5 November 2012

Dear Shareholder

BIDDER’S STATEMENT RELEASED BY CATHAY FORTUNE INVESTMENT LIMITED (THE BIDDER)

On 25 October 2012, Discovery Metals received the Bidder’s Statement in relation to the Bidder’s unsolicited off-market bid for Discovery Metals at $1.70 per share. The Bidder’s Statement was lodged with the Australian Securities and Investments Commission on the same day. It is expected that the Bidder’s Statement will be dispatched by the Bidder to our shareholders on or after 8 November 2012.

An announcement regarding the Bidder’s Statement was released to the ASX by the Bidder on 25 October 2012 and is available on the Discovery Metals website (www.discoverymetals.com).

Release of the Bidder’s Statement follows a meeting on 11 October 2012 between Discovery Metals Directors and representatives of the Bidder. The Directors met with the Bidder’s representatives to understand the Bidder’s proposal and conditions, as outlined in the Bidder’s indicative, non-binding, conditional proposal of 21 September 2012. At the meeting, the Directors advised the Bidder’s representatives 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.

The view of the Discovery Metals Board remains that $1.70 per share undervalues Discovery Metals. Since the Company was first approached by the Bidder, the Company has announced maiden Mineral Resources at NE Mango 2 and Ophion. It has also released its September 2012 Quarterly Activities Report and a Pre-AGM Presentation which detail the Company’s progress, expansion plans and exploration success. We currently expect to provide shareholders with a Target’s Statement around 23 November 2012. This will contain further details and reasoning for the Board’s recommendation that shareholders reject the Bidder’s conditional takeover offer.

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

I would also like to remind you that our 2012 Annual General Meeting will 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). I would like to invite shareholders to attend the AGM and hear firsthand about the Company’s progress and future development plans. At the AGM, your approval will be sought, amongst other matters, for the re-election of Gordon Galt, John Shaw and Niall Lenahan as Directors of the Company. Stability of the Board is clearly important while the Company remains subject to a takeover offer and we encourage you to vote in favour of these resolutions.

Yours faithfully

Gordon Galt
Chairman
Discovery Metals Limited