Date of Meeting: Thursday, 27 November 2014
Time of Meeting: 11:00 am (Brisbane time)
Venue of Meeting: Christie Corporate Conference Centre
                  Morgan Room
                  Level 1, 320 Adelaide Street
                  Brisbane, Queensland

This Notice of Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor prior to voting.
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Shareholders of DISCOVERY METALS LIMITED ACN 104 924 423 (the Company) will be held on Thursday, 27 November 2014, commencing at 11:00 am (Brisbane time) at the Christie Corporate Conference Centre, Morgan Room, Level 1, 320 Adelaide Street, Brisbane, Queensland. Registration will commence just prior to the Meeting.

This Notice of Meeting incorporates, and should be read together with, the Explanatory Memorandum, Annexures to the Explanatory Memorandum and Proxy Form.

ORDINARY BUSINESS

Receipt of financial statements and reports


Resolutions

1. Adoption of Remuneration Report (non-binding resolution)

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

“That the Remuneration Report as disclosed in the Directors’ Report for the year ended 30 June 2014 is approved for the purposes of the Corporations Act.”

Note: Under the Corporations Act, this Resolution is advisory only and does not bind the Directors or the Company. However, if 25% or more votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at that second annual general meeting on an additional resolution on whether another meeting should be held at which all of the Company’s Directors, must stand for re-election. Please see the Explanatory Memorandum for further information.

Voting exclusion: The Company will, in accordance with section 250R of the Corporations Act, disregard any votes cast on Resolution 1 by or on behalf of a:

> member of the Key Management Personnel (this includes but is not limited to the Directors), details of whose remuneration are included in the Remuneration Report; and

> closely related party of such a member, collectively the Excluded Persons.

However, the Company will not disregard any votes cast on this Resolution if the Excluded Person votes as a proxy and the vote is not cast on behalf of an Excluded Person and either:

> the Excluded Person is appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1; or

> the Excluded Person is the chair of the Annual General Meeting and the appointment of the chair as proxy:

> does not specify the way the proxy is to vote on Resolution 1; and

> expressly authorises the chair to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

2. Re-election of Director, Mr Jeremy Read

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

“That in accordance with the Constitution of the Company and the Listing Rules, Mr Jeremy Read who retires by rotation in accordance with clause 12.1(c) of the Company’s Constitution and being eligible, be re-elected as a Director of Discovery Metals Limited.”

3. Election of Director, Mr Royston Denysschen

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

“That in accordance with the Constitution of the Company and the Listing Rules, Mr Royston Denysschen who was appointed to the Board since the last annual general meeting, being eligible, be elected as a Director of Discovery Metals Limited.”

SPECIAL BUSINESS

4. Ratification of Placement Shares

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

“That pursuant to and in accordance with Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 84,005,163 Shares to Transamine Trading S.A. on the terms and conditions in the Explanatory Memorandum.”

Voting exclusion: The Company will disregard any votes cast on this Resolution 4 by a person who participated in the issue and an associate of that person (or those persons).

However, the Company will not disregard any votes cast on this Resolution 4 if:

> it is cast by a person excluded from voting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

> it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5. Approval of Additional 10% Placement Capacity

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

“That for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the issue of equity securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting.”

Voting exclusion: The Company will disregard any votes cast on this Resolution 5 by any person who may participate in the issue of equity securities under this resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons.
However, the Company will not disregard any votes cast on this Resolution 5 if:

> it is cast by a person excluded from voting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
> it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**ATTENDANCE AND VOTING AT THE MEETING**

**Voting entitlement**

In accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), the Board has determined that the Shareholders who are on the Company’s share register at 7:00 pm (Sydney time) / 6:00 pm (Brisbane time) on Monday, 24 November 2014 will be taken, for the purposes of the Annual General Meeting, to be entitled to attend and vote at the Meeting.

If you are not the registered holder of a relevant Share at that time, you will not be entitled to vote at the Meeting.

**Voting at the Meeting**

Ordinary resolutions require the support of more than 50% of the votes cast. Special resolutions require the support of at least 75% of the votes cast.

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

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

**Proxies**

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

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

A proxy form accompanies this Notice of Meeting. Should you wish to appoint a proxy, please complete the proxy form and return it at least 48 hours before the Meeting, **being no later than 11:00 am (Brisbane time) on Tuesday, 25 November 2014 by:**

> post to Computershare Investor Services Pty Limited, GPO BOX 242, Melbourne VIC 3001; or
> fax to the share registry of Discovery Metals Limited, Computershare Investor Services Pty Limited on 1800 783 447 [within Australia] or +61 3 9473 2555 [outside Australia]; or
>
> online by visiting www.investorvote.com.au and logging in using the control number found on the front of your accompanying proxy form. Alternatively, you may also scan the QR code on the front of the proxy form with your mobile device and insert your post code. Intermediary Online subscribers [Institutions/ Custodians] may lodge their proxy instruction online by visiting www.intermediaryonline.com.

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

**Proxies and conduct of Meeting**

Pursuant to section 250BB of the Corporations Act, an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);

b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands;

c) if the proxy is the chairman of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (i.e. as directed); and

d) if the proxy is not the chairman, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Under section 250BC of the Corporations Act, if:

a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of a company’s members;

b) the appointed proxy is not the chairman of the meeting;

c) at the meeting, a poll is duly demanded on the resolution; and

d) either of the following applies:

   i) the proxy is not recorded as attending the meeting;

   ii) the proxy does not vote on the resolution,

the chairman of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on each Resolution by marking either **For, Against** or **Abstain** on the voting form for that item of business.

By order of the Board

Kerry Parker
Chief Financial Officer and Company Secretary
13 October 2014
EXPLANATORY MEMORANDUM

IMPORTANT NOTICE
This Explanatory Memorandum contains an explanation of, and information about, the Resolutions to be considered at the Annual General Meeting. Shareholders should read this Explanatory Memorandum in full. This Explanatory Memorandum and the Annexures to it, form part of the accompanying Notice of Meeting and should be read with the Notice of Meeting.

If you are in doubt about what to do in relation to the Resolutions set out in the Notice of Meeting, you should consult your financial or other professional advisor.

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

This Explanatory Memorandum is dated 13 October 2014.

BACKGROUND TO THE RESOLUTIONS

ORDINARY BUSINESS
Receipt of financial statements and reports
This item does not require voting by Shareholders. It is intended to provide an opportunity for Shareholders to raise questions on the financial statements and reports. The Auditor of the Company will be present at the Meeting and available to answer any questions.

Resolution 1 – Adoption of Remuneration Report (non-binding resolution)
Background

The Remuneration Report sets out the Company’s remuneration arrangements for Directors, including the Chief Executive Officer and Key Management Personnel. Shareholders will be given the opportunity at the Meeting to ask questions and make comments on the Remuneration Report and a reasonable opportunity will be provided for discussion of the Remuneration Report.

The Corporations Act requires that a resolution be put to the Shareholders to adopt the Remuneration Report. This Resolution is advisory only and does not bind the Directors or the Company. The Directors will consider the outcome of the vote and comments made by Shareholders on the Remuneration Report at the Meeting when reviewing the Company’s remuneration policies.

Two strikes
If 25% or more of votes that are cast on this non-binding Resolution are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of these annual general meetings on a resolution (a Spill Resolution) that another meeting be held within 90 days (Spill Meeting), at which:

a) all of the Company’s Directors cease to hold office immediately before the end of the Spill Meeting; and
b) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting will be put to the vote at the Spill Meeting.

The approval threshold for the Spill Resolution is 50% or more of votes that are cast on the resolution.

At the 2013 Annual General Meeting, Shareholders voted in favour of the Remuneration Report, and no first ‘strike’ was recorded by the Company.

Board Recommendation
The Board unanimously recommends that Shareholders vote FOR Resolution 1.

Resolution 2 – Re-election of Director, Mr Jeremy Read
Background
Under Listing Rule 14.4 and clause 12.1(c) of the Company’s Constitution, a director must not hold office without re-election past the third annual general meeting following the director’s appointment, or 3 years, whichever is longer.

A director who retires in accordance with these requirements is eligible for re-election.

Accordingly, Mr Jeremy Read is due to retire at the end of the meeting and offers himself for re-election to the Board. Details of Mr Read’s qualifications, experience, other directorships and special responsibilities are set in the Directors’ Report on page 4 of the Financial Report and summarised below.

Mr Read has 26 years’ domestic and international minerals exploration experience and was previously the Manager of BHP’s Australian Exploration Team. He has extensive exploration experience for copper, nickel and gold mineral deposits having played a critical role in the discovery of Cairn Hill Cu-Fe deposit in South Australia and the Kabanga North Nickel deposit in Tanzania.

Jeremy was the founding managing director of Discovery Metals from its incorporation in May 2003, until his appointment as a non-executive director on 1 February 2008. Mr Read secured the Boseto Copper Project for the Company and was responsible for all Discovery Metals’ fund raising activities and for listing Discovery Metals on the Australian Securities Exchange, Botswana Stock Exchange and the Alternative Investment Market in London. He was also the founding managing director of Meridian Minerals Limited, obtained the Lennard Shelf Zn-Pb Project for Meridian and led the company until its takeover by the Chinese mining company NWME.

Mr Read was Executive Chairman of the Company from 26 June 2014 until 18 September 2014, where he returned to the Non-Executive Chairman role. Mr Read is currently a member of the Remuneration and Nomination Committee, the Audit and Risk Management Committee and the Technical Committee.

Board Recommendation
The Board (with Mr Read abstaining) recommends that Shareholders vote FOR Resolution 2.
Resolution 3 – Election of Director, Mr Royston Denysschen

Background

Mr Royston Denysschen was appointed to the Board of the Company on 9 July 2014.

Under Listing Rule 14.4, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. Accordingly, Mr Denysschen is required to offer himself for election to the Board at this Annual General Meeting.

Mr Denysschen has 18 years’ experience in commerce and logistics in Southern Africa. He has been key as a director to the start-up, development, management of successful logistics and peripheral businesses throughout Southern Africa. Royston joined Transamine in 2010, specifically to focus on the trading of non-ferrous metals and minerals, where he has been overseeing the Transamine Trading S.A. interest in Discovery Metals and it’s off-take operations.

Mr Denysschen was appointed to the Board of the Company on completion of the Placement with Transamine Trading S.A.

Board Recommendation

The Board (with Mr Denysschen abstaining) recommends that Shareholders vote FOR Resolution 3.

SPECIAL BUSINESS

Resolution 4 – Ratification of Placement Shares

Background

On 29 May 2014, the Company issued 84,005,163 fully paid ordinary shares (Placement Shares) at the price of A$0.03451 (Placement Price) per share (Placement). The Placement raised A$2.8 million for the Company. Under the Placement, the Company agreed to appoint a nominee of Transamine Trading S.A. (Transamine) to the Company’s Board and on 9 July 2014 Mr Royston Denysschen was appointed to the Board.

The Placement Price was calculated according to the 5-day volume weighted average price for the Company up to and including 27 May 2014, which is an 8% premium to the closing share price on 28 May 2014. Prior to the Placement, Transamine held 6.4% in the Company and was the second largest shareholder. Transamine now holds an 18.6% stake in the Company, making it the largest shareholder in Discovery Metals.

The Placement was issued by Discovery Metals pursuant to Listing Rule 7.1.

ASX Listing Rules

Pursuant to Listing Rule 7.4, Resolution 4 seeks ratification by Shareholders of the issue of the Placement Shares.

Listing Rule 7.1 prohibits the Company (subject to certain exceptions such as pro-rata issues), from issuing or agreeing to issue equity securities representing more than 15% of the Company’s total issued securities, during a rolling 12 month period, without Shareholder approval (15% Threshold).

Listing Rule 7.4 allows an issue of equity securities, for which Shareholder approval was not first obtained, to not be counted towards the 15% Threshold when Shareholder approval for that issue is subsequently obtained.

That is, Listing Rule 7.4 permits an issue of Shares to be approved retrospectively. It provides that an issue of securities is treated as having been made with Shareholder approval if Listing Rule 7.1 was not breached at the time the securities were issued and Shareholders subsequently approve (ratify) the issue. The Company did not breach Listing Rule 7.1 at the time the Placement Shares were issued and now seeks Shareholder approval for the issue of the Placement Shares.

By Shareholders approving Resolution 4, the Board is given the flexibility to issue more equity securities up to the 15% Threshold over the next 12 month period. Once the issue of the Placement Shares is approved, these securities will not be counted for the purposes of the 15% Threshold.

Specific information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to the ratification of the issue of the Placement Shares:

<table>
<thead>
<tr>
<th>REQUIRED DISCLOSURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of securities issued</td>
</tr>
<tr>
<td>Issue price</td>
</tr>
<tr>
<td>Terms of the securities</td>
</tr>
<tr>
<td>Names of persons to whom entity issued the securities</td>
</tr>
<tr>
<td>Use of funds</td>
</tr>
</tbody>
</table>

Impact of Shareholder approval

Importantly, Shareholders should note that:

a) Shareholder approval was not required for the issue of the Placement Shares; and

b) if Shareholder approval is not obtained for Resolution 4, the Placement will not be impacted or changed.

The impact of Shareholder approval for Resolution 4 will be the extent to which the Company’s 15% Threshold is refreshed. For example, if:

a) Resolution 4 is approved the Company’s 15% capacity under Listing Rule 7.1 will be refreshed and assuming no other securities are issued, the Company will be able to issue an additional 96,605,937 new Shares without Shareholder approval and without relying on any exceptions to the 15% Threshold; or
b) Resolution 4 is not approved the Company’s 15% capacity under Listing Rule 7.1 will not be refreshed and assuming no other securities are issued and no options currently on issue are exercised, the Company will not be able to issue any additional Shares in the next 12 months without Shareholder approval, unless one of the exceptions to the 15% Threshold applies (such as a pro rata entitlement offer).

Voting exclusion statements are included in the Notice of Meeting. The Board recommends that Shareholders vote FOR Resolution 4.

Resolution 5 – Approval of Additional 10% Placement Capacity

Background
Under Resolution 5, the Company is seeking Shareholder approval to create an ability to issue equity securities up to 10% of the issued share capital of the Company over a period of 12 months after the Annual General Meeting under Listing Rule 7.1A (10% Placement).

Resolution 5 is a special resolution and requires approval of 75% of the votes cast by Shareholders present and eligible to vote. Equity securities include a Share, a right to a Share or option, a convertible security and any security that ASX decides to classify as an equity security. Any equity securities issued must be in an existing quoted class of equity securities.

Eligibility criteria
Under Listing Rule 7.1A, an eligible listed entity may, subject to Shareholder approval by way of special resolution, issue Shares comprising up to 10% of its issued share capital in addition to the normal 15% new issue capacity under Listing Rule 7.1. An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of $300 million or less. The Company is an eligible entity.

Placement capacity under Listing Rule 7.1 and 7.1A

The 10% Placement is in addition to a listed entity’s usual 15% placement capacity under Listing Rule 7.1. As at the date of finalisation of this Notice of Meeting, the Company has 644,039,581 Shares on issue and therefore, in addition to any other Shares which it can issue under the permitted exceptions to Listing Rules 7.1 and 7.1A, it has the capacity to issue:

a) 96,605,937 Shares under Listing Rule 7.1, subject to Shareholder approval being obtained under Resolution 4; and

b) 64,403,958 Shares under Listing Rule 7.1A, subject to Shareholder approval being obtained under Resolution 5.

The actual number of Shares that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula in Listing Rule 7.1A.2.

Minimum issue price
In accordance with Listing Rule 7.1A, Shares issued by the Company under a 10% Placement can only be issued at a price that is not less than 75% of the VWAP (volume weighted average price) of the Shares calculated over the 15 ASX trading days on which trades in its Shares were recorded immediately before:

a) the date on which the issue price of the Shares is agreed; or

b) the issue date (if the Shares are not issued within five trading days of the date on which the issue price is agreed).

Placement period
Shareholder approval under Listing Rule 7.1A is valid from the date of this Annual General Meeting until the earlier to occur of:

a) the date that is 12 months after the date of the Annual General Meeting at which the approval is obtained; or

b) the date of approval by Shareholders of Shares of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

Shareholder approval under Listing Rule 7.1A does not lapse if the Company’s market capitalisation subsequently exceeds $300 million or if it is included in the S&P/ASX 300 Index at some time during that period provided that the Company meets those criteria on the date of the Annual General Meeting.

Risk of economic and voting dilution
If Resolution 5 is approved by Shareholders and the Company issues Shares under the 10% Placement, there is a risk of voting dilution to existing Shareholders as a result. Further, as the market price of the Company’s Shares may be significantly lower on the issue date than on the date of Annual General Meeting approval, and because the Shares may be issued at a price that is at a discount to the market price on the issue date, there is a risk that the 10% Placement may raise less funding than it would based on current market prices.

As required by Listing Rule 7.3A.2, the table below shows a number of hypothetical scenarios for a 10% Placement where variable “A” in the formula in Listing Rule 7.1A.2 (representing the Company’s share capital) has increased by either 50% or 100%, and the share price has decreased by 50% or increased by 100% from the approximate share price as at the date of finalisation of this Notice of Meeting.

<table>
<thead>
<tr>
<th>Share Capital</th>
<th>50% decrease in Issue Price</th>
<th>Current</th>
<th>100% increase in Issue Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Variable “A” in Listing Rule 7.1A.2)</td>
<td>$0.015</td>
<td>$0.03</td>
<td>$0.06</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td><strong>Number of Shares</strong></td>
<td>$966,059</td>
<td>$1,932,118</td>
</tr>
<tr>
<td>644,039,581 Shares</td>
<td>64,403,958</td>
<td>64,403,958</td>
<td>64,403,958</td>
</tr>
<tr>
<td><strong>50% increase</strong></td>
<td><strong>Number of Shares</strong></td>
<td>$1,449,089</td>
<td>$2,898,178</td>
</tr>
<tr>
<td>966,059,371 Shares</td>
<td>96,605,937</td>
<td>96,605,937</td>
<td>96,605,937</td>
</tr>
<tr>
<td><strong>100% increase</strong></td>
<td><strong>Number of Shares</strong></td>
<td>$1,932,118</td>
<td>$3,864,237</td>
</tr>
<tr>
<td>1,288,079,162 Shares</td>
<td>128,807,916</td>
<td>128,807,916</td>
<td>128,807,916</td>
</tr>
</tbody>
</table>
The dilution table has been prepared on the following hypothetical assumptions:

a) the Company issues the maximum number of Shares available under the 10% Placement;

b) any increase in variable “A” (being the issued share capital at the time of issue) is due to an issue of Shares which is an exception in Listing Rule 7.2, for example a pro-rata rights issue. However, a 15% placement under Listing Rule 7.1 does not increase variable “A” for the purposes of calculating the placement capacity under Listing Rule 7.1A;

c) the table shows only the effect of issues of Shares under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1;

d) the table does not show the dilution that may be caused to any particular Shareholder by reason of placements under Listing Rule 7.1A, based on that Shareholder’s holding at the date of the AGM. For instance, Shareholders will have different outcomes depending on whether or not they participate in a pro-rata issue which has the effect of increasing variable "A"; and

e) the Issue Price is assumed to be $0.03, being the Share price on 13 October 2014 immediately prior to finalising this Notice of Meeting.

The Company does not represent that they will necessarily occur.

Purpose of the 10% Placement

The Company may seek to issue Shares under the 10% Placement for either:

> a cash issue price; in this case, the Company may use the funds for working capital, development of exploration or funding for the proposed Zeta Underground Mine or for other corporate purposes; or

> non-cash consideration, such as for the acquisition of new assets or investments, subject to any applicable ASX requirements.

Where the Shares are issued for non-cash consideration, the Company will provide a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with Listing Rule 7.1A.3. The valuation may be provided by an independent expert, or by the Directors, provided in the latter case that the Directors have appropriate expertise to value the relevant kind of non-cash consideration and that the report contains a similar level of analysis and is of a similar standard to an independent expert’s report.

In either case, the cash issue price or the value of the non-cash consideration must comply with the minimum Issue Price noted above.

Allocation policy

The Company’s allocation policy is dependent on the prevailing market conditions at the time of any proposed issue under the 10% Placement. The identity of the allottees under the 10% Placement will be determined on a case by case basis having regard to the factors including the following:

> the methods of raising funds that are available to the Company, including a rights issue or other issue in which existing Shareholders can participate;

> the effect of the issue of the Shares on the control of the Company;

> the financial situation and solvency of the Company; and

> advice from corporate, financial and broking advisors (if applicable).

The allottees under the 10% Placement have not been determined as at the date of finalisation of this Notice of Meeting and may include existing substantial Shareholders and/or new Shareholders, but the allottees cannot include any Directors, related parties or associates of a related party of the Company without further specific Shareholder approval.

Voting exclusion

A voting exclusion statement is included in the Notice of Meeting. At the date of finalisation of this Notice, the Company has not approached any particular existing Shareholder or an identifiable class of existing Shareholders to participate in the issue of the Shares. No existing Shareholder’s vote will therefore be excluded under the voting exclusion in the Notice of Meeting.

Previous approval

The Company has not previously obtained Shareholder approval under Listing Rule 7.1A.

Recommendation

The Board recommends that Shareholders vote FOR Resolution 5.
In this Explanatory Memorandum and the Notice of Meeting:

**10% Placement** has the meaning given on page 6 of the Explanatory Memorandum;

**15% Threshold** has the meaning given on page 5 of the Explanatory Memorandum;

**AUD, $, A$** are references to the Australian Dollar;

**Annual General Meeting or Meeting** means the annual general meeting of the Company to be convened by this Notice of Meeting (unless the context otherwise requires);

**ASX** means the Australian Securities Exchange or ASX Limited ACN 008 624 691;

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

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

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

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

**Directors** means the directors of the Company being as at the date of this Notice of Meeting, Ribson Gabonowe, Jeremy Read, Russell Luxford and Royston Denysschen;

**Excluded Persons** has the meaning given in Resolution 1;

**Explanatory Memorandum** means this explanatory memorandum that accompanies and forms part of the Notice of Meeting;

**Financial Report** means the 30 June 2014 financial report of the Company, a copy of which was lodged with ASX on 28 August 2014 under the announcement "Annual Financial Results";

**Key Management Personnel** means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise);

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

**Notice of Meeting** means the notice of Annual General Meeting dated 13 October 2014 which this Explanatory Memorandum accompanies and in which the Resolutions are set out;

**Placement Price** means $0.03451 per Share;

**Placement Shares** means the Shares issued to Transamine under the Placement;

**Placement** means the issue of 84,005,163 Shares to Transamine at the Placement Price;

**Proxy Form** means a valid proxy form for this Annual General Meeting (unless the context otherwise requires);

**Remuneration Report** means the remuneration report of the Company for the year ended 30 June 2014 contained in the Financial Report;

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

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

**Shareholder** means a holder of Shares;

**Spill Meeting** has the meaning given on page 4 of the Explanatory Memorandum;

**Spill Resolution** has the meaning given on page 4 of the Explanatory Memorandum; and

**Transamine** means Transamine Trading S.A.
Important - This Proxy Form (and any power of attorney under which it is signed) must be received no less than Sunday 23 November 2014. Any Proxy Form received after that time will not be valid.

How to Vote on Items of Business
All your securities will be voted in accordance with your directions.

Appointment of Proxy
Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms
Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting
Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form
Proxy Form

STEP 1

Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Discovery Metals Limited hereby appoint

[ ] the Chairman of the Meeting

[ ] OR

[ ] Name

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Discovery Metals Limited to be held at Morgan Room, Christie Corporate Conference Centre, Level 1, 320 Adelaide Street, Brisbane, Queensland on Thursday, 27 November 2014 at 11:00 am (Brisbane time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Item 1 (except where I/we have indicated a different voting intention below) even though Item 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Item 1 by marking the appropriate box in step 2 below.

STEP 2

Items of Business

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

ORDINARY BUSINESS

1 Adoption of Remuneration Report

2 Re-election of Director, Mr Jeremy Read

3 Election of Director, Mr Royston Denysschen

SPECIAL BUSINESS

4 Ratification of Placement Shares

5 Approval of Additional 10% Placement Capacity

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) This section must be completed.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Computershare

DML 1 2 3 4 5 6 A