



Opportunity to participate in Cooper-Eromanga Basin Western Oil Flank (PEL 512 - 584,651 Acres)

Discovery Energy (“DENR”) is seeking investment for the development of its 100% owned Cooper-Eromanga Basin, Western Oil Flank permit PEL 512

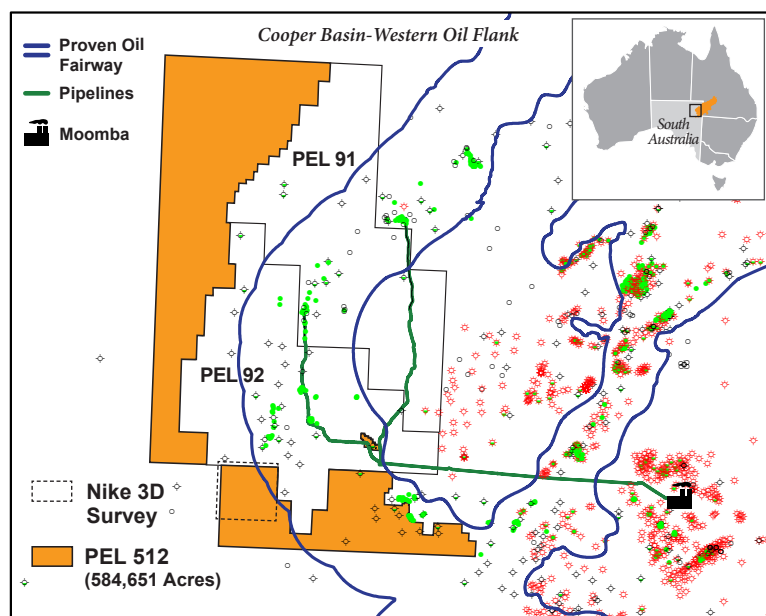
- ▶ Permit is 2,366 km² (584,651 acres)
- ▶ In month 16 of the Initial 5 year Licence term
- ▶ Adjacent to mature production and new discoveries
- ▶ Tantanna Oil Field (1988) produced >7.9MMbbls
- ▶ Sturt & Sturt East Fields (1988) produced >2.9MMbbls
- ▶ Parsons Oil Field (2008) produced >3.7MMbbls
- ▶ Callawonga Oil Field (2006) produced >5.7MMbbls
- ▶ Butlers Oil Field (2009) produced >2.9MMbbls
- ▶ Bauer Oil Field (06/14) produced ~11,284 Bopd
- ▶ Bauer-4 Well (02/14) peak production ~5,663 Bopd
- ▶ Bauer Oil Field (2013) produced >12.3MMbbls

Source: PEPS - Production data as of 12/31/16

Investment Opportunity

- ▶ Acreage is strategically located in the Western Oil Flank of the Cooper/Eromanga basins where E&P is experiencing a major conventional oil boom.
- ▶ Nearby operators are aggressively developing offset acreage with exceptional success in bringing wells online at high production rates from quality multi-pay reservoirs.
- ▶ Low cost operations and transportation costs at ~US\$25 per barrel.
- ▶ Offset production is currently at ~20,000 Bopd.
- ▶ Oil trades at field central delivery point (Moomba) based on Brent pricing.
- ▶ Technical database includes 5153 km of 2D seismic and 321 km² of 3D seismic on the acreage and over 800 km² of 3D seismic on the offset acreage.
- ▶ Conventional and unconventional opportunities have been identified with over 100 leads and multiple prospects in inventory.
- ▶ Conventional resource estimates of over 2,100 Mmbbls of oil in place (OOIP) and 589 Mmbbls of prospective recoverable oil (P50).
- ▶ 110,000 acres has been deemed by PIRSA as proven oil fairway which will permit the future conversion of up to 220,000 acres to Petroleum Retention Licences (PRL).
- ▶ Recently completed the 180 km² Nike 3D seismic program on the PEL 512 South Block inline with the proven production trend, which is being analyzed to add additional drilling prospects to inventory.

Area of Interest



Revised and Reduced Work Program

Work Year	Revised Work Program	YE Apr 26
1	Geological Studies (<i>Completed</i>)	N/A
2	100 km ² 3D Seismic (<i>Completed</i>)	2017
3	Drill 2 wells 200 km ² 3D Seismic 100 km 2D Seismic	2018
4	Drill 2 wells 200 km ² 3D Seismic	2019
5	Drill 3 wells	2020
Total	7 wells/2D-100km/3D-500km²	

Compelling Economics

- ▶ Low cost (~AUD\$2.0m) vertical wells with high quality reservoirs, stacked pay and high flow rates deliver quick payback, compelling IRR's and rapid value creation.
- ▶ Early cash flows as a result of quick drill and tie-in periods, nearby operator recently set a new record of 42 days from discovery to production.
- ▶ High net back potential based on Brent pricing for light sweet crude (40 - 55 degree API).
- ▶ Ready market access via the Moomba regional oil processing facility through short haul trucking or existing and expanding pipeline capacity.

Offset Well Economics

Well #	Offset	Formation(s)	Completed (mm/dd/yy)	Last Report (1) (mm/dd/yy)	AFE (\$m)	Oil Cum (m bbl)	EUR (2) (m bbl)	Opex (\$/bbl)	IRR (%)	NPV10 (3) (\$m)
Tantana #1	East	NR/HN/BH	08/31/88	12/31/08	\$2.25	2,857	2,857	30	> 500	\$38.2
Sturt East #1	East	PWA	11/30/88	09/30/95	\$2.25	722	725	30	> 500	\$9.5
Warrior #2	South	BH/MCK	09/30/04	3/31/2015	\$2.25	1,495	1,500	30	> 500	\$22.2
Christies #3	North	NR	11/30/06	3/31/2015	\$2.25	811	900	30	> 500	\$10.6
Callawonga #1	North	NR/BH	06/30/08	3/31/2015	\$2.25	1,857	2,300	30	> 500	\$28.4
Parsons #1	North	NR	12/31/09	3/31/2015	\$2.25	1,881	2,000	30	> 500	\$28.7
Growler #6	North	BH	12/31/11	3/31/2015	\$2.25	997	1,500	30	> 500	\$18.1
Butlers #4	North	NR	02/29/12	3/31/2015	\$2.25	716	1,100	30	> 500	\$13.2

Formation Legend: NR-Namur, HN-Hutton, BH-Birkhead, PWA-Poolawanna, MCK-McKinley

Notes: (1) Last Production Report of 03/31/15 is the latest published data from PIRSA-PEPS Database. (2) Annual exponential decline forecast of 17% from the last reported production was used to determine EUR (3) Oil Price used for NPV calculations is Flat US\$60/bbl.

Evaluation Materials

- ▶ Technical data packages, presentations, reports and access to an Online Data Room are available to interested parties subject to confidentiality agreements.
- ▶ Geological & Geophysical data with access to a Kingdom workstation also available at Bell & Murphy located in Dallas, Texas.

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Recent Developments

- ▶ The Company completed an exclusive funding arrangement with a highly respected Houston Investor/Fund for total development funding of up to USD \$30 Million.
- ▶ Under the financing arrangement Discovery used its first funding tranche to complete a 180 km² Nike 3D survey on the production trend on the PEL 512 South Block in the fourth quarter of 2016.

For Further Information

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