



## 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

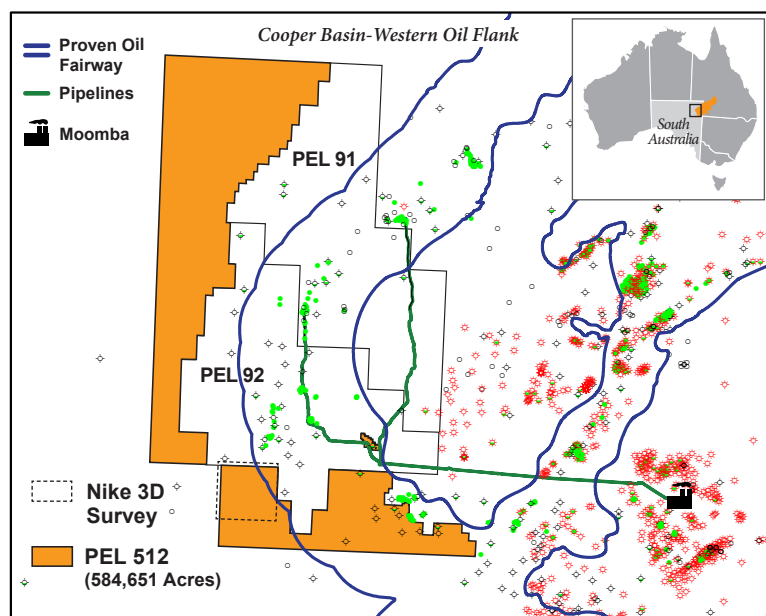
- ▶ Permit is 2,366 km<sup>2</sup> (584,651 acres)
- ▶ In month 16 of the Initial 5 year Licence term
- ▶ Adjacent to mature production and new discoveries
  - ▶ Tantanna Oil Field (1988) produced >7.9MMbbls
  - ▶ Sturt & Sturt East Fields (1988) produced >2.9MMbbls
  - ▶ Parsons Oil Field (2008) produced >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 km<sup>2</sup> of 3D seismic on the acreage and over 800 km<sup>2</sup> 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 km<sup>2</sup> 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 <sup>2</sup> 3D Seismic ( <i>Completed</i> )	2017
3	Drill 2 wells 200 km <sup>2</sup> 3D Seismic 100 km 2D Seismic	2018
4	Drill 2 wells 200 km <sup>2</sup> 3D Seismic	2019
5	Drill 3 wells	2020
<b>Total</b>	<b>7 wells/2D-100km/3D-500km<sup>2</sup></b>	

## 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.

### Disclaimer

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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 km<sup>2</sup> 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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