

REVIEW OF BOSETO OPERATIONS; INTERIM FUNDING ARRANGEMENTS; SEDGMAN LIABILITY

Discovery Metals Limited (ASX/BSE: DML) (**Discovery Metals, DML** or the **Company**) today announces the results of a comprehensive review of its open-pit copper mining and processing operations at the Boseto Copper Operation in Botswana, Southern Africa.

The review has been undertaken having regard to both :

- the current and continuing soft market outlook for copper on world commodity markets, where copper prices have deteriorated by approximately \$US 1,000 per tonne during calendar year 2014 to their current four year lows; and
- the prevailing high stripping ratio / restricted geometric nature of the Boseto open pits.

Following the completion of this review, the Company announces its decision to place the Boseto Copper Operation on "Care and Maintenance" within the next six months.

This will entail the cessation of the current open-pit mining and processing operations by the middle of calendar year 2015.

The review has determined that the prevailing high strip ratio open pits result in a high cost operating environment which is not sufficiently cash-flow positive in light of the prevailing copper price.

The review concluded that the current outlook for copper pricing on world commodity markets is expected to remain soft in the short to medium term (and hence a recovery in the profitability of the Boseto open pit operations is unlikely in the near future).

The Company will immediately move the current focus of the Boseto Copper Operation to a "Completion of Current Pits" style operation, the objectives of which are to:

- maximise the extraction of ore from the current operating pits, with no new, or additional, open pits to be commenced;
- maximise all available revenues from current open pits;
- minimise all waste stripping and waste movement operations to reduce costs and cash outlays; and
- immediately implement cost management and cost reduction strategies to reduce operating costs across all areas of the business (Boseto Copper Project, Corporate costs, and Exploration expenditure), without prejudicing the integrity of environment, health, safety and community programs.

The objective of this mode of operation, which is to be implemented immediately, is to maximise all available revenues and cash generation available from the Boseto Copper Operation, and to minimise all expenditure outlays across all areas of the Company's current expenditure.

The financial modelling supporting the recently completed review indicates that at the end of this period, sufficient revenues and cash funding is expected to have been generated to repay all short term lending, to fund all creditor and employee obligations, and to sustain the operations on a "Care and Maintenance" basis, while

alternative options are able to be assessed for the Boseto Copper Operation.

The Directors have determined the requirement to implement this strategy with immediate effect, irrespective of the outcome of discussions with Cupric Canyon Capital ("Cupric") as announced to ASX on 2 December 2014.

The Company expects to provide an update on the current exclusive discussions with Cupric during the second half of January 2015.

Should the proposed transaction with Cupric as announced on 2 December 2014 not proceed, then the Company will be pursuing opportunities with alternative interested parties to support the Company's move to recapitalise or refinance the operation and the move to underground mining operations..

Interim Funding

Further to the announcement on 2 December 2014, the Company advises that due to projected cashflow shortfalls in December 2014 it will need to draw a further \$US2 million in funding (for a total of \$US5 million in funding) under the Interim Funding Agreement with Cupric, prior to 31 December 2014.

Discussions in this regard are underway.

Sedgman

Further to the announcement made on 1 October 2014, the Company advises an agreed revised repayment schedule with Sedgman, as outlined below:

	Date for Payment	Amount to be Paid
First Instalment	30 October 2014 (paid already)	\$1,800,000
Second Instalment	2 February 2015 (previously due 31 December 2014)	\$250,000
Third Instalment	28 February 2015 (previously due 31 December 2014)	\$250,000
Fourth Instalment	31 March 2015 (payment date unchanged)	\$500,000
Fifth Instalment	30 June 2015 (payment date unchanged)	\$400,000
	Total	\$3,200,000

All other terms and conditions of the Deed between the DML Group and Sedgman remain unchanged.

The Company thanks Sedgman for its support during the discussions on these revised payment terms.

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 Operation.

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