect to capital raising costs.
5  HOW TO APPLY

5.1  What you may do

The number of Rights Issue Shares to which you are entitled is shown on the accompanying personalised Application Form.

As an Eligible Shareholder, you may:

› take up all of your Entitlement;
› accept part of your Entitlement and allow the balance to lapse;
› allow all of your Entitlement to lapse; or
› apply for your Entitlement and an additional amount of up to 50% of your Entitlement noting that the excess may or may not be allocated to you. (Refer to Section 3.9 of this Offer Document for further information).

The Company reserves the right to reject any Application Form that is not correctly completed or that is received after 5.00pm AEDT (8.00am Botswana Time) on the Closing Date.

Discovery Metals will treat you as applying for as many Rights Issue Shares as your payment will pay for in full. Amounts received by Discovery Metals in excess of your Entitlement will be deemed to be an application for that number of additional Rights Issue Shares in excess of your Entitlement that your payment will cover in full, subject to a maximum of 50% above your Entitlement. Any other amounts will be returned as soon as practicable after the Closing Date. No interest will be paid on returned Application Money.

By completing an Application Form or paying your Application Money through BPAY® (nothing BPAY® is not available to Botswana Shareholders), Shareholders will be deemed to have made the representations, warranties and agreements set out in the Application Form and in Section 5.4 of this Offer Document.

If you do not wish to take up any part of your Entitlement you are not required to take any action. If you allow all or part of your Entitlement to lapse you will receive no benefit to the extent of Entitlements not taken up and your shareholding in Discovery Metals will be diluted as a result.

5.2  To take up all or part of your Entitlement

If you decide to take up all or part of your Entitlement, please follow the instructions on the Application Form.

5.3  Payment

Acceptance of Rights Issue Shares must be accompanied by payment in full of the price of A$1.05 (BWP6.825) per Rights Issue Share.

Payments by Australian and New Zealand resident Shareholders will only be accepted in Australian currency and as follows:

› cheque, bank draft or money order drawn on and payable at any Australian financial institution; or
› BPAY® as per the Application Form.
Payments by Botswana resident Shareholders will only be accepted in Botswana Pula (BWP) by means of cheque only drawn on and payable at any Botswana financial institution. For Entitlements exceeding BWP500,000 payment can be enacted via EFT transfer. Payment by BPAY®, bank draft or money order is not available to Botswana Shareholders.

Surplus Application Money will be treated in the manner described at Section 5.1 of this Offer Document.

(a) For payment by cheque, bank draft or money order

To participate in the Rights Issue, your completed Application Form, together with your Application Money, must be received no later than 5.00pm AEDT (8.00am Botswana Time) on the Closing Date at:

**Australian and New Zealand Shareholders:**
Discovery Metals Ltd c/o- Computershare
Investor Services Pty Ltd
GPO Box 505
Melbourne VIC 3001
Australia

**Botswana Shareholders:**
Discovery Metals Ltd c/o-
Corpserv Botswana
PO Box AD467
Gaborone, Botswana

Please follow the instructions on the Application Form.

Cheques or bank cheques should be made payable to “Discovery Metals Ltd - Rights Issue” and crossed “Not Negotiable”. Cash will not be accepted and no receipts will be issued. A single cheque should be used for the Application Money for your Entitlement you wish to apply for as stated on the Application Form.

(b) For payment by BPAY®

If you are paying by BPAY® payment (nothing BPAY® is not available to Botswana Shareholders), you do not need to mail the Application Form. However, please follow the instructions on the Application Form.

It is your responsibility to ensure that your BPAY® payment is received by Discovery Metals’ share registry by no later than 5.00pm AEDT on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should therefore take this into consideration.

### 5.4 Declarations and certifications

By completing and returning your Application Form with the requisite Application Money or making a payment by BPAY®, you will be deemed to have represented that you are an Eligible Shareholder.

By completing and returning your Application Form with the requisite Application Money or making a payment by BPAY®, you will also be deemed to have represented and warranted on behalf of yourself or each person on whose account you are acting that the law in your place of residence and/or where you have been given the Offer Document, does not prohibit you from being given the Offer Document and that you:

- agree to be bound by the terms of the Rights Issue;
- authorise Discovery Metals to register you as the holder of the Rights Issue Shares allotted to you;
- declare that all details and statements in the Application Form are complete and accurate;
declare that you are over 18 years of age and have full legal capacity and power to
derive all your rights and obligations under the Application Form;

acknowledge that once Discovery Metals receives the Application Form, you may not
withdraw it;

agree to apply for the number of Rights Issue Shares that the payment you provide
will pay for in full, at the Rights Issue Offer Price of A$1.05 (BWP6.825) per Rights
Issue Share;

agree to be issued the number of Rights Issue Shares that you apply for;

authorise Discovery Metals and their respective officers or agents, to do anything on
your behalf necessary for the Rights Issue Shares to be issued to you, including to act
on instructions of Discovery Metal’s share registry upon using the contact details set
out in the Application Form;

declare that you are the current registered holder of Shares and are a resident of
Australia, New Zealand or Botswana, or an Eligible Institutional Shareholder and are
not in the United States or a US Person, or acting for the account or benefit of a US
Person;

acknowledge that the information contained in, or accompanying, the Offer Document
is not investment or financial product advice or a recommendation that Rights Issue
Shares are suitable for you given your investment objectives, financial situation or
particular needs;

declare that you are eligible to participate in the Rights Issue;

acknowledge that the Rights Issue Shares have not, and will not be, registered under
the securities laws in any jurisdiction and accordingly, the Rights Issue Shares may
not be offered, sold or otherwise transferred in a jurisdiction outside Australia,
New Zealand or Botswana except in accordance with an available exemption from, or
in a transaction not subject to, the registration requirements of applicable securities
laws; and

agree to provide (and direct your nominee or custodian to provide) substantiation of
your eligibility or of your holding of Existing Shares upon request.
6 ADDITIONAL INFORMATION

6.1 Botswana Government Option

Under the laws of Botswana, the Government of Botswana has an option to acquire 15% of the Boseto Copper Project, exercisable once only at the time at which the mining licence is granted for the Project. The Company expects to receive approval for the grant of its Boseto Project mining licence before the end of the year and will receive confirmation at that time as to whether this option will be exercised.

If the option is exercised, the Government of Botswana will effectively become a joint venture partner for the project and will be required to pay an amount upon exercise of the option which reflects 15% of the value of the project. It will also then be obliged to contribute to Project expenditure corresponding to their interest.

6.2 Disclosing Entity

The Company is a disclosing entity for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to ASX which a reasonable person would expect to have a material effect on the price or the value of the Company’s Shares.

This document contains a summary of information only which the Company does not purport to be complete. The Offer Document is intended to be read in conjunction with the Company’s periodic and continuous disclosure announcements lodged with the ASX.


6.3 Information Availability

Eligible Shareholders in Australia, New Zealand and Botswana will be despatched a copy of this Offer Document and an Application Form on 17 November 2010. Eligible Shareholders can obtain a replacement copy of this Offer Document during the period of the Rights Issue on the ‘Discovery Metals’ website at www.discoverymetals.com.au or by contacting the Discovery Metals Shareholder Information Line on 1300 034 465 (from within Australia) or +61 3 9938 4378 (from outside Australia) at any time from 8:30am to 5:00pm (AEDT) Monday to Friday until the Closing Date. Persons who access the electronic version of this Offer Document should ensure that they download and read the entire Offer Document and the other relevant information to which it refers. For any questions concerning the Rights Issue from Botswana resident Shareholders, please call 393 2244 (from within Botswana).

The electronic version of this Offer Document will not include an Application Form. A replacement Application Form can be requested by calling the Discovery Metals Shareholder Information Line.

6.4 Past Performance

Investors should note that the past Share price performance provides no guidance as to future Share price performance.
6.5 Taxation

Shareholders should be aware that there may be taxation implications of participating in the Rights Issue and subscribing for Rights Issue Shares. The taxation consequences of participating in the Rights Issue and/or acquiring Rights Issue Shares may vary depending on individual circumstances of each Shareholder. Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable in their jurisdiction and to their personal circumstances.

6.6 Underwriting Agreement

Discovery Metals has entered into the Underwriting Agreement with UBS pursuant to which UBS has:

› been appointed as the sole lead manager for the Placement and the Rights Issue; and

› agreed to underwrite the Placement and Rights Issue.

As is customary in these types of arrangements:

› UBS will be remunerated by the Company for providing these services at market rates.

› The Company has indemnified UBS and its directors, officers, employees, agents, representatives and advisers against losses in connection with the Placement and Rights Issue.

› The Company has given certain representations, warranties and undertakings in connection with the Placement and Rights Issue.

› UBS may terminate the Underwriting Agreement and be released from its obligations on the happening of any of a range of specified termination events, including if, among other things:
  - any aspect of the Placement or Rights Issue (including the Offer Document) does not comply with the Corporations Act, ASX Listing Rules or any other applicable law or regulation;
  - a cleansing notice issued in connection with the Placement or the Rights Issue becomes or is found to be defective;
  - key market indices fall by specific amounts for agreed periods;
  - ASIC proposes to take action or commence an investigation in relation to the Placement or Rights Issue;
  - a statement contained in this Offer Document is or becomes misleading or deceptive, or a matter is omitted from this Offer Document;
  - Discovery Metals is prevented from issuing the Rights Issue Shares; or
  - Certain events occur which the Underwriter considers have, or is likely to have, a material adverse effect on the Equity Raising, the ability of the Underwriter to market or promote the offer or the pricing of DML’s Shares. These include (but are not limited to) disruption to financial markets, changes to board and management, changes to laws and hostilities.

Please note that the above is not an exhaustive list of the termination events in the Underwriting Agreement.
6.7 Notice to nominees and custodians

Nominees and custodians that hold Shares as nominees or custodians should have received a letter from Discovery Metals. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Rights Issue is available only to Eligible Shareholders.

Discovery Metals is not required to determine whether or not any registered holder is acting as a nominee or the identity or residence of any beneficial owners of securities. Where any nominee or custodian is acting on behalf of a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Rights Issue is compatible with applicable foreign laws.
GLOSSARY

“A$”, “$” and dollars means Australian dollars, unless otherwise stated.

AEDT means Australian Eastern Daylight Time.

Application means a valid application for Rights Issue Shares made pursuant to this Offer Document and an Application Form.

Application Form means the application form accompanying this Offer Document.

Application Money means money received from an Eligible Shareholder in respect of their Application.

ASIC means the Australian Securities & Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

ASX means ASX Limited (ABN 98 008 624 691) trading as the Australian Securities Exchange, or the market operated by that entity.

Board means the board of Directors.

Botswana Time is a reference to time in Gaborone, Botswana.

BSE means the Botswana Stock Exchange.

BWP means Botswana Pula, the currency of Botswana.

Closing Date means 1 December 2010 or such other date as may be determined by the Directors and UBS.

Company or Discovery Metals means Discovery Metals Limited (ABN 29 104 924 423).

Corporations Act means the Corporations Act 2001 (Cth), including as modified by ASIC Class Order 08/35 in relation to the Rights Issue.

Directors mean the directors of the Company.

Eligible Institutional Shareholder means a Shareholder other than an Eligible Shareholder to whom Discovery Metals may make offers under the Rights Issue without the need for a disclosure document or other registration or lodgement in the relevant jurisdiction.

Eligible Shareholder means a Shareholder as at the Record Date with a registered address in Australia, New Zealand or Botswana, which may include an Eligible Institutional Shareholder (but does not include a Non-qualifying Foreign Shareholder).

Entitlement or Right means a Shareholder’s entitlement (or right) to subscribe for Rights Issue Shares under this Offer Document.

Equity Raising means the Rights Issue and the Placement.

Existing Share means a Share issued on or before the Record Date.

Group means Discovery Metals and each of its subsidiaries.

Listing Rules or ASX Listing Rules means the Listing Rules of ASX.

Non-Qualifying Foreign Shareholder means a Shareholder other than Eligible Shareholders and Eligible Institutional Shareholders to whom the Company has decided not to make Offers in accordance with section 9A(3) of the Corporations Act and ASX Listing Rule 7.7.1(a).
**Offer Document** means this document, including any supplements or replacements to this document.

**Opening Date** means 17 November 2010.

**Placement** means the offer of 45,300,000 Placement Shares at a price of A$1.12 (BWP7.280) per Placement Share to certain institutional and exempt investors which raised a total of approximately A$51 million.

**Placement Share** means a Share issued under the Placement.

**Project** or **Boseto Copper Project** means the key project of the Company which involves the exploration and planned mining operations for predominantly copper and some silver located in North-West Botswana.

**Record Date** means 7.00pm AEDT (5.00pm Botswana Time) on 12 November 2010.

**Rights Issue** means the offer of 86,875,646 Rights Issue Shares at the Rights Issue Offer Price to Eligible Shareholders in the proportion of 1 Rights Issue Share for every 4 Existing Shares held on the Record Date.

**Rights Issue Offer Price** means A$1.05 (BWP6.825) for each Rights Issue Share.

**Rights Issue Share** means a new Share to be issued under the Rights Issue.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**UBS** means UBS AG, Australia Branch [ABN 47 088 129 613].

**Underwriting Agreement** means the underwriting agreement between UBS and the Company dated 4 November 2010.

**Underwriter** means UBS.

**US Person** has the meaning given to that term in Regulation S under the US Securities Act.

**US Securities Act** means the United States Securities Act of 1933, as amended.
Boseto Copper Project

Discovery Metals Equity Raising

Cautionary Statement

The information contained in this document ("Presentation") has been prepared by Discovery Metals Limited ("Company"). This Presentation does not constitute an offer or invitation to any person to subscribe for or apply for any securities in the Company.

While the information contained in this Presentation has been prepared in good faith, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers give any representations or warranties (express or implied) as to the accuracy, reliability or completeness of the information in this Presentation, or of any other written or oral information made or to be made available to any interested party or its advisers (all such information being referred to as "Information") and liability therefore is expressly disclaimed. Accordingly, to the full extent permitted by law, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers take any responsibility for, or will accept any liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness of the Information or for any of the opinions contained in this Presentation or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this Presentation.

Neither the issue of this Presentation nor any part of its contents is to be taken as any form of commitment on the part of the Company to proceed with any transaction and the right is reserved to terminate any discussions or negotiations with any person. In no circumstances will the Company be responsible for any costs, losses or expenses incurred in connection with any appraisal or investigation of the Company. In furnishing this Presentation, the Company does not undertake or agree to any obligation to provide the recipient with access to any additional information or to update this Presentation or to correct any inaccuracies in, or omissions from, this Presentation which may become apparent.

This Presentation should not be considered as the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary. In particular, any estimates or projections or opinions contained in this Presentation necessarily involve significant elements of subjective judgment, analysis and assumptions and each recipient should satisfy itself in relation to such matters.

This Presentation may include certain statements that may be deemed "forward-looking statements". All statements in this presentation, other than statements of historical facts, that address future activities and events or developments that the Company expects, are forward-looking statements. Although the Company 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 forward-looking statements. The Company, its shareholders, directors, officers, agents, employees or advisers, do not represent, warrant or guarantee, expressly or impliedly, that the information in this Presentation is complete or accurate. To the maximum extent permitted by law, the Company disclaims any responsibility to inform any recipient of this Presentation of any matter that subsequently comes to its notice which may affect any of the information contained in this Presentation. 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 forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in forward-looking statements.
Executive Summary

- Discovery Metals to raise approximately A$142 million
  - fully underwritten
  - institutional placement = A$51 million (A$1.12 per share)
  - 1-for-4 non-renounceable rights issue = A$91 million (A$1.05 per share)
- Key shareholders, Macquarie and Transamine (totalling ~20%) have indicated their support by committing to subscribe for, at a minimum, their 1-for-4 entitlement
- Funds planned for use on
  - development of Boseto Copper Project in Botswana
  - regional exploration
  - corporate funding
- Term sheets currently being reviewed for US$100 million of debt facilities

Equity Raising Details

<table>
<thead>
<tr>
<th>Placement</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Approximately A$51 million</td>
</tr>
<tr>
<td>- Fully underwritten by UBS</td>
</tr>
<tr>
<td>- Institutional bookbuild fixed price of A$1.12 per new share</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
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<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rights Issue</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Approximately A$91 million</td>
</tr>
<tr>
<td>- Fully underwritten by UBS</td>
</tr>
<tr>
<td>- Pro-rata, non-renounceable</td>
</tr>
<tr>
<td>- One new share for every four shares held by Eligible Shareholders</td>
</tr>
<tr>
<td>- Issued at a price of A$1.05 per new share</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>- Offer available to Eligible Shareholders (registered address in Australia, New Zealand or Botswana) who are registered as a holder at 7:00pm AEDT on Friday 12 November 2010 (Record Date)</td>
</tr>
</tbody>
</table>

*Theoretical ex-rights price calculated including the Placement
**Sources & Uses of Proceeds**

- Boseto Copper Project to be funded with a mix of equity and project-level bank finance
- Proceeds from the Equity Raising will be used to commence the construction of the Boseto Project’s facilities and continue through to the commissioning of the project

<table>
<thead>
<tr>
<th>Sources (A$m)</th>
<th>Uses (A$m)*2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand - 31 Dec 10 $20</td>
<td>Process plant (fixed $ EPC) $91</td>
</tr>
<tr>
<td>Placement*1 $49</td>
<td>Other capital costs $73</td>
</tr>
<tr>
<td>Rights Issue*1 $89</td>
<td>Project Contingency $11</td>
</tr>
<tr>
<td><em><em>Equity Raising subtotal</em>$3 $138</em>*</td>
<td><strong>Boseto Project total $175</strong></td>
</tr>
<tr>
<td>Boseto Debt finance*1 $100</td>
<td><strong>Boseto Working Capital $25</strong></td>
</tr>
<tr>
<td>Boseto Mine Mobile fleet $75</td>
<td><strong>Boseto Mine Mobile Fleet $75</strong></td>
</tr>
<tr>
<td><strong>TOTAL $333</strong></td>
<td><strong>Corporate &amp; Exploration $15</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Corporate Contingency $23</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Forecast cash on hand – 31 Mar 12 $20</strong></td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL $333</strong></td>
</tr>
</tbody>
</table>

*1 post transaction costs  
*2 converted into A$ at AUD/USD rate of 1.00 on 3 Nov 2010  
*3 Corporate $40m and Boseto Project $100m (Boseto Project Equity Contribution is 36% of total)

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**Pro forma Balance Sheet**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Consolidated Actual 30 June 2010 (Audited) $A</th>
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</tr>
<tr>
<td>Trade &amp; other receivables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong> 40,126,314 8,172,186</td>
<td><strong>37,433,125</strong></td>
<td><strong>175,133,125</strong></td>
<td></td>
</tr>
<tr>
<td>NON-CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plant and equipment 1,303,510 33,882,987 53,419</td>
<td>1,480,071 36,140,468 51,091</td>
<td>1,480,071 36,140,468 51,091</td>
<td></td>
</tr>
<tr>
<td>Exploration expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong> 35,283,916 37,671,630 51,091</td>
<td><strong>37,671,630</strong></td>
<td><strong>37,671,630</strong></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong> 75,366,230 75,104,755</td>
<td></td>
<td><strong>212,804,755</strong></td>
<td></td>
</tr>
</tbody>
</table>

Pro-forma Balances – assumes successful completion of the Equity Raising  
Exploration Assets – value is dependent on development and commercial exploitation or sales of the assets  
Functional Currency – Discovery Metals currently reports in Australian dollars but this is likely to change to US dollars in December 2010  
Tax Effect Accounting – No future income tax benefit has been recognised to date but this is likely to change in December 2010
**Pro forma Balance Sheet**

<table>
<thead>
<tr>
<th>LIABILITIES &amp; EQUITY</th>
<th>Consolidated Actual 30 June 2010 (Audited) $A</th>
<th>Consolidated Actual 30 September 2010 (Un-audited) $A</th>
<th>Consolidated Pro-Forma 30 September 2010 (Un-audited) $A</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade &amp; other payables</td>
<td>972,325</td>
<td>1,158,900</td>
<td>1,258,900</td>
</tr>
<tr>
<td>Short-term provisions</td>
<td>309,134</td>
<td>327,796</td>
<td>327,796</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>1,281,459</td>
<td>1,486,696</td>
<td>1,586,696</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>1,281,459</td>
<td>1,486,696</td>
<td>1,586,696</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td>74,084,771</td>
<td>73,618,059</td>
<td>211,218,059</td>
</tr>
<tr>
<td><strong>EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued capital</td>
<td>88,085,126</td>
<td>88,435,880</td>
<td>226,035,880</td>
</tr>
<tr>
<td>Reserves</td>
<td>6,580,813</td>
<td>4,924,121</td>
<td>4,924,121</td>
</tr>
<tr>
<td>Accumulated profit/(losses)</td>
<td>(20,581,168)</td>
<td>(19,741,942)</td>
<td>(19,741,942)</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td>74,084,771</td>
<td>73,618,059</td>
<td>211,218,059</td>
</tr>
</tbody>
</table>

This pro-forma balance sheet does not include all the notes of the type normally included in an annual financial report. Accordingly, the pro-forma balance sheet is to be read in conjunction with the annual report for the year ended 30 June 2010, the notes below and any public announcements made by Discovery Metals Limited during the period from 30 June 2010 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

---

**Equity Raising Timetable**

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading halt / Placement &amp; Rights Issue announcement / Placement opens (10:00am AEDT or 11:00pm GMT)</td>
<td>4 November</td>
</tr>
<tr>
<td>Placement closes (Australian / Asia offer) at 5:00pm AEDT</td>
<td>4 November</td>
</tr>
<tr>
<td>Placement closes (Rest of World offer) at 10:00am GMT, 12:00pm (midday) CAT</td>
<td>4 November</td>
</tr>
<tr>
<td>Placement settlement date</td>
<td>10 November</td>
</tr>
<tr>
<td>Placement shares allotted</td>
<td>11 November</td>
</tr>
<tr>
<td>Rights Issue record date (7:00pm AEDT or 6:00am GMT)</td>
<td>12 November</td>
</tr>
<tr>
<td>Rights Issue opens / offer documents despatched to eligible shareholders</td>
<td>17 November</td>
</tr>
<tr>
<td>Rights Issue closes (7:00pm AEDT or 6:00am GMT)</td>
<td>2 December</td>
</tr>
<tr>
<td>Rights Issue quoted on a deferred settlement basis</td>
<td>3 December</td>
</tr>
<tr>
<td>Rights Issue settlement</td>
<td>9 December</td>
</tr>
<tr>
<td>Rights Issue shares allocated</td>
<td>10 December</td>
</tr>
<tr>
<td>Rights Issue shares begin normal trading (T+3)</td>
<td>13 December</td>
</tr>
</tbody>
</table>
Discovery Metals Investment Highlights

- Boseto project is a relatively high grade deposit in a well known copper belt
  - 1.4% copper versus a global industry average of approximately 0.75%
- Boseto project is 100% owned and achieving key milestones
  - BFS completed and surface rights recently granted
- Near term production
  - First half 2012 with approximately 36,000 tonnes copper & 1 million ounces of silver per annum in concentrate over 15 years evaluated life
- Robust project economics
  - operating costs at US$1.23/lb\(^*1\)
  - low capital intensity at c.US$5,000/t of annual capacity excluding fleet
  - payback in less than 2 years

Developing a new copper frontier...

\(^*1\) Development Plan feasibility study for the period 1 July 2012 to 31 December 2014

Discovery Metals Investment Highlights (cont.)

- Globally recognised mining destination - “A” Credit Rated economy
  - highest investment rating in Africa, 4th highest country in world\(^*1\)
- Attractively valued copper company
  - trading at a discount to a number of its peers
- Significant exploration upside with the potential to find another Boseto
  - less than 400km of a 1,300km strike explored in Kalahari Copperbelt
- Favourable copper sector dynamics
  - lack of new discoveries and declining grades at existing mines
  - few emerging companies with near term production and scale
- Experienced board & management team with project management expertise

...and well positioned to deliver continued shareholder value

\(^*1\) Fraser Institute Survey of Mining Companies : 2010 Mid-year Update
**Attractively Positioned Copper Project**

**Annual production vs. cash costs for comparable copper companies**

![Graph showing annual production vs. cash costs for comparable copper companies.](image)

Source: Axiom Advisory Services, 18 October 2010

---

**Attractively Valued Copper Company**

**EV/Resource (US$/lb) for selected ASX-listed copper companies**

![Graph showing EV/Resource (US$/lb) for selected ASX-listed copper companies.](image)

Source: Company reports, IRESS, 2 November 2010
“Whatever happened to new supply?"

How the 2008 global meltdown has planted the seeds for the next commodity bull market

“Nearly 3.5Mt of new copper capacity lost due to the 2008 financial crisis”

Copper forward curve – from backwardation to contango?

Source: Bloomberg, Standard Chartered Equity Research, 19 August 2010
Copper – Historical Demand Trend

- Long term trend is for continued demand growth
- Periods of demand reduction do not impact long term growth trend

**Strong Long Term Demand Trend**


Industry’s Average Copper Grade

**Boseto**

Source: Codelco and Brook Hunt, Codelco Presentation, Metal Bulletin Copper Conference 2010
Boseto Copper Project

Highest mining investment rating in Africa, 4th highest country in the world

Boseto Mineral Resources & Ore Reserves

Open pit mining

Open pit & Underground mining
Boseto Feasibility Studies

Positive results from two studies undertaken at the 100% owned Boseto Copper Project in Botswana:

- **The Bankable Feasibility Study (BFS) supports rapid development at Boseto**
  - based on bankable inputs and investigations
  - open pit mining only, 3Mtpa copper-silver ore for 5 years
  - diesel generated power supply
  - construction from Q4 2010 with commissioning targeted first half 2012

- **The Boseto Development Plan (BDP) presents an optimisation concept for Boseto**
  - values longer term mining
  - open pit & underground mining, 3Mtpa copper-silver ore for 15 years
  - initial diesel power replaced by coal fired power from mid 2013

### Strong case for development of Boseto

**Boseto Headline Feasibility Outcomes**

<table>
<thead>
<tr>
<th>Result</th>
<th>Units</th>
<th>Bankable Feasibility Study</th>
<th>Development Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluated Operating Period</td>
<td>years</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Annual throughput (flotation)</td>
<td>Million tonnes</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Copper production</td>
<td>Tonnes Cu pa</td>
<td>34,400*2</td>
<td>36,400*2</td>
</tr>
<tr>
<td>Silver production</td>
<td>Moz Ag pa</td>
<td>1.0*2</td>
<td>1.1*2</td>
</tr>
<tr>
<td>Average C1 Cash Costs</td>
<td>US$/lb</td>
<td>1.28*2</td>
<td>1.23*2</td>
</tr>
<tr>
<td>Capital Expenditure</td>
<td>US$ million</td>
<td>175</td>
<td>175*1</td>
</tr>
<tr>
<td>Copper/silver price</td>
<td>US$/lb, US$/oz</td>
<td>3.00/17.00</td>
<td>3.00/17.00</td>
</tr>
<tr>
<td>Operating surplus</td>
<td>US$ million</td>
<td>390</td>
<td>1,142</td>
</tr>
<tr>
<td>Project NPV¹⁰</td>
<td>US$ million</td>
<td>251</td>
<td>375</td>
</tr>
<tr>
<td>Internal Rate of Return</td>
<td>%</td>
<td>32%</td>
<td>32%</td>
</tr>
<tr>
<td>Payback after production commences</td>
<td>years</td>
<td>1.7</td>
<td>2.0</td>
</tr>
</tbody>
</table>

*¹ US$40 million for coal fired power funded from operating cash flow in 2012 & 2013
*² during debt repayment period Jul 2012 to Dec 2014
### Boseto Development Plan EBITDA

**Quick payback with upside potential**

Source: Boseto BFS / Development Plan, 31 August 2010

### Boseto Milestones & Timetable

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>'12</th>
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</thead>
<tbody>
<tr>
<td>Drilling for Feasibility Study</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Pre-Feasibility Study</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Environmental Studies</td>
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<td></td>
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</tr>
<tr>
<td>Water Resource Definition</td>
<td></td>
<td></td>
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<tr>
<td>Environmental Approval</td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Award of Off-take</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Award of EPC Contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Proposed Timetable to Production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bankable Feasibility Study</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Finance</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td>Permitting</td>
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<tr>
<td>Construction</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Commissioning</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concentrate Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Government of Botswana Option

- Only at the time of granting the Mining License the Government of Botswana:
  - Has the option to purchase ‘up to 15%’ of any mining project
  - Would pay a value for that ‘up to 15%’ stake
  - Would fund the development of Boseto at the percentage purchased
- The Government of Botswana has not exercised this option since the legislation was changed to a buy-in arrangement in 1999
- There is no specific mechanism for valuing the purchase price but it is thought by Discovery Metals to be based upon NPV
- The buy-in would effectively result in a joint venture style arrangement

Summary of Key Risks

There are various risks associated with investing in Discovery Metals, and many of these risks are outside the control of Discovery Metals. Please refer to the expanded key risks section located in the Additional Material for more detail.

Key risk factors identified include:
- Uncertainty of development of projects and exploration
- Commodity prices and exchange rates
- Reliance on key customers
- Mineral Resource and Ore Reserve estimates
- Production estimates
- Operating risks
- Changes to estimated capital and operating costs
- Economic conditions
- Risks securing remaining financing for Boseto Copper Project
- Land and resource tenure
- Government policy and taxation
- Changes in accounting policies
Boseto Next Steps

- **Mining Licence** – application submitted and approval expected Q4 2010
- **Environmental Impact Assessment** – application submitted to increase annual production to 3Mtpa and approval expected in Q4 2010
- **Project Financing** – lead bank for debt expected to be mandated in Q4 2010
- **Botswana Government Option** – the Government to clarify intention regarding its one-off option to buy into 15% of the project during the mining licence application
  - the Botswana government has not exercised its option on any project since legislation was enacted in 1999
- **Underground Mining at Zeta** – a 50 hole drilling program is currently underway to upgrade the status of resources at the 400m depth

显著区域勘探潜力

- **Exploration underway to find another Boseto**
- **Mineralisation at multiple locations along the Kalahari Copper Belt point to the potential for multiple Boseto style projects**

![Exploration Map](image-url)
Contact

Brad Sampson
MANAGING DIRECTOR
Ph: +61 7 3218 0222  Fax: +61 7 3218 0233
Direct: +61 7 3218 0200  Mobile: +61 4 3877 1037
brad@discoverymetals.com.au  www.discoverymetals.com.au
Lvl 20, 333 Ann St Brisbane Qld  CPO Box 3261 Brisbane Qld 4001 Australia

November 2010 Discovery Metals Equity Raising 27

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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 JORC Code (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 JORC Code.

The information in this report as it relates to the Ore Reserves is based on information reviewed by Mr Peter Myers, who is a MAusIMM and a fulltime employee of Snowden. Mr Myers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the preparation of mining studies to qualify as a Competent Person as defined in the JORC Code.

Messrs Nhiwatiwa, Arnott and Myers 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.
Appendix A

Additional information

Boseto Copper Project – Geological Setting

- Ghanzi-Chobe Fold Belt - a 140km wide zone of deformation
- Within late Proterozoic Pan African Mobile Belt
- Associated with the well known Central African Copper Belt
Boseto Project Metallurgy

<table>
<thead>
<tr>
<th>Highlight</th>
<th>Bankable Feas. Study</th>
<th>Development Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Throughput</td>
<td>3 Mtpa</td>
<td>3 Mtpa</td>
</tr>
<tr>
<td>Diluted Copper Grade</td>
<td>1.46%</td>
<td>1.44%</td>
</tr>
<tr>
<td>Diluted Silver Grade</td>
<td>18.7g/t</td>
<td>20.2g/t</td>
</tr>
<tr>
<td>Copper Recovery</td>
<td>81.1%</td>
<td>83.6%</td>
</tr>
<tr>
<td>Silver Recovery</td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td>Concentrate</td>
<td>40% Cu</td>
<td>41% Cu</td>
</tr>
<tr>
<td>Annual Copper Production</td>
<td>34,400t *2</td>
<td>36,400t *2</td>
</tr>
<tr>
<td>Annual Silver Production</td>
<td>1.0 Moz *2</td>
<td>1.1 Moz *2</td>
</tr>
</tbody>
</table>

*2 during debt repayment period Jul 2012 to Dec 2014

Boseto Mineral Resources

<table>
<thead>
<tr>
<th>Mineral Resources</th>
<th>ZETA</th>
<th>PLUTUS &amp; PETRA</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mt</td>
<td>Cu (%)</td>
<td>Ag (g/t)</td>
</tr>
<tr>
<td>Measured</td>
<td>3.9</td>
<td>1.6</td>
<td>23.0</td>
</tr>
<tr>
<td>Indicated</td>
<td>7.0</td>
<td>1.5</td>
<td>23.8</td>
</tr>
<tr>
<td>Subtotal M&amp;I</td>
<td>10.9</td>
<td>1.6</td>
<td>23.5</td>
</tr>
<tr>
<td>Inferred</td>
<td>24.5</td>
<td>1.4</td>
<td>21.8</td>
</tr>
<tr>
<td>TOTAL RESOURCE</td>
<td>35.4</td>
<td>1.4</td>
<td>22.3</td>
</tr>
</tbody>
</table>

Mineral Resources reported at a cut-off grade of 0.6% Cu
# Boseto Ore Reserves

<table>
<thead>
<tr>
<th>Ore Reserves</th>
<th>ZETA</th>
<th>PLUTUS &amp; PETRA</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mt</td>
<td>Cu (%)</td>
<td>Ag (g/t)</td>
</tr>
<tr>
<td>Proved</td>
<td>4.2</td>
<td>1.5</td>
<td>21.2</td>
</tr>
<tr>
<td>Probable</td>
<td>6.7</td>
<td>1.5</td>
<td>23.0</td>
</tr>
<tr>
<td><strong>Total Reserves</strong></td>
<td><strong>10.9</strong></td>
<td><strong>1.5</strong></td>
<td><strong>13.2</strong></td>
</tr>
<tr>
<td><strong>Inclusive of high grade ore reserve</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proved</td>
<td>4.0</td>
<td>1.6</td>
<td>22.1</td>
</tr>
<tr>
<td>Probable</td>
<td>6.5</td>
<td>1.5</td>
<td>23.5</td>
</tr>
<tr>
<td><strong>High Grade Ore Reserves</strong></td>
<td><strong>10.5</strong></td>
<td><strong>1.5</strong></td>
<td><strong>23.0</strong></td>
</tr>
</tbody>
</table>

Total reserves reported at cut-off grade of 0.3% Cu **High Grade Reserves reported at cut-off grade of 0.6% Cu. Please refer Competent Persons Statement.

---

# Boseto Capital Expenditure

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount (US$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process plant (fixed price EPC)</td>
<td>$91.2</td>
</tr>
<tr>
<td>First fills &amp; spares, etc</td>
<td>$10.3</td>
</tr>
<tr>
<td>Tailings Storage facility</td>
<td>$2.7</td>
</tr>
<tr>
<td>Diesel Power generators</td>
<td>$10.7</td>
</tr>
<tr>
<td>Roads, offices, workshops, land compensation etc</td>
<td>$13.1</td>
</tr>
<tr>
<td>Process &amp; mine control systems</td>
<td>$8.0</td>
</tr>
<tr>
<td>Village infrastructure</td>
<td>$15.5</td>
</tr>
<tr>
<td>Temporary infrastructure including messing</td>
<td>$8.7</td>
</tr>
<tr>
<td>Owners team</td>
<td>$3.6</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$163.8</strong></td>
</tr>
<tr>
<td>Contingency &amp; escalation</td>
<td>$11.2</td>
</tr>
<tr>
<td><strong>Total (excludes Coal Power, working capital &amp; Mobile Fleet)</strong></td>
<td><strong>$175.0</strong></td>
</tr>
</tbody>
</table>

Development Plan includes additional US$40 million for coal fired power station which is funded from operating cash flows in 2012 & 2013.
## Boseto Project – Key Elements

<table>
<thead>
<tr>
<th>Element</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>Gensets included with coal power station from July 2013 (Development Plan Case)</td>
</tr>
<tr>
<td>Sales</td>
<td>Concentrate sold to Transamine for minimum 5 years</td>
</tr>
<tr>
<td>Transport</td>
<td>20 kilometres away from national highway</td>
</tr>
<tr>
<td>Location</td>
<td>A great host country</td>
</tr>
<tr>
<td>Environment</td>
<td>EIA approved in June 2010</td>
</tr>
<tr>
<td>Water</td>
<td>Water resource defined in July 2009</td>
</tr>
<tr>
<td>Surface Rights</td>
<td>Granted by the Tawana Land Board, no relocation of households</td>
</tr>
<tr>
<td>Mining Licence</td>
<td>Application lodged October 2010</td>
</tr>
</tbody>
</table>

## Boseto Operating Costs - Inputs

<table>
<thead>
<tr>
<th>Cost (Basis)</th>
<th>Bankable Feas. Study *2</th>
<th>Development Plan *2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining ($/t mined)</td>
<td>US$ 1.65</td>
<td>US$ 1.65</td>
</tr>
<tr>
<td>Includes Finance cost of</td>
<td>30 cents</td>
<td>30 cents</td>
</tr>
<tr>
<td>Net Mining ($/t mined)</td>
<td>US$ 1.35</td>
<td>US$ 1.35</td>
</tr>
<tr>
<td>Plant ($/t ore)</td>
<td>US$ 6.33</td>
<td>US$ 6.33</td>
</tr>
<tr>
<td>Power ($/t ore)</td>
<td>US$ 6.57</td>
<td>US$ 4.01</td>
</tr>
<tr>
<td>Technical Services ($/t ore)</td>
<td>US$ 1.38</td>
<td>US$ 1.38</td>
</tr>
<tr>
<td>Site Admin ($/t ore)</td>
<td>US$ 1.36</td>
<td>US$ 1.36</td>
</tr>
<tr>
<td>Average Site Costs ($/t ore)</td>
<td>US$ 34.83</td>
<td>US$ 34.68</td>
</tr>
<tr>
<td>Smelting ($/t concentrate)</td>
<td>US$ 45.00</td>
<td>US$ 45.00</td>
</tr>
<tr>
<td>&amp; Refining (c/lb Cu)</td>
<td>US 4.5c</td>
<td>US 4.5c</td>
</tr>
<tr>
<td>Concentrate transport ($/t con)</td>
<td>US$ 180</td>
<td>US$ 180</td>
</tr>
<tr>
<td>Royalty Copper &amp; Silver (%)</td>
<td>3% &amp; 5%</td>
<td>3% &amp; 5%</td>
</tr>
<tr>
<td>Silver Revenue ($/oz)</td>
<td>US$ 17.00</td>
<td>US$ 17.00</td>
</tr>
<tr>
<td>Average C1 Cash Costs ($/t ore)</td>
<td>US$ 39.10</td>
<td>US$ 38.83</td>
</tr>
</tbody>
</table>

*2 Average for Debt repayment period July 2012 to December 2014
Boseto Operating Costs - Outputs

<table>
<thead>
<tr>
<th>Cost - US$/lb*2</th>
<th>Bankable Feas. Study *2</th>
<th>Development Plan *2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>0.59</td>
<td>0.65</td>
</tr>
<tr>
<td>Plant</td>
<td>0.25</td>
<td>0.24</td>
</tr>
<tr>
<td>Power</td>
<td>0.25</td>
<td>0.15</td>
</tr>
<tr>
<td>Technical Services</td>
<td>0.06</td>
<td>0.06</td>
</tr>
<tr>
<td>Administration</td>
<td>0.06</td>
<td>0.06</td>
</tr>
<tr>
<td>Average Total Site Costs</td>
<td>1.21</td>
<td>1.16</td>
</tr>
<tr>
<td>Smelting &amp; Refining</td>
<td>0.10</td>
<td>0.10</td>
</tr>
<tr>
<td>Concentrate transport</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td>Silver Revenue</td>
<td>(0.23)</td>
<td>(0.23)</td>
</tr>
<tr>
<td>Average C1 Cash Costs</td>
<td>1.28</td>
<td>1.23</td>
</tr>
</tbody>
</table>

*2: Average for Debt repayment period July 2012 to December 2014

Botswana: “A” Credit Rated Economy

- Globally recognised as an attractive investment destination
- Substantial net cash reserves
- 100% deductibility of capex & pre-production spend before tax is payable
- Variable tax rate 25% to 55% (Boseto Dev Plan = 27% from 2014)
- 200% employee training deduction
- Copper royalty is 3% of revenue
- Silver royalty is 5% of revenue
- Stability in Policy and Legislation

Stable Democracy – Strong Support for New Resource Projects
Botswana Mining Tax Rate

- Mining companies (other than diamond mining companies) are taxed in accordance with the provisions of the Twelfth Schedule to the Income Tax Act.
- Distinctive features of the Twelfth Schedule:

  \[
  \text{Annual Tax Rate} = 70 - \frac{1,500}{X}
  \]

- Where X is the profitability ratio, given by taxable income as a percentage of gross income.
  - Provided that the tax rate should not be less than the company tax rate of 25%.

Experienced board and management team

- Gordon Galt (Non-Exec Chairman)
  o ex-Managing Director of Newcrest, significant banking and project development experience
- Brad Sampson (Managing Director)
  o Mining Engineer with extensive operational and project development experience
- John Shaw (Non-Exec Director)
  o Ex-Chairman of Albidon, previously Chair of Zimplats and Gallery Gold during development of Mupane Gold Mine, Botswana
- Morrice Cordiner (Non-Exec Director)
  o Previously Director Andean Resources, funds management and finance experience
- Jeremy Read (Non-Exec Director)
  o Previous MD of Discovery Metals, +20 years exploration experience ex BHP
- Ribson Gabonowe (Non-Exec Director)
  o Director Kukama Mining & African Coal. Previously Director in Botswana Department of Mines
Appendix B

Key risks

Risk factors include, but are not limited to the following:

General
- There are various risks associated with investing in Discovery Metals, as with any stock market investment and, specifically, because of the nature of Discovery Metals’ copper exploration business and the present stage of development of the Company’s operations. Potential investors should consider whether the securities offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. Many of those risk factors are outside the control of the Directors.
- While some common risk factors are set out below, it is not possible to produce an exhaustive list. The Directors recommend that potential investors consult their professional advisers before deciding whether to apply for securities pursuant to this Offer.
- It is important to recognise that share prices might fall or rise. Factors affecting the operating and financial performance of Discovery Metals and the market price of Discovery Metals securities include domestic and international economic conditions and outlook, changes in government fiscal, monetary and regulatory policies, changes in interest rates and inflation rates, the announcement of new technologies and variations in general market conditions and/or market conditions which are specific to a particular industry. In addition, share prices of many companies are affected by factors which might be unrelated to the operating performance of the relevant company. Such factors might adversely affect the market price of Discovery Metals securities.

Uncertainty of development of projects and exploration
- Development activities and exploration are speculative, involve risks and may be unsuccessful. Discovery Metals’ ability to achieve its proposed forecast levels of production is dependent on the success of development of projects. As a result of the uncertainties involved in these activities, the development of projects may not occur on time, on budget or at all, which would adversely affect Discovery Metals’ results of operation and its financial condition.
- Project development will rely on Discovery Metals’ ability to secure a mining licence from the Botswana Department of Mines. Discovery Metals also relies on the approval of an update Environmental Impact Assessment application to increase the Boseto project’s production rate from 2Mtpa to 3Mtpa.

Commodity prices and exchange rates
- Continued low commodity prices may impact the cash flows and profitability of Discovery Metals and may have a materially adverse affect on its share price. Once in operation a significant portion of Discovery Metals’ revenue will be denominated in US currency and movements in currency exchange rates may affect cash flows, profitability, costs and revenue. It is not possible to accurately predict future movements in the copper price and/or exchange rates.
Reliance on key customers

- Once in operation Discovery Metals businesses will rely on its off-take agreement and business relationship with Transamine Trading for 100% of its production.
- If Transamine amends or terminates the relationship, this may have an adverse effect on the financial performance and or financial position of Discovery Metals.

Mineral Resources and Ore Reserves estimates

- Discovery Metals has made estimates of its Mineral Resources and Ore Reserves based on relevant reporting codes, where required, and judgments based on knowledge, skills and industry experience. However, there is no guarantee that estimates will prove to be accurate. Actual mining results may materially differ from forecasts and estimates due to further findings and results not previously known or fluctuations in operating costs, exchange rates and commodity prices.

Production estimates

- Discovery Metals is currently not in production. Actual future production may vary from targets and projections of future production for a variety of reasons. There is greater risk that actual production will vary from estimates of production made for properties under exploration or not yet in production or from operations that are to be expanded.

Operating risks

- Discovery Metals’ mineral exploration and development and ultimately mining activities, including the delivery of supplies and consumables and the transportation of products, are subject to conditions beyond Discovery Metals’ control that could reduce production and sales and/or increase costs. These conditions include, but are not limited to: changes in legislative requirements; market conditions; government policies; exchange rates; abnormal or severe weather or climatic conditions; natural disasters; unexpected maintenance or technical problems; key equipment failures; industrial disruption; and variations in geographical conditions. An inability to secure ongoing supply of such goods and services at prices assumed within production targets could potentially impact the results of Discovery Metals’ operations, and in a worst case scenario, result in the shutdown of an operation.

Operating and Capital cost estimate

- Whilst every care has been made in estimating the capital cost and future operating costs for the Boseto project including contingency, the actual costs structure experienced in constructing the facilities and operating the mine and process plant may vary from the BFS and BDP estimates.

Economic conditions

- Adverse changes in economic conditions such as interest rates, exchange rates, inflation, government policy, international economic conditions and employment rates amongst others are outside of Discovery Metals’ control and have the potential to have an adverse impact on Discovery Metals and its operations.

Risks securing remaining financing for Boseto Copper Project

- Delivery of the full Boseto Copper Project will require Discovery Metals securing project finance funding beyond the proceeds of this capital raising. While Discovery Metals is confident of its ability to secure this funding, the funding is not guaranteed, and an inability to secure this funding could result in a delay to the Boseto Copper Project.

Land and resource tenure

- Discovery Metals’ land and resource tenure may be disputed resulting in disruption and/or impediment in the operation or development of a resource. Any new mine development or expansion of existing operations will require landholder, native title and cultural heritage issues to be addressed, which can have significant timing and cost implications.

Government policy and taxation

- Changes in relevant taxation laws, interest rates, other legal, legislative and administrative regimes, and government policies, including in Australia or Botswana may have an adverse effect on the assets, operations and ultimately the financial performance of both Discovery Metals and the entities in which Discovery Metals invests. These factors may ultimately affect the financial performance of Discovery Metals and the market price of Discovery Metals securities.
- In addition, mining is an industry that has become subject to increasing environmental responsibility and liability. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company’s operations.
- The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation.

Changes in accounting policies

- Changes in accounting policies may have an adverse impact on Discovery Metals.
Appendix C

Selling restrictions

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

European Economic Area – Belgium, Germany and Netherlands
- The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.
- An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:
  (a) to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
  (b) to any legal entity that has two or more of (i) an average of at least 250 employees during its last fiscal year; (ii) a total balance sheet of more than €43,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) and (iii) an annual net turnover of more than €50,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
  (c) to fewer than 100 natural or legal persons (other than qualified investors) within the meaning of Article 2(1)(a) of the Prospectus Directive subject to obtaining the prior consent of the Company or any underwriter for any such offer; or
  (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

France
- This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers ("AMF"). The New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.
- This document and any other offering material relating to the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in France.
- Such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-1 to D.411-3, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non-qualified investors (circle restreint d’investisseurs) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-4, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.
- Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.
Selling restrictions (cont’d)

Hong Kong

- **WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the “Companies Ordinance”), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the “SFO”). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than:
  - to “professional investors” (as defined in the SFO); or
  - in other circumstances that do not result in this document being a “prospectus” (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.

- No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such shares.

- The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Ireland

- The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (the “Prospectus Regulations”). The New Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to (i) qualified investors as defined in Regulation 2(1) of the Prospectus Regulations and (ii) fewer than 100 natural or legal persons who are not qualified investors.

Italy

- The offering of the New Shares in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, “CONSOB”) pursuant to the Italian securities legislation and, accordingly, no offering material relating to the New Shares may be distributed in Italy and such securities may not be offered or sold in Italy in a public offer within the meaning of Article 1(1) of Legislative Decree No. 58 of 24 February 1998 (“Decree No. 58”), other than:
  - to Italian qualified investors, as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999 (“Regulation no. 11977”) as amended (“Qualified Investors”); and
  - in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971 as amended.

- Any offer, sale or delivery of the New Shares or distribution of any offer document relating to the New Shares in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:
  - made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 and any other applicable laws; and
  - in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

- Any subsequent distribution of the New Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971 as amended, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such New Shares being declared null and void and in the liability of the entity transferring the New Shares for any damages suffered by the investors.

New Zealand

- This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Securities Act 1978 (New Zealand).

- The New Shares in the entitlement offer are not being offered or sold to the public in New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand).

- Other than in the entitlement offer, New Shares may be offered and sold in New Zealand only to:
  - persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
  - persons who are each required to (i) pay a minimum subscription price of at least NZ$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ$500,000 for securities of the Company (“initial securities”) in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.
Selling restrictions (cont’d)

Norway

- This document has not been approved by, or registered with, any Norwegian securities regulator pursuant to the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 2007.

- The New Shares may not be offered or sold, directly or indirectly, in Norway except:
  (a) to “professional investors” (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876);
  (b) any natural person who is registered as a professional investor with the Oslo Stock Exchange (No. Oslo Børs) and who fulfills two or more of the following: (i) any natural person with an average execution of at least ten transactions in securities of significant volume per quarter for the last four quarters; (ii) any natural person with a portfolio of securities with a market value of at least £500,000; and (iii) any natural person who works, or has worked for at least one year, within the financial markets in a position which presuppose knowledge of investing in securities;
  (c) to fewer than 100 natural or legal persons (other than “professional investors”, as defined in clauses (a) and (b) above); or
  (d) in any other circumstances provided that no such offer of New Shares shall result in a requirement for the registration, or the publication by the Company or an underwriter, of a prospectus pursuant to the Norwegian Securities Trading Act of 29 June 2007.

Singapore

- This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision H (Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

- This document has been given to you on the basis that you are (i) an existing holder of the Company’s shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) a “relevant person” (as defined under section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

- Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

Switzerland

- The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 552a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

- Neither this document nor any other offering material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

- This document is personal to the recipient only and not for general circulation in Switzerland.
United Kingdom

- This Presentation has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000. Reliance on this Presentation for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property or other assets invested
- This Presentation does not comprise an admission document, listing particulars or a prospectus relating to Discovery Metals Limited (“the Company”) or any subsidiary of the Company, do not constitute an offer or invitation to purchase or subscribe for any securities of the Company and should not be relied on in connection with a decision to purchase or subscribe for any such securities. The Presentation and the accompanying verbal presentation do not constitute a recommendation regarding any decision to sell or purchase securities in the Company.
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FULLY UNDERWRITTEN INSTITUTIONAL PLACEMENT AND RIGHTS ISSUE TO RAISE A$142 MILLION

Overview

- Institutional placement to raise approximately A$51 million at a fixed price of A$1.12 per new share
- One for four non-renounceable pro-rata rights issue to raise approximately A$91 million at an offer price of A$1.05 per new share
- Proceeds from the Equity Raising will primarily be used by the Company to develop its Boseto Copper Project in Botswana

Details

Discovery Metals today announces the launch of a fully underwritten institutional placement (Placement) and a non-renounceable pro-rata, fully underwritten one for four rights issue (Rights Issue), together called the Equity Raising. The Equity Raising will involve the issue of approximately 132 million ordinary shares which will represent approximately 30% of the Company’s issued capital post the Equity Raising to raise approximately A$142 million before costs of the issue.

The Placement will be conducted by way of an institutional bookbuild with a fixed price of A$1.12 per new Discovery Metals Share (Placement Share) to raise approximately A$51 million. Placement Shares issued to Eligible Shareholders will be entitled to participate in the Rights Issue. The fixed price for the Placement represents a discount of 10% to the last closing price of Discovery Metals Shares on 3 November 2010.

The new shares issued under the Rights Issue will be issued at a price of A$1.05 per new Discovery Metals share (Rights Issue Share) to raise approximately A$91 million. This Rights Issue price represents a discount of 16% to the last closing price of Discovery Metals shares on 3 November 2010 and a discount of 12% to the Theoretical Ex-Rights Price (TERP).

UBS AG, Australia Branch is acting as sole lead manager, bookrunner and underwriter on the Equity Raising (Placement and Rights Issue). Blackswan Equities Pty Limited, Fairfax I.S. plc, RBS Morgans Limited and Capital Corporate Finance (Pty) Ltd. are acting as co-managers on the Equity Raising.
Use of proceeds

The proceeds from the Equity Raising will primarily be used by the Company to further progress and develop its Boseto Copper Project in Botswana. The Boseto Copper Project has been further de-risked with the recently completed Bankable Feasibility Study (BFS), which indicates that the Project is planned to be in production in 2012, and the recent receipt of surface rights granted by the Tawana Land Board.

Managing Director of Discovery Metals, Brad Sampson said that “The structure of this Equity Raising recognises the long term support of existing shareholders while also providing the opportunity to further enhance the shareholder register. This Equity Raising further strengthens Discovery Metals’ funding position. Within weeks, we expect to mandate a bank in the lead role to provide the underwritten debt portion of the project finance. Construction mobilisation has commenced and we are on track to commission the project in first half 2012. We are confident that Boseto’s value is clearly demonstrated by the robust economics outlined in the BFS and Boseto Development Plan and supported by a favourable mining jurisdiction in Botswana. Further, we believe that potential to find a second Boseto remains across our significant exploration tenements, which extend over 1,300km from Boseto to the Namibian border.”

Offer Details

The Placement will be conducted by way of an institutional bookbuild. Books will close on Thursday 4 November 2010 at 5:00pm AEDT for Asia Pacific investors, 12:00pm CAT for Botswana investors and 10:00am GMT for European investors.

The Rights Issue is a pro-rata non-renounceable rights issue to Eligible Shareholders, being Shareholders who are registered as the holder of Shares on the Record Date, being 7.00pm AEDT on 12 November 2010, who have a registered address in Australia, New Zealand or Botswana and are eligible under all applicable laws to receive an offer under the Rights Issue.

The Rights Issue is non-renounceable meaning that Discovery Metals shareholders who do not take up their entitlement to participate in the Rights Issue will not be able to transfer or receive any value for those entitlements, and their equity interest in the Company will be diluted.

Eligible Shareholders may choose to accept all or part of their pro rata entitlement or none at all. Eligible Shareholders who take up their entitlement in full may apply for additional Shares equal to 50% of their entitlement. The intent of providing for over-subscriptions is to allow existing retail shareholders to apply for additional shares beyond their entitlement. Discovery Metals will retain absolute discretion in allocating shares pursuant to any application for over-subscription. Entitlements of Eligible Shareholders which are not taken up will lapse upon close of the Rights Issue.

Eligible Shareholders will shortly receive an Offer Document and a personalised entitlement and acceptance form (Application Form) which will provide further details on how to participate.
Discovery Metals is an AIM/ASX/BSE listed copper exploration and development company focused on the emerging Kalahari Copperbelt in north-west Botswana. The Company is currently developing its 100% owned Boseto Copper Project towards production in the first half of 2012.

The total Mineral Resources and Ore Reserves for 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 of 0.6% Cu, are:

<table>
<thead>
<tr>
<th>Mineral Resources</th>
<th>ZETA</th>
<th>PLUTUS &amp; PETRA</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mt</td>
<td>Cu (%)</td>
<td>Ag (g/t)</td>
</tr>
<tr>
<td>Measured</td>
<td>3.9</td>
<td>1.6</td>
<td>23.0</td>
</tr>
<tr>
<td>Indicated</td>
<td>7.0</td>
<td>1.5</td>
<td>23.8</td>
</tr>
<tr>
<td>Subtotal M&amp;I</td>
<td>10.9</td>
<td>1.6</td>
<td>23.5</td>
</tr>
<tr>
<td>Inferred</td>
<td>24.5</td>
<td>1.4</td>
<td>21.8</td>
</tr>
<tr>
<td>Total Mineral Resources</td>
<td>35.4</td>
<td>1.4</td>
<td>22.3</td>
</tr>
</tbody>
</table>

Mineral Resources are reported at a cut-off grade of 0.6% Cu. Please refer Competent Persons Statement.

The Mineral Resource is inclusive of High Grade Ore Reserves at a cut-off of 0.6% Cu.

<table>
<thead>
<tr>
<th>High Grade Ore Reserves</th>
<th>ZETA</th>
<th>PLUTUS &amp; PETRA</th>
<th>TOTAL</th>
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</thead>
<tbody>
<tr>
<td></td>
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<td>Cu (%)</td>
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</tr>
<tr>
<td>Proved</td>
<td>4.0</td>
<td>1.6</td>
<td>22.1</td>
</tr>
<tr>
<td>Probable</td>
<td>6.5</td>
<td>1.5</td>
<td>23.5</td>
</tr>
<tr>
<td>High Grade Ore Reserves**</td>
<td>10.5</td>
<td>1.5</td>
<td>23.0</td>
</tr>
</tbody>
</table>

High Grade Reserves reported at a cut-off grade of 0.6% Cu. Please refer Competent Persons Statement.

The Kalahari Copperbelt sediment-hosted mineralisation of the Boseto Copper Project is similar in style to the well known, extensive deposits of the Central African Copperbelt of Zambia and the Democratic Republic of the Congo.

Discovery Metals has prospecting licences covering 9,656 km² along the Kalahari Copperbelt. The Company has identified a number of exploration targets and is progressing a US$5m exploration programme.

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 JORC Code (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 JORC Code. The information in this report as it relates to the Ore Reserves is based on information reviewed by Mr Peter
Myers, who is a MAusIMM and a full-time employee of Snowden. Mr Myers has sufficient experience which is relevant to the style of
mineralisation and type of deposit under consideration and to the preparation of mining studies to qualify as a Competent Person as
defined in the JORC Code. Messrs Nhiwatiwa, Arnott and Myers 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.

Further information on the Company is available on its website: www.discoverymetals.com.au

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 3877 1037
brad@discoverymetals.com.au

AIM Nominated Advisor – Fairfax I.S. PLC, Contact Ewan Leggat/Laura Littley Ph: +44 20 7460 4389 or 7460 4387
UK PR – Conduit PR, Contact Jos Simpson/Emily Fenton Ph +44 207 429 6603 or Mob +44 7899 870 450

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<thead>
<tr>
<th>ASX &amp; BSE: DML</th>
<th>AIM: DME</th>
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</table>

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to, or for
the account or benefit of, any “U.S. person” (as defined in Regulation S under the U.S. Securities Act of 1933 (the “U.S. Securities
Act”)) (“U.S. Person”). Securities may not be offered or sold in the United States, or for the account or benefit of, or to U.S. Persons
unless the securities have been registered under the U.S. Securities Act or an exemption from registration is available. The securities
to be offered and sold in the Offer have not been, and will not be, registered under the U.S. Securities Act, and may not be offered or
sold in the United States or to, or for the account or benefit of U.S. Persons, unless the securities are registered under the U.S.
Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

Neither this announcement nor any other documents relating to the Offer may be sent or distributed to persons in the United States
or to U.S. Persons or to any persons acting for the account or benefit of U.S. Persons.

The offer does not constitute an offer, and new shares will not be issued or sold under the offer, in any jurisdiction in which, or to
any person to whom, it would not be lawful to make such an offer, issue or sale. No action has been taken to register or qualify the
shares or the new shares or to otherwise permit a public offering of shares or new shares outside Australia. The new shares may
only be offered, issued or sold in any jurisdiction under the offer where such offer, issue or sale is permitted under applicable law.

This announcement may contain “forward-looking statements”. The words “forecast”, “estimate”, “likely”, “anticipate”, “believe”,
“expect”, “project”, “opinion”, “predict”, “outlook”, “guidance”, “intend”, “should”, “could”, “may”, “target”, “plan” and other
similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and
financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on forward
looking statements. While due care and attention has been used in the preparation of forward-looking statements, forward-looking
statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject
to change without notice, as are statements about market and industry trends, which are based on interpretations of current
market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a
general guide only and should not be relied upon as an indication or guarantee of future performance. There can be no assurance
that actual outcomes will not differ materially from forward looking statements. An investment in the Company’s shares is subject
to investment and other known and unknown risks, some of which are beyond the control of the Company, including possible delays
in repayment and loss of income and principal invested. The Company does not guarantee any particular rate of return or the
performance of the Company or Discovery Metals, nor does it guarantee the repayment of capital from the Company or any
particular tax treatment.

Eligible shareholders will be entitled to apply for one new share for every four shares held as at the Record Date. If a Discovery
Metals shareholder has ordinary shares out on loan, the borrower will be regarded as the shareholder for the purposes of
determining the entitlement (provided that those borrowed shares have not been on-sold). No representation or warranty is or will
be made by any legal or natural person in relation to the accuracy or completeness of all or part of this document, or the accuracy,
likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in, or implied by, the information or
any part of it. This document includes information derived from third party sources that has not been independently verified. To the
full extent permitted by law, the Company disclaims any obligation or undertaking to release any updates or revisions to the
information contained in this document to reflect any change in expectations or assumptions.

Nothing contained in this document constitutes investment, legal, tax or other advice. You should make your own assessment and
take independent professional advice in relation to the information and any action taken on the basis of the information.
INSTITUTIONAL PLACEMENT COMPONENT SUCCESSFULLY COMPLETED RAISING A$51 MILLION

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

Overview

• Institutional placement component successfully completed raising A$51 million
• Strong demand received from global institutional investors

Details

Discovery Metals announces that it has successfully completed the institutional placement component of the equity raising announced on 4 November 2010 (Placement). The A$51 million offer was priced at a 10% discount to the last trading price on 3 November 2010 and a 6% discount to the 5 day volume weighted average price ending 3 November 2010.

Managing Director of Discovery Metals, Brad Sampson said that “The strong degree of support shown by a wide range of new and high-quality international institutional investors through participation in the Placement demonstrates the high level of interest in Discovery Metals’ Boseto project.”

The new shares issued to Eligible Shareholders under the Placement will be able to participate in the non-renounceable pro-rata Rights Issue which will open on Wednesday 17 November 2010 (Rights Issue). The Record Date for participation in the Rights Issue is Friday 12 November 2010.

Eligible Shareholders will shortly receive an Offer Document and a personalised entitlement and acceptance form (Application Form) which will provide further details on how to participate in the Rights Issue.

UBS AG, Australia Branch is acting as sole lead manager, bookrunner and underwriter on the Equity Raising (Placement and Rights Issue). Blackswan Equities Pty Limited, Fairfax I.S. plc, RBS Morgans Limited and Capital Corporate Finance (Pty) Ltd are acting as co-managers on the Equity Raising.
Timetable

<table>
<thead>
<tr>
<th>Event</th>
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</tr>
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<tbody>
<tr>
<td>Placement settlement</td>
<td>Wednesday 10 November 2010</td>
</tr>
<tr>
<td>Placement Shares allotted</td>
<td>Thursday 11 November 2010</td>
</tr>
<tr>
<td>Rights Issue Record Date (7:00pm AEDT)</td>
<td>Friday 12 November 2010</td>
</tr>
<tr>
<td>Offer document despatched to shareholders</td>
<td>Wednesday 17 November 2010</td>
</tr>
<tr>
<td>Rights Issue opens</td>
<td>Wednesday 17 November 2010</td>
</tr>
<tr>
<td>Rights Issue closes (7:00pm AEDT)</td>
<td>Thursday 2 December 2010</td>
</tr>
<tr>
<td>Shares quoted on a deferred settlement basis</td>
<td>Friday 3 December 2010</td>
</tr>
<tr>
<td>Rights Issue settlement</td>
<td>Thursday 9 December 2010</td>
</tr>
<tr>
<td>Rights Issue Shares allotted</td>
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The 45.3 million new shares placed represents the current 15% capacity of the Company.

**Boseto Copper Project Background:**

Discovery Metals is an AIM/ASX/BSE listed copper exploration and development company focused on the emerging Kalahari Copperbelt in north-west Botswana. The Company is currently developing its 100% owned Boseto Copper Project towards production in the first half of 2012.

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This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or to, or for the account or benefit of, any “U.S. person” (as defined in Regulation S under the U.S. Securities Act of 1933 (the “U.S. Securities Act”)) (“U.S. Person”). Securities may not be offered or sold in the United States, or for the account or benefit of, or to U.S. Persons unless the securities have been registered under the U.S. Securities Act or an exemption from registration is available. The securities to be offered and sold in the Offer have not been, and will not be, registered under the U.S. Securities Act, and may not be offered or sold in the United States or to, or for the account or benefit of U.S. Persons, unless the securities are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available.

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Nothing contained in this document constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action taken on the basis of the information.

Further information on the Company is available on its website: www.discoverymetals.com.au

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 3877 1037
brad@discoverymetals.com.au

AIM Nominated Advisor – Fairfax I.S. PLC, Contact Ewan Leggat/Laura Littley Ph: +44 20 7460 4389 or 7460 4387
UK PR – Conduit PR, Contact Jos Simpson/Emily Fenton Ph +44 207 429 6603 or Mob +44 7899 870 450

ASX & BSE: DML AIM: DME

SHARE PRICE: A$1.25 SHARES: 302M
Market Cap: A$377M
Intentionally blank
## CORPORATE DIRECTORY

### DIRECTORS
- Gordon Galt  Non-Executive Chairman
- Bradley Sampson  Managing Director
- John Shaw  Non-Executive Director
- Ribson Gabonowe  Non-Executive Director
- Jeremy Read  Non-Executive Director
- Morrice Cordiner  Non-Executive Director

### COMPANY SECRETARY
- Roslynn Shand

### REGISTERED OFFICE
- Level 20, 333 Ann Street
- Brisbane QLD 4000
- Australia

### ASX & BSE CODES: “DML”
### AIM CODE: “DME”

### COMPANY SECRETARY
- Roslynn Shand

### REGISTERED OFFICE
- Level 20, 333 Ann Street
- Brisbane QLD 4000
- Australia

### ASX & BSE CODES: “DML”
### AIM CODE: “DME”

### SHARE REGISTRY
- Computershare Services Pty Ltd
- Level 19, 307 Queen Street
- Brisbane QLD 4000
- Australia

### COMPANY CONTACT DETAILS
- Email: info@discoverymetals.com.au
- Telephone: +61 3 9938 4378
- Fax: +61 3 9938 4378

### COMPANY LAWYERS
- Hynes Lawyers
  - 21 McLachlan Street
  - Fortitude Valley QLD 4006
  - Australia

### UNDERWRITER
- UBS AG, Australia Branch
  - Level 16, Chifley Tower
  - 2 Chifley Square
  - Sydney NSW 2000

### COMPANY LAWYERS
- Blackswan Equities Pty Ltd
- Fairfax I.S. plc
- RBS Morgans Limited
- Capital Corporate Finance (Pty) Ltd

### UNDERWRITER
- UBS AG, Australia Branch
  - Level 16, Chifley Tower
  - 2 Chifley Square
  - Sydney NSW 2000

### COMPANY CONTACT DETAILS
- Email: info@discoverymetals.com.au
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- Fax: +61 3 9938 4378

### AUDITOR
- RSM Bird Cameron*
  - Level 12, 60 Castlereagh Street
  - Sydney NSW 2000
  - Australia

- * Note – A resolution is to be put to shareholders at the 2010 Annual General Meeting on 23 November 2010 to appoint Ernst & Young as the Company’s auditor.

### COMPANY LAWYERS
- Hynes Lawyers
  - 21 McLachlan Street
  - Fortitude Valley QLD 4006
  - Australia

### COMPANY CONTACT DETAILS
- Email: info@discoverymetals.com.au
- Telephone: +61 3 9938 4378
- Fax: +61 3 9938 4378

### INVESTIGATING ACCOUNTANT
- Ernst & Young
  - Level 5, Waterfront Place
  - 1 Eagle Street
  - Brisbane QLD 4000
  - Australia