Dear Shareholder

DISCOVERY METALS LIMITED BOARD RECEIVES NOTICE OF INTENTION TO MAKE A TAKEOVER OFFER FROM CATHAY FORTUNE CORPORATION (CFC) AND CHINA-AFRICA DEVELOPMENT FUND (CAD FUND)

On 23 October 2012, Discovery Metals received notification from CFC and CAD Fund announcing their intention to make an off-market bid through Cathay Fortune Investment Limited (the Bidder) to acquire all the ordinary shares (not currently held by CFC) of Discovery Metals for A$1.70 per share (Proposed Offer).

An announcement regarding the Proposed Offer was released to the ASX by the Bidder on 23 October 2012 and is available on the Discovery Metals website (www.discoverymetals.com).

The Proposed Offer is unsolicited and follows an indicative, non-binding, conditional proposal received by Discovery Metals from CFC and CAD Fund on 21 September 2012. On 11 October 2012, the Directors advised representatives of CFC and CAD Fund that the proposal was inadequate and did not reflect, in the context of a change of control:

- the value of the Company’s operations and expansion plans;
- the potential to increase the resources on the Company’s tenements through further exploration;
- the strategic value of the Company with an operating project and management team in Botswana; and
- the scarcity value of the Company.

No formal documents have been received from the Bidder. The Company will inform shareholders upon service of a Bidder’s Statement.

The view of the Discovery Metals Board remains that A$1.70 per share undervalues Discovery Metals.

I would also like to remind you that our 2012 Annual General meeting is due to be held at the Christie Corporate Conference Centre, Teach and Laffite Room, Level 1, 320 Adelaide Street, Brisbane on Friday, 16 November 2012 at 11:00 am (Brisbane time) and would like to take this opportunity to invite shareholders to come along to the AGM and hear firsthand about the Company’s progress and future development plans.

SHAREHOLDERS DO NOT NEED TO TAKE ANY ACTION IN RESPECT OF THE PROPOSED OFFER.

Yours faithfully

Gordon Galt
Chairman
Discovery Metals Limited