Discovery Metals Limited

BOSETO DEBT DRAWDOWN & HEDGING

Highlights:
- All the requirements for the Boseto copper project debt finance have been completed and first draw down of debt funding is anticipated shortly.
- The debt syndicate comprises Standard Chartered Bank, Standard Bank, Credit Suisse and Caterpillar Finance as Joint Lead Arrangers.
- The interest rate for the loan is a margin of 3.75% over LIBOR.
- The Boseto copper project remains on track for commissioning and first production in the first half of 2012.

Boseto Hedging Protection

Discovery Metals Limited (‘Discovery Metals’ or ‘Company’) announces that it has completed the conditions precedent to the US$180 million Boseto copper project (‘Boseto’ or ‘Project’) finance and has delivered the first debt utilisation request to the syndicate. The loan is intended to be drawn down as funding is required. The interest rate margin over LIBOR is 3.75%. No political risk insurance for this debt provided in Botswana which provides opportunity for lower margins on debt finance.

Discovery Metals also announces that it has entered into copper and silver price hedge contracts as required under the Boseto finance package. The hedging counterparties are the 3 banks in the debt finance Standard Chartered Bank, Standard Bank and Credit Suisse. Caterpillar Finance is not part of the hedging syndicate.

Discovery Metals’ Managing Director, Brad Sampson, commented “the progress on the construction at Boseto is pleasing and the availability of the debt finance will allow construction to continue in line with our published timetable. Shareholders should gain further confidence that Boseto complies with the extensive due diligence processes of such a well-credentialled debt syndicate.

Whilst the Company remains bullish about the copper price over the foreseeable future, it is prudent that some copper and silver price protection was secured as insurance against any unexpected price volatility during the debt repayment period. The level of hedging is appropriate to protect shareholders interests in the debt repayment phase of the Company’s development.”

Discovery Metals has hedged approximately 40% of copper and 65% of silver (for the scheduled period of the loan repayment). The hedge contracts provide downside price protection on a portion of the Boseto production. Approximately 60% of the copper production will be sold at spot market prices. The total hedged quantities are 40,000 tonnes of copper and 1,850,000 ounces of silver.
The average prices attained for these hedge contracts are **US$4.01 per pound (/lb) for copper** and **US$36.07 per ounce (/oz) for silver**. These compare very favourably to the Bankable Feasibility Study (BFS) prices of US$3.00/lb for copper and US$17/oz for silver and the cash costs of US$1.24/lb.

The current market has enabled the Company to secure the required hedging at prices one-third higher for copper and nearly double for silver than those contained in the BFS prices. These enhanced economics for Boseto justifies the rapid development path the Company is currently executing.

Funding from the syndicate will be applied to the Boseto processing plant for US$105 million and the Boseto mine mobile fleet for US$75 million. In addition to the US$180 million project and equipment finance, the banking syndicate will provide a US$25 million overrun and working capital facility.

The Company has completed its required equity contribution to Boseto of US$80 million by the end of June 2011 and has in excess of US$80 million in cash reserves including US$20 million held to pay Boseto interest payments and some Project costs over the next 18 months. The remaining US$60 million is available for corporate costs, discretionary exploration expenditure on the Botswana copper and manganese prospecting licences and as a cash buffer for any unexpected project cost overruns. The current exploration expenditure is approximately US$1 million per month.

The Boseto loan is scheduled to be repaid in 10 quarterly payments from December 2012. In addition to scheduled repayments, it has been agreed with the syndicate that 30% of excess cash flow from the project will be repaid as mandatory loan prepayments with the remaining 70% available for Discovery Metals’ discretionary use. At current metal prices, this results in the loans being projected to be repaid in full in the second half of 2014.

The debt project finance facility is secured over Boseto’s assets, leases and 100% of the shares the Company owns in the Project subsidiary entity (Discovery Copper Botswana Proprietary Limited).

Boseto is currently under construction and is expected to be commissioned in the first half of 2012.

**Hedging Details**

Physical delivery of 100% of Boseto concentrate production for the first 5 years of operation is contracted to Transamine, a Geneva based metal trader. Concentrate sales are priced at the average monthly price of dispatch from the Boseto facility and therefore, there is no Quotational Period (QP) risk to Boseto revenue.

Hedging derivative swap contracts have been put in place with the 3 banks to provide price protection for the revenue stream from Boseto during the scheduled debt repayment period from the second half of 2012 until early 2015.

The forward price for copper hedging is currently offered at a discount of approximately 4% cumulative per year of term for each forward contract. The term for the Boseto contracts ranges from 1 year to 3.75 years and therefore the average price attained of US$4.01/lb is approximately 92% of the spot price of $4.35/lb prevailing on the day the hedge contracts were executed.

Discovery Metals has chosen a simple form of hedging contract, being a swap, where for an agreed tonnage Discovery Metals will receive an agreed forward price and will receive or pay a cash amount based on the average price in the nominated future period. If the spot price at the time the hedging instrument is due for settlement is lower than the agreed forward price, the bank will pay Discovery Metals the difference in price for the agreed tonnage. If the spot price is higher, Discovery Metals must pay the bank the difference in price for the agreed tonnage.
Boseto Hedging Summary

Boseto will cash settle or receive payment from the hedging banks based on the difference between the average monthly London Metal Exchange (LME) copper price and the following contracted hedge prices.

<table>
<thead>
<tr>
<th>Hedge Period</th>
<th>Copper Tonnes</th>
<th>Copper Price USD/t</th>
<th>Copper Price USc/lb</th>
<th>Silver Ounces</th>
<th>Silver Price US$/oz</th>
</tr>
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<tbody>
<tr>
<td>Jul to Sep 2012</td>
<td>3,000</td>
<td>9,208</td>
<td>4.18</td>
<td>141,489</td>
<td>36.32</td>
</tr>
<tr>
<td>Oct to Dec 2012</td>
<td>3,759</td>
<td>9,148</td>
<td>4.15</td>
<td>183,240</td>
<td>36.29</td>
</tr>
<tr>
<td>Jan to Mar 2013</td>
<td>3,681</td>
<td>9,069</td>
<td>4.11</td>
<td>160,890</td>
<td>36.24</td>
</tr>
<tr>
<td>Apr to Jun 2013</td>
<td>3,621</td>
<td>8,995</td>
<td>4.08</td>
<td>161,079</td>
<td>36.19</td>
</tr>
<tr>
<td>Jul to Sep 2013</td>
<td>3,939</td>
<td>8,918</td>
<td>4.05</td>
<td>195,759</td>
<td>36.13</td>
</tr>
<tr>
<td>Oct to Dec 2013</td>
<td>4,352</td>
<td>8,845</td>
<td>4.01</td>
<td>218,679</td>
<td>36.08</td>
</tr>
<tr>
<td>Jan to Mar 2014</td>
<td>3,879</td>
<td>8,762</td>
<td>3.97</td>
<td>180,408</td>
<td>36.02</td>
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<tr>
<td>Apr to Jun 2014</td>
<td>3,663</td>
<td>8,678</td>
<td>3.94</td>
<td>167,961</td>
<td>35.95</td>
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<tr>
<td>Jul to Sep 2014</td>
<td>3,370</td>
<td>8,597</td>
<td>3.90</td>
<td>140,370</td>
<td>35.88</td>
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<td>Oct to Dec 2014</td>
<td>3,420</td>
<td>8,511</td>
<td>3.86</td>
<td>136,140</td>
<td>35.82</td>
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<td>Jan to Mar 2015</td>
<td>3,496</td>
<td>8,424</td>
<td>3.82</td>
<td>163,985</td>
<td>35.75</td>
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<tr>
<td>Total/ Average</td>
<td>40,000</td>
<td>8,834</td>
<td>4.01</td>
<td>1,850,000</td>
<td>36.07</td>
</tr>
</tbody>
</table>

Further information on the Company including Mineral Resources and Ore Reserves is available on its website: [www.discoverymetals.com](http://www.discoverymetals.com)

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

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