

COMPANY UPDATE

Discovery Metals Limited (ASX/BSE: DML) (**Discovery Metals, DML** or the **Company**) today provides an update on the status of discussions with Cupric Canyon Capital LP (**Cupric**) as originally announced to the ASX on 2 December 2014, in relation to a potential sale of DML's Boseto Copper Operation in Botswana, Southern Africa.

DML announces that as of 31 January 2015, the Exclusivity Period entered into with Cupric (as announced on 2 December 2014) has expired.

DML and Cupric have been unable to agree the terms of a binding Terms Sheet Agreement by 31 January 2015 and accordingly the Exclusivity Period is now at an end.

The expiry of the Exclusivity Period with Cupric allows DML to now fully and openly consider and pursue alternative funding options and transactions.

DML has started to re-engage with a number of parties with whom it was in discussions with prior to entering into the Exclusivity Period with Cupric. This includes the provision of short term working capital funding being made available to DML. These parties remain committed to formalising an agreement with DML. DML understands that a number of these parties have continued to complete their own required due diligence procedures, at their own cost and risk, during the now expired Exclusivity Period.

During the last 24 hours, DML has also been approached by another interested group who is seeking to finalise a Terms Sheet Agreement with DML over the coming days.

At the date of this announcement, the Company is of the view that it will shortly receive a Terms Sheet offer from alternative sources, which will allow for the settlement of all existing debt facilities, and to provide the required capital to allow DML to expedite the progression of the Zeta underground development (refer to ASX announcement of 11 September 2014) and to provide additional working capital.

In recent months, DML has continued with internal works on optimising the 2014 Feasibility Study for the Zeta underground development.

DML remains firmly committed to unlocking value from its extensive Mineral Resources through the commencement of the Zeta underground development. Accordingly, DML continues to consider and pursue options which allow for this project to be funded and progressed in the near term.

The Company will continue to pursue its current plan of placing the current open-pit operations at Boseto into "care and maintenance" by 30 June 2015, and simultaneously will be actively pursuing the commencement of development of the Zeta underground development.

Following the securing of the required funding, DML will be well placed to pursue its underground development plans based on having:

- > pre-selected a preferred contractor for the development and operating aspects of the underground operations;

- > the required processing plant, infrastructure, and mine administration and camp facilities in place to allow for the rapid ramp-up of underground operations; and
- > a suitable offtake agreement in place for the sale of concentrate produced, with Transamine.

Following the expiry of the Exclusivity Period with Cupric, the total of US\$5 million in interim funding drawn from Cupric is repayable on or prior to 31 March 2015. The Directors are currently considering alternative funding sources in this regard for the repayment of this amount.

Further updates will be provided to the market as additional information becomes available.

An Investor Roadshow is planned in the short term.

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:

Bob Fulker – Managing Director and CEO

Phone: +61 7 3218 0222 / Email: Bob.Fulker@discoverymetals.com

Kerry Parker – CFO and Company Secretary

Phone: +61 7 3218 0222 / Email: Kerry.Parker@discoverymetals.com
