

DML ANNOUNCES INTENTION TO UNDERTAKE 2 FOR 1 RENOUNCEABLE RIGHTS ISSUE TO FUND COMMENCEMENT OF UNDERGROUND MINING AT BOSETO

Highlights

- > 2 for 1 renounceable rights issue at A\$0.02 per new DML share.
- > One option for every new DML share issued under the rights issue, exercisable at A\$0.05 on or before 12 months after the issue date.
- > The rights issue is conditional upon raising a minimum of A\$10 million and will raise up to a maximum of A\$25.76 million.
- > Funds raised will be used to fund the development of the Zeta Underground Mine at the Boseto Copper Mine in Botswana.
- > Competent Persons review of Updated Definitive Feasibility Study for the Zeta Underground Mine to be provided by Runge Pincock Minarco Ltd (ASX:RUL) prior to lodgement of Rights Issue Offer Document.
- > Foster Stockbroking Pty Ltd to act as Corporate Advisor to the offer.

Discovery Metals Limited (ASX/BSE:DML) (**Discovery Metals, DML or the Company**) announces its intention to undertake a 2 for 1 renounceable rights issue at A\$0.02 per new DML share issued and one option for every new DML share issued under the rights issue. The rights issue is conditional on raising a minimum of A\$10 million and will raise up to a maximum A\$25.76 million.

This recapitalisation is aimed at funding the transition from open pit operations to underground mining at the Boseto Copper Mine in Botswana. This move is an important step as the mining of consistent higher grade sulphide ore, together with a continued focus on costs should bring stability to operating performance, deliver profitability and significantly improve long-term investment returns for the Company's shareholders.

1 September 2014

In addition to using the funds raised by the rights issue to fund the development of the Zeta Underground Mine, the Company will complete resource drilling at Zeta NE for future underground developments and also pay the Settlement Sum (plus interest) to Sedgman Limited and its subsidiaries (ASX:SDM; as announced to ASX on 7 August 2014).

Operating Performance

The Boseto Copper Mine reached another monthly copper production record in August 2014 following a record operating quarter. The result will be announced in the coming days once final reconciliations are completed.

Rights Issue

DML plans to undertake a 2 for 1 renounceable rights issue at A\$0.02 per new DML share issued.

DML shareholders taking up their entitlement under the rights issue will also receive one option per DML share issued under the rights issue exercisable at A\$0.05 on or before 12 months after the issue date. DML intends to list the options in accordance with the ASX Listing Rules requirements.

The rights issue price A\$0.02 per share represents 47% discount to the 30-day volume weighted average price for the Company up to and including 28 August 2014.

DML is in the process of finalising the terms of this proposed rights offer. An indicative timetable is set out below.

Director Support

The Directors of DML fully support the rights issue and recommend it to DML's shareholders.

DML Chairman Jeremy Read said, " *The funds raised by the proposed rights issue will allow DML to commence the transition of the Boseto Copper Mine from open pit to underground mining in order to unlock value contained within the significant Mineral Resources inventory which exists at Boseto. Within a two year period we are aiming to have commenced two declines at the Zeta Underground Mine, with ultimately three underground mines to be developed at Boseto. This will allow the concentrating facility to be filled with higher grade sulphide ore, leading to significant improvements in the recovery of copper and the overall tonnes of copper produced on an annual basis.* "

Indicative Timetable

DML currently expects that the rights issue will be carried out in accordance with the timetable below:

Event	Date
Lodge rights issue offer document with ASX, submit Appendix 3B, and issue cleansing notice (under s 708AA(2)(f))	Friday, 26 September 2014
Notice sent to DML security holders containing indicative timetable and information required by Appendix 3B	Monday, 29 September 2014
Rights trading period (beginning on the "ex" date)	Tuesday, 30 September – Thursday, 9 October 2014
Record date to identify security holders entitled to participate in the issue	Thursday, 2 October 2014
Offer document and acceptance forms dispatched to eligible DML security holders	Tuesday, 7 October 2014
Offer opens	Tuesday, 7 October 2014
Offer closes	Thursday, 16 October 2014
Issue date	Thursday, 23 October 2014
Settlement Date (T + 3)	Tuesday, 28 October 2014

The timetable is indicative only and may be subject to change, subject to the ASX Listing Rules. Any changes to the timetable will be advised to ASX via a market announcement.

Use of Funds

DML plans to use the funds raised under the rights issue for:

- > funding the development of an underground mine beneath the current Zeta open pit operation (as discussed in DML's Boseto Resources Conference Presentation, announced by DML ASX announcement on 11 June 2014);
- > servicing existing financial obligations (DML ASX announcement on 15 July 2014);
- > paying the Settlement Sum (plus interest) to Sedgman Limited and its subsidiaries (DML ASX announcement on 7 August 2014);
- > completing the resource drilling at Zeta NE for future underground developments; and
- > working capital requirements.

Discovery Metals is finalising a plan to transition the Boseto operation from open pit mining to underground mining. Ultimately, the objective is to enable the Boseto processing plant to operate at full capacity, fed using copper ore from underground sources. The higher grade, higher recovery sulphide ore accessible from underground mining is expected to further significantly improve metal production at Boseto, extending on the advances in performance achieved recently as the open pits access the top of the sulphide ore zone.

Conditions Subsequent to Debt Re-Profile

As announced on 29 August 2014, the deadline to consider the updated financial model and development plan for the proposed underground mining operations at the Boseto Mine (**Business Plan**) was extended to 12 September 2014.

The lenders will provide the final principal repayment schedule in accordance with the approved Business Plan by 19 September 2014, to complete all conditions subsequent to the Debt Re-Profile other than the equity raise, which must:

- > occur prior to 31 December 2014;
- > be sufficient to finance the first underground stage of development to an operational stage; and
- > support the Borrower's working capital requirements for the Boseto Mine.

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 Mine.

The Kalahari Copperbelt sediment-hosted mineralisation of the Boseto Copper Mine 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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