Discovery Metals Limited (ASX/BSE: “DML”, AIM: “DME”) (‘Discovery Metals’ or “Company”) has reported strong financial results for the half year ended 31 December 2009.

Financial highlights from the half year included:

- Total assets increased by 51% during the half year to AUD$49.1 million.
- Total equity increased by 53% during the half year to AUD$47.4 million.
- A further AUD$15.5 million raised in equity by placement and a Share Purchase Plan.
- Discovery Metals remains debt free.
- Cash at 1 December was AUD$17.6 million

Operational highlights from the half year included:

- Mineral Resources (Plutus, Petra and Zeta prospects) of 60.4Mt @ 1.4% Cu and 19.5 g/t Ag (at a cut-off grade of 0.6% Cu).
- The Bankable Feasibility Study (BFS) was 80% complete at the end of 2009, progressing well towards completion in March 2010.
- The Boseto Copper Project economics were updated in October 2009 and the project continues to show robust economics and costs in the middle of the cost curve.

On 9 March 2010, Discovery Metals announced that the Boseto copper concentrate sales contract has been awarded to Transamine, a global non-ferrous raw materials trading company. Transamine will subscribe for 25 million Discovery Metals’ shares and the A$19 million raised will be used towards the construction of the Boseto Copper Project after internal and external approvals.
Discovery Metals’ Managing Director, Brad Sampson said, “Discovery Metals continues to advance towards its goal to commission Botswana’s largest copper mine in late 2011.”

“We have made significant progress and are on the cusp of moving from an exploration and feasibility company into a development company. We have tracked our path through the Global Financial Crisis and, with continued support of our shareholders, expect to realise the first development of the Kalahari Copper Belt in north-west Botswana. The year ahead is full of excitement and plenty of hard work.”

“We are also pleased to welcome JOGMEC as the funder and partner for continued exploration of the Dikolotii Nickel Project in eastern Botswana.”

**Boseto Project Background**

Discovery Metals’ Boseto Copper Project (100% owned) is located in north-west Botswana, approximately 80 kilometres south-west of the town of Maun, within the district of Ngamiland. A seven tenement package was granted to Discovery Metals in September 2005 and fieldwork on this tenement package commenced in October 2005. The Government of Botswana approved the Company’s renewal of these tenements in September 2008 and all prospective areas were retained by the Company. In June 2008, Discovery Metals was granted an additional seven tenements extending from the south-west boundary of the original 2005 granted tenements through to the Namibian border, adding 5,700 km² to the area held under prospecting licenses, to bring the total current tenement area to 10,100 square kilometres. The outer limit of the exploration licence area starts approximately 60 km south-west of Maun and stretches in a south-westerly direction for approximately 300 km to the Namibian border.

The Boseto Copper Project is located within a belt of significant copper-silver mineralisation that extends from the well known and more highly developed Zambian Copper Belt across north-west Botswana and into Namibia. The poorly explored and undeveloped portion of this belt in north-west Botswana is known as the Kalahari Copper Belt.

Copper in the Boseto Project area occurs predominantly in chalcocite, with minor amounts of bornite and other copper sulphides present. At shallow depths, malachite and chrysocolla exist in significant proportions within some areas of the mineral resource.

The total Mineral Resource 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 is:

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

consisting of:

- Measured Resources of 3.9 Mt @ 1.6% Cu and 23.0 g/t Ag;
- Indicated Resources of 7.8 Mt @ 1.5% Cu and 22.8 g/t Ag; and
- Inferred Resources of 48.7 Mt @ 1.4% Cu and 18.7 g/t Ag

Discovery Metals is currently undertaking a Bankable Feasibility Study for the Boseto Copper Project which is planned for completion in March 2010.

Further information on the Company is available on its website: [www.discoverymetals.com.au](http://www.discoverymetals.com.au)
Competent Persons Statement

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

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

For further information on this release and Discovery Metals Limited generally, please contact:

Brad Sampson  MANAGING DIRECTOR  Ph: +61 7 3218 0200  or  Mob: +61 4 38 771 037  brad@discoverymetals.com.au

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

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

ASX & BSE: DML  AIM: DME
SHARE PRICE: A$0.77  SHARES: 231M  Market Cap: A$178M
DISCOVERY METALS LIMITED
ABN 29 104 924 423

INTERIM FINANCIAL REPORT

For The Six Months Ended

31 December 2009

Dollar figures refer to Australian dollars unless otherwise stated.
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</tr>
</tbody>
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DIRECTORS REPORT

Your directors present their report on Discovery Metals Limited and its subsidiaries ("the consolidated group") for the half year ended 31 December 2009.

THE BOARD OF DIRECTORS

The names of the directors of Discovery Metals Limited in office at any time during or since the end of the half year are:

GORDON GALT (Date of Appointment 09.05.07)
B.Eng (Hons), B Comm, Grad Dip Applied Finance, MAusIMM, MAICD
Chairman and member of the Audit and Financial Risk Committee

Mr Galt is a mining engineer with post-graduate qualifications in finance. During his career, Mr Galt has worked in senior management, technical and operational roles across a wide range of commodities, primarily in gold, coal, magnesium and copper/lead/zinc. During the past ten years Mr Galt has worked mainly as the Managing Director of companies engaged in the development and operation of large resource projects, and he has also spent a period of time in banking. Mr Galt is currently engaged in funds management.

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

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

STUART BRADLEY SAMPSON (Date of Appointment 01.02.08)
B. Eng (Hon), MBA, AMP Oxf, MAusIMM, MAICD
Managing Director

Brad Sampson has over 20 years Australian and International experience as a mining engineer. He has worked extensively in open cut and underground mine operations and developments in Southern Africa, Australia and the Pacific. He previously held an executive role in Thiess Ltd and has been in General Management roles with Gold Fields Limited at St Ives gold mine in Western Australia and at the Kloof operation in South Africa. He has also held the position of General Manager-PNG for Emperor Mines Limited. Brad has also held positions with Anglo American, Ross Mining NL and Comalco. Mr Sampson is also the managing director of all Discovery Metals subsidiaries registered in Botswana.

MORRICE CORDINER (Date of Appointment 30.05.03)
LLB, ASIA
Non-Executive Director and Chairman of the Audit and Financial Risk Committee

Mr Cordiner is a corporate lawyer by training and has in excess of 15 years experience in the finance and resources industries. Based in Sydney, Australia, he is a founding Director of Discovery Metals, and was instrumental in identifying the original projects and strategic alliance with Falconbridge Inc that formed the original assets of the Company in 2003. Over the last 6 years Mr Cordiner has been involved in the successful development and financing of a number of junior listed resource companies with projects in gold, nickel, copper and zinc. He has been actively involved in raising funds for these ventures on the Australian Stock Exchange, the London AIM market and the Toronto Stock Exchange. Mr Cordiner was a non-executive director of the ASX and TSX dual-listed gold explorer, Andean Resources Limited (December 2003 to November 2009) and was a non-executive director of the ASX listed zinc-lead explorer, Meridian Minerals Limited (July 2008 to November 2009).
DIRECTORS REPORT

RIBSON GABONOWE (Date of Appointment 30.05.08)
BSc (Mining Engineering), MSc (Mineral Economics), MBA
Non Executive Director

Ribson Gabonowe is a well known mining engineer with over 25 years of experience in the mining industry. For twelve years to Dec 2006, Ribson was the Director of Mines of Botswana, responsible for administering the legal and fiscal framework governing mineral exploitation. In this role Ribson was involved in negotiations of mineral agreements for copper, nickel, diamonds, coal and soda ash.

During the past three years Ribson held directorships in the following companies:
- Morupule Colliery (Pty) Ltd
- Botswana Diamond Valuing Company (Pty) Ltd
- BCL Limited (Pty) Ltd

Ribson is currently a director of Kukama Mining and Exploration, African Coal (Pty) Ltd, Atlas Minerals (Pty) Ltd and Gabor Consulting (Pty) Ltd. Mr Gabonowe is also a director of all Discovery Metals subsidiaries registered in Botswana.

JEREMY READ (Date of Appointment 01.02.08)
BSc (Hons), MAusIMM
Non Executive Director (Managing Director 30.05.03 to 01.02.08)

Jeremy Read has 22 years domestic and international minerals exploration experience and was previously the Manager of BHP Minerals Australian Exploration Team. He has extensive exploration experience for gold, nickel sulphides and base metals. Mr. Read played a critical role in the discovery of the Kabanga North Nickel deposit, in Tanzania which is currently undergoing feasibility studies. He is skilled in developing new technical teams, management of technical/specialist service groups, project generation activities, risk management, multi-commodity mineral exploration, company listings and capital raisings. During his employment with BHP Mr Read participated in the development of several significant strategic exploration alliances. Mr Read 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. He is also the founding managing director of Meridian Minerals Limited.

JOHN SHAW (Date of Appointment 14.11.06)
BSc (Geological Engineering), FAusimm, MCIM, FAICD, SME
Non Executive Director and member of the Audit and Financial Risk Committee

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

During the past three years Mr Shaw has held the following listed company directorships:
- IAMGOLD Corporation from March 2006 to present
- Albidon Limited February 2008 to April 2009
- Tri Origin Minerals Limited from October 2003 to February 2008
DIRECTORS REPORT

ROSLYNN SHAND (Date of Appointment 24.05.07)
BA, LLB, FCIS
Company Secretary

Roslynn Shand has a combined degree in Arts/Law from the University of Queensland, is a fellow of the Chartered Secretaries Australia and has considerable experience in the company secretarial area. She has been a company secretary for over 15 years for entities in the financial, agricultural and mining sectors.

Principal Activity

The principal activity of the Company during the year was mineral exploration, and in particular the continued development of its Boseto copper project in Botswana.

No significant change in the nature of the consolidated entity’s principal activity occurred during the year.

Dividends Paid or Recommended

The directors do not recommend the payment of a dividend for this financial year. No dividend has been declared or paid by Discovery Metals Limited since the end of the previous financial year.

Operating Results

The result of the consolidated group for the half year amounted to a loss of $1,806,171 (2008: loss $2,268,190).

Number of Employees

There are thirty one (31) full-time employees employed by the consolidated entity in Australia and Botswana. All other roles are currently undertaken under contracted arrangements, or by part-time employees.

Significant Changes in State of Affairs

No significant changes in the state of affairs of the consolidated entity occurred during the year.

After Balance Date Events

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years other than those noted in Note 7 in the Notes to the Financial Statement.

Future Developments

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity and the expected results of those operations would, in the opinion of the directors, be speculative and not in the best interests of the consolidated entity.

Review of Operations

The directors continued to operate the consolidated group in the best interest of the shareholders.

Financial Position

The net asset position of the consolidated group at 31 December 2009 was $47,348,584 (30 June 2008: $30,978,963).

The consolidated group has written off $nil (2008: $700,000) on exploration during the half year. All Australian tenements have been or are in the process of being relinquished or transferred to other parties and have been previously written off.
During the last six months of 2009, Discovery Metals Limited (“DML”) has continued to focus its activities on the Boseto copper project in north-west Botswana. Work continues on the Bankable Feasibility Study (BFS) for the Boseto copper project, which is due for completion by the end of March, 2010. Activity on the Dikoloti nickel project in eastern Botswana recommenced following the signing of a Joint Exploration Agreement with the Japanese government agency, JOGMEC.
DIRECTORS REPORT

Boseto Copper Project (DML 100%)

The Boseto copper project comprises fourteen (14) prospecting licences covering an area of 10,100 square kilometres in north-western Botswana. The project covers a large area of significant copper-silver mineralisation within the Ghanzi Formation. By the reporting date, DML had reported the following Mineral Resources from three (3) specific prospect locations within the Boseto copper project area:

Zeta 35.4Mt @ 1.4% Cu and 22.3g/t Ag (at a cut-off of 0.6% Cu), consisting of:
    3.9Mt @ 1.6% Cu and 23.0 g/t Ag Measured mineral resource
    7.0Mt @ 1.5% Cu and 23.8 g/t Ag Indicated mineral resource, and
    24.5 Mt @ 1.4% Cu and 21.8g/t Ag Inferred mineral resource;

Plutus 15.9Mt @ 1.6% Cu and 16.4 g/t Ag (at a cut-off of 0.6% Cu) Inferred mineral resource;

Petra 0.8Mt @ 1.4% Cu and 14.0 g/t Ag Indicated mineral resource; and
    8.3Mt @ 1.2% Cu and 14.1 g/t Ag (at a cut-off of 0.6% Cu) Inferred mineral resource.

Total 60.4Mt @ 1.4% Cu and 19.5 g/t Ag (at a cut-off of 0.6% Cu)

The in-fill drilling required for the Bankable Feasibility Study was completed in September 2009. The three mineral resources remain open at depth and along strike.

Boseto Copper Project Bankable Feasibility Study (BFS)

The Boseto copper project is currently in its BFS stage with completion of work timetabled for the end of March 2010. The economics for the Boseto copper project was updated in September 2009 and shows a very robust project at copper prices above $2.00 per pound.

Further details are reported in the Quarterly Activity Report released to the ASX and AIM exchanges and the Company’s website www.discoverymetals.com.au

State of Affairs

No significant changes in the group state of affairs occurred during the half year.

Competent Persons Statement

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

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

Messrs Nhiwatiwa and Arnott 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.
DIRECTORS REPORT

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the half year.

Non-audit Services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor’s independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no fees for non-audit services paid or payable to the external auditors during the half year ended 31 December 2009.

Auditor’s Independence Declaration

The lead auditor’s independence declaration for the half year ended 31 December 2009 has been received and can be found on page 19 of this combined report.

Signed in accordance with a resolution of the Board of Directors.

Brad Sampson
Managing Director

Gordon Galt
Chairman

Brisbane. Dated this 10th day of March, 2010
## STATEMENT OF COMPREHENSIVE INCOME

For the Half Year Ended 31 December 2009

<table>
<thead>
<tr>
<th>CONSOLIDATED GROUP</th>
<th>31 Dec 2009</th>
<th>31 Dec 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$174,475</td>
<td>$403,439</td>
</tr>
<tr>
<td>Compliance expenses</td>
<td>$(416,664)</td>
<td>$(275,675)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>$(38,324)</td>
<td>$(34,401)</td>
</tr>
<tr>
<td>Exploration expenditure written off</td>
<td>0</td>
<td>$(700,000)</td>
</tr>
<tr>
<td>Legal support</td>
<td>$(89,579)</td>
<td>$(229,136)</td>
</tr>
<tr>
<td>Rent</td>
<td>$(82,457)</td>
<td>$(81,800)</td>
</tr>
<tr>
<td>Salaries and consultants</td>
<td>$(761,129)</td>
<td>$(675,677)</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>$(237,418)</td>
<td>$(146,318)</td>
</tr>
<tr>
<td>Share based payments</td>
<td>$(121,103)</td>
<td>$(290,987)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>0</td>
<td>$(32)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>$(233,974)</td>
<td>$(237,603)</td>
</tr>
<tr>
<td>Profit/(loss) before income tax expense</td>
<td>$(1,806,171)</td>
<td>$(2,268,190)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Comprehensive Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange translation difference</td>
<td>$2,550,356</td>
<td>$2,798,436</td>
</tr>
<tr>
<td>Total Comprehensive Income for the period</td>
<td>$744,185</td>
<td>$530,246</td>
</tr>
</tbody>
</table>

| Basic earnings per share (cents per share) | $(0.88) | $(1.57) |
| Diluted earnings per share (cents per share) | $(0.88) | $(1.57) |

The accompanying notes form part of these financial statements.
# STATEMENT OF FINANCIAL POSITION

**As at 31 December 2009**

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>31 Dec 2009</th>
<th>30 Jun 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>17,605,002</td>
<td>8,732,079</td>
</tr>
<tr>
<td>Trade &amp; other receivables</td>
<td>650,919</td>
<td>435,999</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>18,256,018</td>
<td>9,168,078</td>
</tr>
<tr>
<td><strong>NON-CURRENT ASSETS</strong></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Plant and equipment</td>
<td>586,430</td>
<td>511,865</td>
</tr>
<tr>
<td>Exploration expenditure</td>
<td>30,169,050</td>
<td>22,828,658</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Related party loans</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>63,599</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL NON-CURRENT ASSETS</strong></td>
<td>30,819,079</td>
<td>23,340,523</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>49,075,097</td>
<td>32,508,601</td>
</tr>
</tbody>
</table>

| **CURRENT LIABILITIES** | $ | $ |
| Trade & other payables | 1,493,347 | 1,372,269 |
| Short-term provisions | 233,166 | 157,369 |
| **TOTAL CURRENT LIABILITIES** | 1,726,513 | 1,529,638 |

| **TOTAL LIABILITIES** | $ | $ |
| | 1,726,513 | 1,529,638 |

| **NET ASSETS** | $ | $ |
| | 47,348,584 | 30,978,963 |

| **EQUITY** | $ | $ |
| Issued capital | 59,201,233 | 43,696,900 |
| Share reserve | 2,836,134 | 2,715,031 |
| Translation reserve | 3,037,291 | 486,935 |
| Accumulated losses | (17,726,074) | (15,919,903) |
| **TOTAL EQUITY** | 47,348,584 | 30,978,963 |

*The accompanying notes form part of these financial statements*
STATEMENT OF CHANGES IN EQUITY  
For the Half Year Ended 31 December 2009

<table>
<thead>
<tr>
<th></th>
<th>Issued Share Capital</th>
<th>Accumulated (Losses)</th>
<th>Option Reserve</th>
<th>Foreign Currency Translation Reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONSOLIDATED ENTITY</strong></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at 1 July 2008</td>
<td>27,864,491</td>
<td>(16,157,523)</td>
<td>1,819,551</td>
<td>642,432</td>
<td>14,168,951</td>
</tr>
<tr>
<td>Currency Translation Differences</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,798,436</td>
<td>2,798,436</td>
</tr>
<tr>
<td>(Loss) for the half year</td>
<td>-</td>
<td>(2,268,190)</td>
<td>-</td>
<td>-</td>
<td>(2,268,190)</td>
</tr>
<tr>
<td>Shares issued during the half year</td>
<td>8,342,453</td>
<td>-</td>
<td>-</td>
<td>8,342,453</td>
<td>8,342,453</td>
</tr>
<tr>
<td>Transaction costs for shares issued</td>
<td>(343,973)</td>
<td>-</td>
<td>-</td>
<td>(343,973)</td>
<td>(343,973)</td>
</tr>
<tr>
<td>Cost of share based payments</td>
<td>-</td>
<td>-</td>
<td>290,987</td>
<td>-</td>
<td>290,987</td>
</tr>
<tr>
<td>Balance as at 31 December 2008</td>
<td>35,862,971</td>
<td>(18,425,713)</td>
<td>2,110,538</td>
<td>3,440,868</td>
<td>22,988,664</td>
</tr>
</tbody>
</table>

2008

<table>
<thead>
<tr>
<th></th>
<th>Issued Share Capital</th>
<th>Accumulated (Losses)</th>
<th>Option Reserve</th>
<th>Foreign Currency Translation Reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 July 2009</td>
<td>43,696,900</td>
<td>(15,919,903)</td>
<td>2,715,031</td>
<td>486,935</td>
<td>30,978,963</td>
</tr>
<tr>
<td>Currency Translation Differences</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,550,356</td>
<td>2,550,356</td>
</tr>
<tr>
<td>(Loss) for the half year</td>
<td>-</td>
<td>(1,806,171)</td>
<td>-</td>
<td>-</td>
<td>(1,806,171)</td>
</tr>
<tr>
<td>Shares issued during the half year</td>
<td>16,112,976</td>
<td>-</td>
<td>-</td>
<td>16,112,976</td>
<td>16,112,976</td>
</tr>
<tr>
<td>Transaction costs for shares issued</td>
<td>(608,643)</td>
<td>-</td>
<td>-</td>
<td>(608,643)</td>
<td>(608,643)</td>
</tr>
<tr>
<td>Cost of share based payments</td>
<td>-</td>
<td>-</td>
<td>121,103</td>
<td>-</td>
<td>121,103</td>
</tr>
<tr>
<td>Balance as at 31 December 2009</td>
<td>59,201,233</td>
<td>(17,726,074)</td>
<td>2,836,134</td>
<td>3,037,291</td>
<td>47,348,584</td>
</tr>
</tbody>
</table>
### STATEMENT OF CASH FLOWS
For the Half Year Ended 31 December 2009

<table>
<thead>
<tr>
<th>CONSOLIDATED GROUP</th>
<th>31 Dec 2009</th>
<th>31 Dec 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments to suppliers and employees</td>
<td>(2,564,764)</td>
<td>(943,606)</td>
</tr>
<tr>
<td>Management fee received</td>
<td>30,750</td>
<td>0</td>
</tr>
<tr>
<td>Interest received</td>
<td>141,491</td>
<td>395,581</td>
</tr>
<tr>
<td>Interest paid</td>
<td>0</td>
<td>(32)</td>
</tr>
<tr>
<td>Refunds received</td>
<td>2,235</td>
<td>7,859</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>(2,390,289)</td>
<td>(540,198)</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES** | $ | $ |
| Payments for exploration | (7,340,392) | (6,652,400) |
| Purchase of plant and equipment | (112,889) | (88,563) |
| Purchase of intangibles | (63,599) | (2,211) |
| Purchase of investments | 0 | 0 |
| Proceeds from disposal of assets | 0 | 0 |
| Proceeds from Joint Venture partner | 725,500 | 0 |
| **Net cash used in investing activities** | (6,791,380) | (6,743,174) |

| **CASH FLOWS FROM FINANCING ACTIVITIES** | $ | $ |
| Proceeds from issue of shares | 16,112,976 | 8,342,453 |
| Share Issue costs | (608,643) | (343,973) |
| **Net cash provided by financing activities** | 15,504,333 | 7,998,480 |

| 6,322,664 | 715,108 |
| 8,732,079 | 5,526,526 |
| 2,550,356 |  |  |
| **Cash at the end of the period** | 17,605,099 | 6,241,634 |

The accompanying notes form part of these financial statements.
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Discovery Metals Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2009 financial report. The half-year report does not include full disclosures of the type normally included in an annual financial report.

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Principles of Consolidation

A controlled entity is any entity over which Discovery Metals Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (or left) the Consolidated Group during the year, their operating results have been included (or excluded) from the date control was obtained (or ceased).

All inter-group balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

(b) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.
NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(c) Change in Accounting Policy
The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

(i) Presentation of financial statements
The Company has applied the revised AASB 101 Presentation of Financial Statements (2007) from 1 January 2009. The revision of this standard now requires the Company to present all non-owner changes to equity (‘comprehensive income’) in the statement of comprehensive income. The Company has presented the income statement and non-owner changes in equity in one statement of comprehensive income. All owner changes in equity are presented separately in the statement of changes in equity. The presentation requirements have been applied for the entire reporting period and comparative information has been re-presented to also comply with the revised AASB 101.

(ii) Segment reporting
The Company has applied AASB 8 Operating Segments with effect from 1 July 2009. Previously operating segments were reported in accordance with AASB 114 Segment reporting. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the Board of the Company to allocate resources and assess performance. As a result of the adoption of AASB 8, the Company’s reportable segments now represent the basis on which the Company reports its segment information to the Board on a monthly basis. Comparative segment information has been represented to comply with the requirements of AASB 8. The change in policy has resulted in a change to the disclosure presented and not the Company’s profit or earnings per share.

NOTE 3: PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) from ordinary activities before income tax has been determined after:

<table>
<thead>
<tr>
<th>CONSOLIDATED GROUP</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenses</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Interest received</td>
<td>141,491</td>
<td>395,579</td>
</tr>
<tr>
<td>Remuneration of auditor</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia – audit &amp; review services</td>
<td>12,100</td>
<td>10,350</td>
</tr>
<tr>
<td>Australia – non-audit services</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Botswana – audit fees paid to Ernst &amp; Young</td>
<td>16,718</td>
<td>16,635</td>
</tr>
<tr>
<td>Depreciation of fixed assets &amp; intangibles</td>
<td>38,324</td>
<td>34,401</td>
</tr>
<tr>
<td>Exploration expenditure written off</td>
<td>0</td>
<td>700,000</td>
</tr>
</tbody>
</table>
NOTE 4: SEGMENT REPORTING

The consolidated entity operates in one business segment being the mining industry, in two geographical locations, being Australia and Botswana. The company has two strategic business units, which operate separately under different management structures due to the geographical separation and the Company’s primary focus on the Boseto Copper Project. The business units are:

1. The 100% owned Boseto Copper Project in north-west Botswana;
2. The 85% owned Dikoloti Nickel Project in eastern Botswana which is in joint exploration with JOGMEC.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the Company is managed and provides a meaningful insight into the business activities of the Company.

The following tables present details of revenue and operating profit by business segment. The information disclosed in the tables below is derived directly from the internal financial reporting system used by corporate management to monitor and evaluate the performance of our operating segments separately.

(a)

<table>
<thead>
<tr>
<th></th>
<th>Boseto Copper Project</th>
<th>Dikoloti Nickel Project</th>
<th>Corporate</th>
<th>Consolidated Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 For the half year ended 31 December 2009</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Revenue from external customers</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>0</td>
<td>0</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Interest &amp; Refunds</td>
<td>71,957</td>
<td>71,768</td>
<td>143,725</td>
<td></td>
</tr>
<tr>
<td>Reportable segment profit/(loss) before income tax</td>
<td>(1,951)</td>
<td>(2,599)</td>
<td>(1,801,621)</td>
<td>(1,806,171)</td>
</tr>
<tr>
<td>JOGMEC Exploration Fee</td>
<td>30,750</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reportable Segment Assets as at 31 December 2009</td>
<td>31,776,904</td>
<td>4,144,864</td>
<td>50,035,127</td>
<td>85,956,894</td>
</tr>
<tr>
<td>2008 For the half year ended 31 December 2008</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Revenue from external customers</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Interest &amp; Refunds</td>
<td>177,129</td>
<td>226,310</td>
<td>403,439</td>
<td></td>
</tr>
<tr>
<td>Reportable segment profit/(loss) before income tax</td>
<td>1,435,657</td>
<td>0</td>
<td>(3,703,848)</td>
<td>(2,268,190)</td>
</tr>
<tr>
<td>Exploration Fee</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Reportable segment assets as at 30 June 2009</td>
<td>26,009,607</td>
<td>3,517,258</td>
<td>34,428,008</td>
<td>63,954,873</td>
</tr>
</tbody>
</table>
NOTE 4: SEGMENT REPORTING (Continued)

(b) Reconciliation of reportable segment profit or loss

<table>
<thead>
<tr>
<th>For the six months ended 31 December</th>
<th>2009 ($)</th>
<th>2008 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total profit or loss for reportable segments</td>
<td>(1,206,171)</td>
<td>(2,268,190)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Elimination of inter-segment profits</td>
<td>(600,000)</td>
<td>0</td>
</tr>
<tr>
<td>Profit before tax from continuing operations</td>
<td>(1,806,171)</td>
<td>(2,268,190)</td>
</tr>
</tbody>
</table>

(c) Reconciliation of reportable segment assets

<table>
<thead>
<tr>
<th>As at:</th>
<th>31 December 2009 ($)</th>
<th>30 June 2009 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reportable segment assets</td>
<td>85,956,894</td>
<td>63,954,873</td>
</tr>
<tr>
<td>Elimination of inter-segment assets</td>
<td>(36,881,798)</td>
<td>(31,446,272)</td>
</tr>
<tr>
<td>Total Assets</td>
<td>49,075,097</td>
<td>32,508,601</td>
</tr>
</tbody>
</table>

(d) Assets by geographical region

<table>
<thead>
<tr>
<th>As at:</th>
<th>31 December 2009 ($)</th>
<th>30 June 2009 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>13,933,864</td>
<td>6,121,155</td>
</tr>
<tr>
<td>Botswana</td>
<td>35,141,233</td>
<td>26,387,446</td>
</tr>
<tr>
<td>Total Assets</td>
<td>49,075,097</td>
<td>32,508,601</td>
</tr>
</tbody>
</table>

(e) There are no customers for the period under review since the Company is still in exploration and feasibility study stage.

NOTE 5: CONTINGENT LIABILITIES

There are no known contingent liabilities. There has been no change in contingent liabilities and assets since the last annual reporting date.
NOTES TO THE INTERIM FINANCIAL STATEMENTS
For the Half Year Ended 31 December 2009

NOTE 6: ISSUED CAPITAL

The shares issued in the publicly listed parent entity are the same for the consolidated group. The parent entity holds all the issued shares in all four Botswana subsidiaries.

<table>
<thead>
<tr>
<th>Period</th>
<th>6 months</th>
<th>12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fully paid ordinary shares as at reporting date</td>
<td>$59,201,233</td>
<td>$43,696,900</td>
</tr>
</tbody>
</table>

(a) Ordinary Shares

At beginning of reporting period: $43,696,900, 194,078,380

Shares issued during the period:
- Issued at 18 cents each: $7,914,662, 43,970,345
- Issued at 30 cents each: $340,876, 1,136,253
- Issued at 42 cents each: $8,192,453, 19,505,840
- Issued at 45 cents each: $15,772,100, 35,046,820

Transaction costs relating to share issues: ($608,643), ($424,706)

At end of reporting period: $59,201,233, 230,261,453

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

No other matters or circumstances have arisen since the end of the financial half year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years other than the following:

- On 28 January 2010, the Company released its quarterly activities report containing updates to both the Boseto bankable feasibility studies and its drilling and exploration activities on the Boseto leases and the recommenced exploration work at Dikoloti.
- On 28 January 2010, the Company responded to an Australian Stock Exchange query on an increase in price and trading activity following a number of favourable broker and analyst reports.
- On 24 February 2010, the Company held a General Meeting. Approval was obtained from shareholders for the Company’s Share Plan and issue of the shares to directors pursuant to the Share Plan.
- On 9 March 2010, the Company announced the award of the Boseto copper concentrate off-take and the placement of 25 million shares for A$19 million with a global non-ferrous metal trader Transamine.
The directors of Discovery Metals Limited declare that:

1. The financial statements and notes, as set out on pages 9 to 17 hereof:
   (a) comply with Accounting Standards AASB 134 Interim Financial Reporting and the Corporations Regulations; and
   (b) give a true and fair view of the economic entity’s financial position as at 31 December 2009 and of the performance for the half-year ended on that date.

2. In the directors’ opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The Company and its wholly-owned subsidiaries, have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other.

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

Brad Sampson  
Managing Director

Gordon Galt  
Chairman

Brisbane, 10th March 2010.
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Discovery Metals Limited for the half year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

W E Beauman
Partner

Sydney, NSW
Dated: March 2010
INDEPENDENT AUDITOR’S REVIEW REPORT
TO THE MEMBERS OF
DISCOVERY METALS LIMITED


We have reviewed the accompanying half-year financial report of Discovery Metals Limited ("the consolidated entity") which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, accompanying notes to the financial statements and the directors’ declaration. The consolidated entity comprises both Discovery Metals Limited as the parent entity and the entities it controlled during the half-year.

Directors’ Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

- giving a true and fair view of the consolidated entity’s financial position as at 31 December 2009 and its performance for the half-year ended on that date; and


As the auditor of Discovery Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Discovery Metals Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the consolidated entity’s financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and


RSM BIRD CAMERON PARTNERS
Chartered Accountants

W E Beauman
Partner

Sydney, NSW
Dated: March 2010