

SEDGMAN SETTLEMENT UPDATE

On 18 February 2014, Discovery Metals Limited (ASX/BSE: DML) (**Discovery Metals, DML or the Company**) announced that it and its wholly owned subsidiary, Discovery Copper (Botswana) (Proprietary) Limited had reached an agreement (**Deed of Settlement**) with Sedgman Limited (ASX: SDM) and its wholly owned subsidiaries Sedgman South Africa Pty Ltd and Sedgman Botswana Pty Ltd (collectively **Sedgman**) for the full and final settlement of all claims arising from the EPC contract between the parties (as disclosed in various previous reports and announcements) (**EPC Dispute**). Under the Deed of Settlement, Discovery Metals agreed to pay Sedgman the sum of US\$3.2 million (**Settlement Sum**) in full and final satisfaction of the EPC Dispute by 30 April 2014 (**Due Date**).

On 1 May 2014, DML and Sedgman entered into a deed of variation to the Deed of Settlement under which payment of the Settlement Sum was deferred until 31 July 2014 (**New Repayment Date**). Discovery Metals also agreed to pay Sedgman interest at the rate of 10% per annum on the Settlement Sum for the period from the Due Date until the New Repayment Date.

Discovery Metals today advises the market that it has executed a revised Deed of Settlement and Release (**Revised Deed**) with Sedgman on the following terms:

- > DML has agreed to pay Sedgman the Settlement Sum in full and final satisfaction of all claims;
- > DML will pay the Settlement Sum in the following instalments:
 - o first instalment of US\$1.8 million due 31 October 2014;
 - o second instalment of US\$500,000 due 31 December 2014;
 - o third instalment of US\$500,000 due 31 March 2015; and
 - o fourth and final instalment of US\$400,000 due 30 June 2015.
- > DML will pay interest on the amounts outstanding at the agreed interest rate of 10% per annum with interest repayments falling due on the second, third and fourth instalments; and
- > DML will complete a A\$15m capital raising (**Capital Raising**) by 30 September 2014 (discussed below).

As announced on 26 June 2014, the Company has appointed Foster Stockbroking Pty Ltd to act as corporate advisor for a proposed Capital Raising. The Capital Raising forms part of Discovery Metals' previously announced fundraising strategy to transition from open pit operations to an underground mine at the Company's flagship Boseto Copper Project in Botswana, in order to unlock value in the Mineral Resources at Boseto.

7 August 2014

It is anticipated details and a timetable for the proposed Capital Raising will be released by mid-August 2014, with funds raised by 30 September 2014. The Capital Raising will be for a minimum of A\$15 million.

As a condition of the Revised Deed, DML has agreed that, should it not:

- > complete the Capital Raising; or
- > make any instalment payment in full (including any interest due) by the due date for that instalment,

then the full Settlement Sum including interest will become immediately due and payable.

The Company thanks Sedgman for its cooperation and understanding in this matter.

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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