

POTENTIAL TRANSACTION WITH CUPRIC CANYON CORPORATION

Discovery Metals Limited (ASX/BSE: DML) (**Discovery Metals, DML or the Company**) today announces that it is engaged in exclusive discussions with Cupric Canyon Capital LP (**Cupric**) in relation to a potential sale by DML of its Boseto Copper Operation to Cupric (the **Transaction**).

The Company has entered into a US\$5 million short term working capital facility (the **Facility**) with Cupric. A condition to the Facility agreement grants Cupric a period of exclusivity to allow it to complete due diligence, and to allow time for both DML and Cupric to finalise and agree definitive terms of the potential Transaction.

The exclusivity period extends until the earlier of the execution of a legally binding sale and purchase agreement with Cupric, and 31 January 2015 (or such other date as may reasonably be agreed between DML and Cupric). The Facility has a final termination date of 31 August 2015.

DML will be required to seek approval from its shareholders (via an Extra-Ordinary General Meeting) prior to any transaction with Cupric being finalised.

The Facility will be used to provide support to DML's current operations arising from operating cash-flow shortfalls in November 2014, and for working capital purposes.

The terms of the Facility include:

- > US\$3 million in immediately available funds;
- > a further US\$2 million available from 31 January 2015 (or earlier date based on mutual agreement);
- > interest payable on a monthly basis at LIBOR plus a margin of 10.0% per annum;
- > repayable on the earlier of the completion of the contemplated Transaction, or the loan termination date of 31 August 2015; and
- > various covenants typical of a facility of this nature.

The Company's existing Project Finance Lenders are supportive of both the potential Transaction and the Facility agreement.

At this time, it is appropriate that DML shares recommence trading.

Accordingly the trading suspension will be lifted as of the date of this announcement.

DML will continue to update shareholders as and when final terms associated with the potential Transaction, including consideration, are agreed with Cupric.

Ironstone Capital are acting as advisor to DML in relation to these transactions.

About Cupric

Cupric is a private company focused on acquiring interests in undeveloped copper assets with a known resource and adding value to them by assisting in the advancement of the projects through the stages of development, construction and operations. The management of Cupric, comprised of former senior executives of Phelps Dodge Corporation and its successor, Freeport McMoRan Copper & Gold Inc., has decades of experience in the exploration, development, construction and operation of copper assets. Cupric owns a collection of copper assets in northeastern Namibia and northwestern Botswana, including the Khoemacau copper-silver project in the center of the Kalahari Copper Belt through its acquisition of Hana Mining Ltd. in February 2013.

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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