

EXTENSION TO DUE DILIGENCE PERIOD FOR 105 MILLION RECAPITALISATION PROPOSAL, LENDERS UPDATE AND SEDGMAN SETTLEMENT UPDATE

Highlights

- > Extension to the legal due diligence period for the recapitalisation proposal to 12 May 2014.
- > The lenders have granted waivers to defer the scheduled principal and interest amounts due under the Company's finance facilities on 30 April 2014 until 14 May 2014.
- > Sedgman has agreed to defer the agreed settlement payment due date until no later than 31 July 2014.
- > April production results 35% higher than average of March quarter, with operational improvements.

EXTENSION TO RECAPITALISATION DUE DILIGENCE PERIOD

On 1 April 2014 Discovery Metals Limited (ASX/BSE: DML) (**Discovery Metals, DML or the Company**) announced (**Earlier Announcement**) a non-binding, conditional recapitalisation proposal (**Recapitalisation Proposal**), involving Montsant Partners LLC (**Montsant**) and the Company's lenders.

One of the conditions to the Recapitalisation Proposal was the completion of satisfactory legal due diligence to be determined by Montsant within 28 days (**Due Diligence Period**) of the executed, conditional, non-binding term sheet between the Company and Montsant and for no material adverse change to the operations of the Company within that Due Diligence Period.

The Company today announces that Montsant has requested, and the Company has granted, an extension to the Due Diligence Period to 12 May 2014 (**Extended Due Diligence Period**), in order to allow Montsant more time to complete its legal due diligence.

Placement

As noted in the Earlier Announcement, tranche one of the proposed placement to Montsant to raise AUD4.2 million via the issue of 84,005,162 fully paid ordinary shares in DML, was to be made within two business days of the end of the Due Diligence Period (**Tranche 1**). The timing for Tranche 1 has been varied in line with the Extended Due Diligence Period and is now intended to be made within two business days of the end of the Extended Due Diligence Period.

All other terms and conditions of the Recapitalisation Proposal, as noted in the Earlier Announcement remain unchanged and the Recapitalisation Proposal remains non-binding and conditional (see below for status of conditions).

Arrangement with the lenders

As also noted in the Earlier Announcement, the Company has entered into a conditional, non-binding term sheet with its lenders (**Lender Term Sheet**) under which the lenders and the Company have agreed to a full payout of the existing finance facilities (discussed below), subject to lender credit committee approval and certain other conditions as noted in the Earlier Announcement (**Lender Transaction**).

The Lender Term Sheet remains conditional and non-binding, pending execution of binding arrangements with Montsant and the Lender Transaction will not complete unless the Recapitalisation Proposal completes.

Status of conditions to completion of the Recapitalisation Proposal

As noted in the Earlier Announcement, the Recapitalisation Proposal is subject to a number of conditions, including (amongst other things) the following:

Condition	Status
The Company obtaining all shareholder approvals required under the <i>Corporations Act 2001 (Cth)</i> and the ASX Listing Rules.	Being progressed. The Company has engaged an independent expert to provide a report on whether the Recapitalisation Proposal is fair and reasonable (Report). The Company is currently working on a notice of meeting and explanatory memorandum to obtain the necessary shareholder approvals required for the Recapitalisation Proposal (Notice). The Report and Notice will be sent to shareholders in due course. It is currently anticipated that the shareholder meeting will be held in July 2014.
Finalisation and execution of definitive transaction documents.	Still to be progressed.
Satisfactory legal due diligence to be determined by Montsant and no material adverse change to the operations of the Company within the Due Diligence Period.	As set out in this announcement, the timing for satisfaction of this condition has been mutually extended by Montsant and the Company. This condition is now due to be satisfied or waived on or before 12 May 2014.
Each of the Company's lenders obtaining formal credit committee approval in relation to the Recapitalisation Proposal (as it affects them).	Being progressed.

As noted in the Earlier Announcement, the Directors intend to recommend that shareholders vote in favour of the resolutions to approve the Recapitalisation Proposal, in the absence of a superior proposal.

LENDERS UPDATE

Discovery Metals provides a further update in regards to its Boseto Project Finance Facility (**PF Facility**) and its Single Currency Revolving Facility Agreement (**SCRFA**). Discovery Metals has previously announced to the market various changes to the repayment schedule for the PF Facility (**Repayment Schedule**) and all amounts owing under the SCRFA, in the form of formal waivers from its lenders.

On 17 March 2014, Discovery Metals advised the market that its lenders had granted a waiver such that the scheduled repayment date for the principal payment of USD37.5 million and all interest owing up until 15 March 2014 on the PF Facility and the SCRFA had been deferred until 30 April 2014.

Discovery Metals today advises that the Company's lenders have agreed to further waivers until 14 May 2014 for:

- the Repayment Schedule for the scheduled principal repayment amount of USD37.5 million due on 30 April 2014 and all interest owing up until 30 April 2014 under the PF Facility; and
- all amounts owing under the SCRFA.

Table 1 – Revised Principal & Capitalised Interest Repayment Schedule for the PF Facility and the SCRFA

Principal Due	PF Facility USD'000	SCRFA USD'000	Total Debt USD'000
15-May-14	41,217	26,075	67,292
30-Jun-14	20,000	-	20,000
30-Sep-14	16,000	-	16,000
31-Dec-14	18,000	-	18,000
31-Mar-15	37,360	-	37,360
Total	132,577	26,075	158,652

The Company thanks the lenders for their continued support while the Recapitalisation Proposal progresses.

SEDGMAN SETTLEMENT UPDATE

On 18 February 2014, 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 USD3.2 million (**Settlement Sum**) in full and final satisfaction of the EPC Dispute, subject to receiving funds in connection with the recapitalisation and refinancing of debt under the PF Facility and the SCRFA (**DML Refinancing**) in the amount of at least USD30 million by 30 April 2014 (**Due Date**). Further, under the Deed of Settlement the parties agreed not to progress with the EPC Dispute to international arbitration, as they were entitled to do or take other action prior to the Due Date.

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Given the current status and timing of the Recapitalisation Proposal, DML has not been able to pay Sedgman the Settlement Sum by the Due Date. On this basis, Discovery Metals and Sedgman have entered into a deed of variation to the Deed of Settlement under which payment of the Settlement Sum has been deferred until the earlier of 31 July 2014 or within two business days of completion of the DML Refinancing (such as the Recapitalisation Proposal) (**New Repayment Date**). In consideration of Sedgman agreeing to the New Repayment Date, Discovery Metals has 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 Limited's Chairman, Mr Jeremy Read, commented " *We are thankful for Sedgman's understanding to work with us to achieve a good outcome for both companies, while Discovery Metals completes its refinancing. By working together we have been able to come to an equitable outcome and avoid further lengthy and expensive legal processes.*"

POSITIVE PRODUCTION RESULTS

The current production improvement and cost saving initiatives at the Boseto Operation are having a positive impact on operational performance. Copper production for April will be at least 35% above the Q3 FY14 average production. CEO Bob Fulker commented, " *The hard work and commitment by all our employees at the Boseto Operation demonstrates the achievability of our mining plan. The focus remains on continuing these improvements in daily operation and to ensure sustainability in results. These improvements will underpin further development of the operation as it moves towards developing the underground mines.*"

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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

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