

27 February 2015

# APPOINTMENT OF ADMINISTRATORS

Discovery Metals Limited (ASX/BSE: DML) (**Discovery Metals, DML** or the **Company**) announces that the Board of Directors has today appointed Stefan Dopking and Michael Ryan of FTI Consulting as Voluntary Administrators of the Company under Part 5.3A of the Corporations Act.

The decision to appoint Voluntary Administrators follows the receipt earlier today of correspondence from DML's Lender Group.

DML's Lender Group has demanded full and immediate repayment by DML of all monies (comprising principal repayments, interest and costs).

On 9 February 2015, the Company entered into a Memorandum of Understanding ("MOU") with Castlepines Global Equities Limited ("Castlepines").

Under the terms of the MOU, Castlepines proposed to invest US\$110,000,000 into the Company's wholly owned subsidiary Discovery Copper (Botswana) (Proprietary) Limited ("DCB"), which would provide Castlepines with a 34% interest in DCB.

Part of the investment was intended to be utilised by the Company and DCB to:

- pay-out the Loan from Cupric Canyon Capital LP (Cupric) of US\$5,000,000 pursuant to the Facility Agreement dated on 28 November 2014;
- negotiate a settlement of the existing loan finance facility with the Company's secured lending syndicate (based on the MOU); and
- sufficient capital to undertake the required underground development.

Following provision of the MOU to the Company's Lender Group the Company received a Notice of Event of Default dated 10 February 2015 from the Lender Group advising the execution of the MOU by the Company was a likely breach of the Amended and Restated Facility Agreement dated 13 July 2015. The Company disputed the position taken by the Lender Group in this Notice of Event of Default.

As a result of the Notice of Event of Default dated 10 February 2015, Cupric also issued a "Notice of Default and Reservation of Rights" notice, claiming breach of the Facility Agreement between the Company and Cupric dated 13 February 2015. Cupric is provided with a right to issue a notice of default via the Priority Deed pursuant to the "Cross Default" provisions.

Members of the DML Board and Executive Team travelled to London in the week commencing 16 February 2015 to engage in discussions with the Company's lending syndicate. The purpose of these discussions included:

- resolving any issue provided for under the disputed Notice of Event of Default dated 10 February

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2015;

- the MOU with Castlepines and the actions required by the parties to proceed with progressing the transaction contemplated under the MOU; and
- any other matter relevant to the Amended and Restated Facility Agreement dated 13 July 2014 which either party considered necessary to resolve.

Following these discussions and at the express request and encouragement of the Lenders, the Company formally wrote to the Lenders requesting written agreement:

- retracting the Notice of Event of Default dated 10 February 2015;
- implementation of a "Standstill Period" of no less than six months pertaining to all obligations and requirements pursuant to the Amended and Restated Facility Agreement and whereby no enforcement action would be taken by the lending syndicate;
- for the lending syndicate to accept the proposal of Castlepines to settle all amounts owing by the Company in accordance with the terms provided for in the MOU with Castlepines; and
- to complete a Share Purchase Plan or Rights Issue allowing for interim funding to be raised to provide the Company with some working capital and to pay part or all of the Loan payable to Cupric pursuant to the Facility Agreement dated 28 November 2014.

The Company has now received notice that the Lender Group will not provide the written agreement requested. The Company remains in default of the Restated and Amended Facility Agreement with the lending syndicate dated 13 July 2014 and the Facility Agreement with Cupric dated 28 November 2014. The Company is unable to remedy these defaults.

DML's Lender Group has now demanded full and immediate repayment by DML of all monies (comprising principal repayments, interest and costs).

Accordingly, the Board of Directors of the Company considers the Company to be insolvent or likely to be insolvent due to the above-stated matters.

Further details of the Voluntary Administration process will be announced as they become available.

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

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