

DEBT RE-PROFILE COMPLETED

Highlights

- > On 19 May 2014, Discovery Metals Limited and its lenders agreed to reduce the Company's existing interest bearing debt by US\$59 million to US\$100 million and re-profile repayments of outstanding debt (**Debt Re-Profile**).
- > The Debt Re-Profile was agreed under a legally binding term sheet (**Term Sheet**), which was subject to the parties entering into definitive, long form documents which reflect the terms of the Term Sheet in all material respects by 11 July 2014 (**Condition**).
- > Discovery Metals Limited is pleased to announce that it has satisfied the Condition. Discovery and its lenders have executed definitive long form documents (collectively referred to as the **Amended and Restated Facility Agreement and Ancillary Documents**) for the Debt Re-Profile consistent with the terms of the Term Sheet.

DEFINITIVE LONG FORM DOCUMENTS EXECUTED WITH LENDERS

Discovery Metals Limited (ASX/BSE: DML) (**Discovery Metals, DML or the Company**) is pleased to announce that it has executed the Amended and Restated Facility Agreement and Ancillary Documents with its lenders.

Discovery Metals' Executive Chairman, Mr Jeremy Read, stated *"The execution of the definitive, long form documents is a turning point for the Company. With the completion of the Debt Re-Profile, the Company can now focus on its proposed recapitalisation, transition to underground mining and continued operational improvements. I would particularly like to thank our lenders for their strong support during this process."*

Under the Debt Re-Profile:

- all continuing defaults were waived on execution of the Term Sheet;
- the Revolving Credit Facility has been discharged and no longer exists;
- the Project Finance Facility has been amended and restated in accordance with the Term Sheet;
- the current gross interest bearing debt owing under the Revolving Credit Facility and the Project Finance Facility of approximately US\$160.4 million (including capitalised interest) has been reduced to US\$100 million (**New Balance**);
- the New Balance has a loan term of 9 years (**Loan**), with interest capitalised for the first 4 years of the term;
- interest rate is now LIBOR plus 5%, with interest capitalised until September 2018;
- scheduled principal repayments will be made commencing in year 5 of the Loan;

- the parties have agreed to a mechanism that will provide for the lenders to be returned incentive payments in addition to repayment of the Loan, up to a maximum aggregate amount of US\$20 million (**Incentive Payments**), commencing after final repayment of the Loan.

CONDITIONS PRECEDENT AND SUBSEQUENT

Conditions Precedent

The Debt Re-Profile is conditional on usual and customary administrative conditions for a financing of this nature and will become effective on satisfaction of those conditions. The conditions include the provision of share certificates, documents, stock transfer forms and other requirements as part of the security arrangements under the Amended and Restated Facility Agreement and Ancillary Documents.

The lenders have granted further waivers in relation to principal and interest repayments owing under the Project Finance Facility and the Revolving Credit Facility until 18 July 2014 to allow the Company sufficient time to satisfy the conditions precedent.

Other Conditions

DML's wholly owned subsidiary, Discovery Copper (Botswana) (Proprietary) Limited (**DCB**), is required to deliver an updated financial model and development plan for the underground mining operations (**Business Plan**), in a form and substance acceptable to the lenders and a lender appointed independent technical expert, by 31 August 2014. DCB is required to achieve an agreed benchmark production from underground operations to be determined by reference to the Business Plan within 18 months.

FUNDRAISING AND PROPOSED RECAPITALISATION UPDATE

Placement

As announced on 29 May 2014, the Company successfully completed a placement to Transamine Trading S.A. (**Transamine**), raising AUD\$2.8 million (**Placement**). The Placement was completed at a price of AUD\$0.03451 per share, which was an 8% premium to the closing price on 28 May 2014. Transamine now holds 18.61% in Discovery Metals. As part of the Placement, the Company agreed to appoint a nominee of Transamine to the Company's Board. Mr Royston Denysschen was appointed as Non-Executive Director of the Company as announced on and effective as at 9 July 2014.

Proposed Recapitalisation

As announced on 26 June 2014, the Company appointed Foster Stockbroking Pty Ltd to act as corporate advisor in respect of a proposed equity recapitalisation (**Proposed Recapitalisation**). The details of the Proposed Recapitalisation will be released in due course, however, the Company currently anticipates that the Proposed Recapitalisation will be made under the 'low doc' regime meaning that an offer booklet and cleansing notice (rather than a prospectus) will be issued in relation to the Proposed Recapitalisation.

15 July 2014

This Proposed Recapitalisation forms part of Discovery Metals' previously announced fundraising strategy to fulfil the strategic transition from open pit operations to an underground miner at the Company's flagship Boseto Copper Project in Botswana, in order to unlock value in the mineral resources on the Boseto Project.

MARKET RELEASE

FORWARD LOOKING STATEMENTS

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

DISCOVERY METALS BACKGROUND

Discovery Metals is an ASX/BSE listed copper exploration and production company focused on the emerging Kalahari Copperbelt in north-west Botswana. The Company is a copper producer at its 100% owned Boseto Copper Project.

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

Discovery Metals has prospecting licences covering approximately 26,150 km² in Botswana.

Further information on the Company including Mineral Resources and Ore Reserves is available on our website:
www.discoverymetals.com

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

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