This document is the second supplementary bidder’s statement ("Second Supplement") to the Bidder’s Statement dated 25 October 2012 ("Bidder’s Statement") issued by Cathay Fortune Investment Limited (a company incorporated in Hong Kong SAR, China with company number 1686647) ("CF Investment") and lodged with the Australian Securities and Investments Commission ("ASIC") on 25 October 2012, in relation to the offer by CF Investment ("Offer") for the ordinary shares in Discovery Metals Limited (ABN 29 104 924 423).

A first supplementary bidder’s statement was lodged with ASIC on 29 November 2012.

The Offer is dated 8 November 2012 and will close at 7.00pm (Sydney time) (currently 10:00am Botswana time on 11 January 2013), unless further extended or withdrawn.

This Second Supplement supplements, and is to be read together with, the Bidder’s Statement as despatched to Discovery Shareholders.

SECOND SUPPLEMENTARY BIDDER’S STATEMENT

5 December 2012

in respect of the cash Offer by

Cathay Fortune Investment Limited
(a body corporate incorporated in Hong Kong SAR, China, company number 1686647, being an entity indirectly owned by Cathay Fortune Corporation Co., Ltd and in which a wholly-owned special purpose vehicle of China-Africa Development Fund will acquire shares after the Offer becomes unconditional)

to purchase all your shares in:

Discovery Metals Limited
ABN 29 104 924 423

Unless the context requires otherwise, defined terms in the Bidder’s Statement have the same meaning in this Second Supplement. This Second Supplement prevails to the extent of any inconsistency with the Bidder’s Statement.

A copy of this Second Supplement was lodged with ASIC on 5 December 2012. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplement.
1 Material developments relating to the takeover bid

Please see the press release attached as Schedule 1 which contains details of some material developments in relation to the takeover bid.

2 Authorisation

The copy of this Second Supplement that is to be lodged with ASIC has been approved by a resolution passed by the directors of CF Investment on 4 December 2012.

Signed by Zhang Zhenhao for and on behalf of the Bidder in accordance with section 351 of the Corporations Act.

Zhang Zhenhao
Director
5 December 2012
Schedule 1

Press Release
PRESS RELEASE

5 December 2012

Dear Discovery Shareholder,

On behalf of Cathay Fortune Investment Limited ("CF Investment"), we provide an update on CF Investment’s offer to acquire your shares in Discovery Metals Limited ("Discovery") for A$1.70 cash per share, as detailed in the Bidder’s Statement dated 25 October 2012 and the Offer we sent to you dated 8 November 2012 ("Offer").

You should be aware of the following matters in considering acceptance of CF Investment’s Offer:

- CF Investment’s Offer has been extended and is now scheduled to close at 7.00pm (Sydney time) (currently 10.00am Botswana time) on 11 January 2013, unless further extended or withdrawn;
- there are a number of updates on the status of conditions of the Offer; and
- as foreshadowed in section 2.1 of the Bidder’s Statement, Mr Zhang Yufeng has been appointed to the board of directors of CF Investment and Mr Wang Xiaojun has resigned.

**Material adverse effect**

We note with concern Discovery’s announcement on 3 December 2012 regarding receipt of a notice from the Botswana Ministry of Mines, Minerals, Energy and Water Resources ("MMEWR") to cease deepening of the Zeta open pit, apparently as a result of a localised failure of an interim pit wall situated in the hanging wall overburden at the Zeta open pit.

CF Investment is evaluating this important development and considering its position. We are surprised by the lack of detail provided by Discovery. CF Investment’s initial view is that this could breach the “no material adverse effect” condition in paragraph 10(h) of the Bidder’s Statement.

CF Investment is also concerned these events could be indicative of systemic resource, grade and manpower problems in the mine combined with the mining techniques being applied rather than merely a single “minor pit failure”.

The fact that this announcement was made by Discovery indicates that it is a matter material to Discovery Shareholders in deciding whether to sell their shares. However, the announcement is vague and provides no specific information or data to assist Discovery Shareholders.

To ensure CF Investment can properly evaluate its position on this issue, and to assist Discovery Shareholders, Discovery should provide full details, including immediate disclosure of:
- what the extent of the disruption to mining operations has been so far;
- when and why the interim pit wall failed and if there were any measures including pit wall monitoring in place;
- when the notice was received from the MMWER and what the entire text of the notice is; and
- whether Discovery’s independent experts (KPMG and SRK) have been provided with full details of the pit wall failure and the MMWER notice, and whether they will prepare a supplementary Independent Expert’s Report or a supplementary Independent Technical Report.

Discovery should also disclose, as soon as possible after completing its evaluation, full details of the following:
- what “cease deepening of the Zeta open pit” means and what the expected impact on Zeta open pit JORC Reserve and Resource will be;
• how long the “temporary” adjustment to pit development plans is expected to continue and what impact that will have on the ramp up;
• when the geotechnical investigation is expected to be completed and confirmation that the results will be publicly released as soon as complete; and
• a detailed analysis of the impact, including on short term mining schedule and production, mining cost and feed grade.

Change of control in financing arrangements

As you may be aware, Discovery disclosed in its Target’s Statement dated 23 November 2012 that certain debt financing arrangements to which certain Discovery Group Members are party contained acceleration of repayment provisions such that if CF Investment obtains voting power in Discovery of 30% or more, a ‘Change of Control’ event under the debt financing will be deemed to have occurred which, at the discretion of the lenders, may trigger a requirement for immediate repayment of the debt financing.

CF Investment notes that this disclosure breaches the condition to the Offer set out in paragraph 10(l) of the Bidder’s Statement. CF Investment is considering its position in relation to this breach.

Botswana regulatory approvals and Boseto Copper Project

The Botswana Stock Exchange has confirmed that it has no objections to the Offer.

The remaining Botswana regulatory approvals from the MMWER and the Botswana Competition Authority, as set out in paragraphs 10(c)(i) and 10(c)(ii) of the Bidder’s Statement have been applied for. CF Investment has also applied for confirmation from the MMWER regarding the option in the Boseto Copper Project as set out in paragraph 10(d) of the Bidder’s Statement.

CF Investment expects to receive these approvals and confirmations before the end of the extended offer period.

PRC regulatory approvals

CF Investment confirms that China-Africa Development Fund and its associates have received approval from the State Administration of Foreign Exchange of the People’s Republic of China, in satisfaction of the condition set out in paragraph 10(e)(ii) of the Bidder’s Statement.

More information about this Offer

CF Investment urges Discovery Shareholders to ACCEPT the Offer before it is scheduled to close at 7.00pm (Sydney time) (currently 10.00 am Botswana time) on 11 January 2013 (unless further extended or withdrawn).

If you require additional assistance or have questions, please contact the Australia Offer information line on 1800 132 009 (for callers in Australia) / +61 2 8280 7581 (for callers outside Australia) or the Botswana Offer information line on +267 395 2011 or consult your professional adviser.

Yours sincerely,

Yu Yong
Chairman
Cathay Fortune Corporation
On behalf of Cathay Fortune Investment Limited