



Cathay Fortune Investment Limited

(company number 1686647)

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29 November 2012

The Manager
Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000

Fax: 1300 135 638

Dear Sir or Madam

**Company Announcement: Cathay Fortune Investment Limited - Takeover bid for
Discovery Metals Limited: First Supplement**

In accordance with section 647(3)(b) of the Corporations Act 2001 (Cwlth), please find attached a copy of the supplementary bidder's statement dated 29 November 2012 ("**First Supplement**").

The First Supplement relates to Cathay Fortune Investment Limited's bidder's statement dated 25 October 2012 for all the ordinary shares in Discovery Metals Limited.

The attached First Supplement was lodged with the Australian Securities and Investments Commission and given to Discovery Metals Limited.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Zhang Zhenhao', written in a cursive style.

Zhang Zhenhao
Director

This document is the first supplementary bidder's statement ("**First 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).

The Offer is dated 8 November 2012 and will close at 7.00pm (Sydney time) (currently 10:00am Botswana time on 13 December 2012), unless further extended or withdrawn.

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

FIRST SUPPLEMENTARY BIDDER'S STATEMENT

29 November 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 First Supplement. This First Supplement prevails to the extent of any inconsistency with the Bidder's Statement.

A copy of this First Supplement was lodged with ASIC on 29 November 2012. Neither ASIC nor any of its officers takes any responsibility for the contents of this First 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 First Supplement that is to be lodged with ASIC has been approved by a resolution passed by the directors of CF Investment on 28 November 2012.

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



Zhang Zhenhao
Director
29 November 2012

Schedule 1

Press Release



PRESS RELEASE

29 November 2012

SHAREHOLDERS SHOULD ACCEPT CATHAY FORTUNE INVESTMENT LIMITED'S FULLY VALUED \$1.70 CASH OFFER

Cathay Fortune Investment Limited (“**CF Investment**”) notes the lodgment by Discovery Metals Limited (“**Discovery**”) of its Target’s Statement on 23 November 2012 in response to CF Investment’s **\$1.70 cash** per share takeover offer for Discovery.

Having undertaken a detailed review of the Target’s Statement and its underlying assumptions, CF Investment confirms that its offer of \$1.70 cash per share represents full and fair value for all Discovery shareholders.

The Discovery Board chose to reject a \$1.70 cash offer when its own Independent Expert could only derive a value of \$1.74 using a range of unrealistic macroeconomic and operating assumptions (see Point 1 below).

It is clear that Discovery’s Board of Directors should have recommended the offer.

Further, we make the following critical observations:

1. The valuation of \$1.74 has been derived by the Independent Expert, KPMG, using macroeconomic and operating assumptions which are unrealistic. These include:

- Mill head grades substantially higher than Boseto is currently achieving;
- Construction of a coal fired power station (and implied lower power costs) when there is a substantial risk that government approvals won’t be received and noting SRK’s comments that the existing generator substation configuration is “inherently unreliable”;
- An expansion to 5Mtpa based on opaque capital and operating costs assumptions derived from minimal analysis (scoping study level);
- Mining of a substantial amount of Inferred Resources;
- Ascribing significant value to Resources outside the Boseto mine plan;
- Copper price forecasts well above equity analyst consensus pricing;
- Substantial unjustified savings in corporate overheads which may not be realised;
- A provision of only US\$10m for a claim from Sedgman Limited, where the claim is for more than US\$20m; and
- **An arbitrary 40% premium added to SRK’s derived “technical value”.**

CF Investment’s offer of \$1.70 is clearly full and fair.

2. Actual mill grade performance of 1.0% copper is materially below the JORC Reserve grade for Zeta Open Pit of 1.5%.

Discovery has not provided a reconciliation (in the Target's Statement, KPMG's Independent Expert's Report or SRK's Independent Technical Report) of the significantly lower than expected ore grade processed since commissioning – over some 5 months – relative to the publicly stated JORC Reserve and Resource.

The grade performance to date is more than 30% below the JORC Reserve grade for Zeta Open Pit of approximately 1.5% (which has not been updated since the Boseto Bankable Feasibility Study (“BFS”) was released in August 2010). It is imperative that for the benefit of all its shareholders, the Discovery Board explain:

1. Why the Board considers that 1.5% continues to be the appropriate JORC Reserve grade for Zeta Open Pit, and why 1.3% continues to be the appropriate JORC Resource grade for Boseto;
2. The steps the Board has taken to satisfy itself that 1.5% remains the correct JORC Reserve grade for Zeta Open Pit, that 1.3% remains the correct JORC Resource grade for Boseto and that the forecast life-of-mine stripping ratio remains unchanged;
3. Whether the Board has any information that may change its view, or the view of the relevant Competent Person, of JORC Reserves and Resources; and
4. Whether there is any other information that may be relevant to shareholders in considering the JORC Reserves and Resources.

CF Investment is concerned that the grades being mined at Boseto will continue to be lower than forecast, with a negative impact on the JORC Reserve and Resource, annual production, unit operating costs, mine life and the value of Boseto.

3. Discovery has chosen not to provide critical information in regard to its actual or forecast operating costs for Boseto, despite the fact that Boseto was commissioned in June.

CF Investment is concerned that actual costs are materially higher than the costs forecast in the Boseto BFS and Development Plan released in August 2010.

In 220 pages of material released by Discovery on Friday 23 November 2012, Discovery chose not to provide any update on: (i) its actual operating costs to date on an industry-standard “dollar per pound of copper” basis, (ii) its forecast operating costs on a “dollar per pound of copper” basis (and how its forecast cost reconcile to the actual costs achieved to date), or (iii) how any of these costs reconcile to the Boseto BFS and Development Plan released in August 2010.

In light of these concerns, CF Investment believes that it is imperative that Discovery disclose this information for the benefit of all of its shareholders.

4. A number of Discovery's Directors and Senior Management have sold shares over the past 12 months, at prices significantly below \$1.70.

Since September 2011, five of Discovery's seven Directors have sold shares at a level substantially less than the offer price. If Discovery's Board of Directors truly believed that a \$1.70 offer price is inadequate, they would not have sold shares at substantially less than the offer price in an important year where the Zeta Underground BFS was released and the Boseto mine was commissioned.

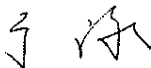
The risks documented above and contained in the Target's Statement, Independent Expert's Report and Independent Technical Report have strongly reinforced CF Investment's view that

its offer of \$1.70 cash per share represents a full, fair and attractive price for your Discovery shares and we strongly encourage you to ACCEPT the offer.

We believe that Discovery's share price is currently being supported by CF Investment's offer, which remains the only offer available to Discovery shareholders. If CF Investment's offer lapses and no alternative offer is made, it is likely that Discovery's share price will fall. Given the large premium offered by CF Investment, this fall may be significant.

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 or financial adviser.

Yours faithfully



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