

\$US 110 MILLION BINDING MEMORANDUM OF UNDERSTANDING FOR FINANCING

Discovery Metals Limited (ASX/BSE: DML) ("Discovery Metals", "DML" or "the Company") is pleased to announce the recent signing of a Binding Memorandum of Understanding ("MOU") with Castlepines Global Equities Limited ("Castlepines").

Under the terms of the MOU, it is proposed that Castlepines will invest \$US 110 million in DML's wholly owned group subsidiary Discovery Copper (Botswana) (Proprietary) Limited ("DCB"), to acquire a 34% interest in DCB under a coupon based financing arrangement.

DML will hold the remaining 66% interest in DCB.

DCB owns a 100% interest in the Boseto Copper Operation in Botswana, Southern Africa.

The investment is intended to be utilised by DML and DCB for :

- Pay-out of existing \$US 5 million loan finance facility with Cupric Canyon Capital LP;
- Negotiated settlement of existing loan finance facility with DML's secured lending syndicate (based on the MOU);
- Investment in required capital expenditure to facilitate the required development of planned underground mining operations at Boseto; and
- General working capital requirements.

The MOU is subject to conditions, including:

- Castlepines undertaking satisfactory due diligence;
- The implementation of risk management strategies to comply with Castlepines' investment criteria;
- Completion and agreement of long form documentation to facilitate the investment;
- Approval and confirmations including the confirmation of the support of the relevant Botswana Government authorities; and
- Board approvals by both DML and Castlepines.

The MOU currently has the support of the Boards of both DML and Castlepines.

Under the MOU, DML has granted Castlepines a limited exclusivity period of up to 90 days to undertake due diligence.

The closing of financing shall take place following execution of definitive documentation by DML and Castlepines, and the Company satisfying any conditions precedent, including there being no material adverse change to the business, operations or condition of DCB or the Boseto Mine.

The investment by Castlepines in DCB will be for a period of 12 years, and will attract a commercially competitive coupon rate (based on preferred equity return / yield basis by Castlepines). The annual coupon rate is subject to an annual fixed escalation factor.

Following the payment of the coupon rate by DCB, all profits of DCB will be distributed pro-rata between DML and Castlepines in accordance with their respective ownership interests in DCB.

It is intended that the 66% interest held by DML in DCB will be pledged as security to Castlepines during the term of the investment.

The MOU also contains other standard terms and conditions which are customary for a document and proposed investment of this nature (including traditional representations and warranties, rights and obligations of both DML and Castlepines, requirement to hold requisite insurances following completion of the investment, change of control, and the like).

Commenting today, DML Managing Director Mr Bob Fulker noted "It is very pleasing for DML to have been able to attract an investor of the calibre of Castlepines, to assist us with our plans to enable the development of our planned underground mining development and operations at Boseto".

Mr Fulker further added "The Zeta underground mine has been a key strategic component of the Boseto Development plan since inception in August 2010. This was reaffirmed during our Life of Mine planning that was completed in early 2014. The future of the Boseto Operation, and the entire mineral district, lies in the development of underground mining. I have high hopes that within the Boseto Mineral district we will have a minimum of three distinct mines with potentially five declines over the next decade, of which the Zeta Underground will be the first".

"The Zeta DFS established the technical and economic viability of the Zeta underground mine. Subsequent revisions to the design and the cost estimates reaffirm the Development Plan concept".

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

An Investor Roadshow is planned in the short term.

The MOU was arranged by Insitor, a Perth based boutique advisory group.

Corrs are acting as legal advisor for DML.

About Castlepines

Castlepines Corporation is an international equity fund that invests its own and partner equity in major assets for secure, long-term yields.

Castlepines principally operates in the following sectors:

- Mining and resources;

- Power generation and utilities;
- Real estate; and
- Shipping and marine.

Castlepines seeks to purchase long-term, conservatively-yielding assets that provide a secure passive income stream. Equity is sourced from Castlepines' own pension funds, large public pension funds and the pension funds of insurance companies. Castlepines has developed an investment model that provides access to substantial pension fund capital relatively quickly and efficiently. This capital is provided through one or more of its partner banks that act as pension fund advisers.

For further information – please refer to <http://www.castlepinesequity.com/>.

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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