Prime Position in Australia’s Cooper Basin Oil Fairway

APPEA 2013 CONFERENCE
Brisbane, QLD Australia

May 26-29, 2013
Overview

**Strategic asset in Australia’s largest and most proven onshore oil & gas basin**

- Licence (PEL 512) covers 585,000 acres in the “Western Oil Flank” of South Australia’s prolific Cooper/Eromanga Basins
- Low geopolitical risk, favourable royalty & tax regime and committed government support of resource development
- Established regional development history with over 2,980 wells drilled over past 50 years

**Licence adjacent to producing fields with exceptional drilling success using 3D seismic**

- Offset production in multiple oil fields directly to the north of more than 5 MMbbls and directly to the east of more than 16 MMbbls
- High appraisal/development well success of operators’ recent drill programmes on surrounding acreage

**Compelling well economics**

- Surrounding operators achieving US$70+/barrel net backs
- Low cost (~US$2.5M) shallow wells and high flow rates drive quick payback, compelling IRRs and rapid value creation
- Adjoining operators all pursuing aggressive 2013 drill programmes based on 2011 and 2012 success
Overview continued

Low risk exploration & development plan
- Over 110 leads and several drill ready prospects identified using reprocessed 3D seismic data
- Discussions also underway with possible joint venture partners to lower exploration risk

Upside potential from emerging unconventional shale story
- Initial Cooper Basin shale wells producing encouraging data and flow rates; first commercial Cooper Basin unconventional production started in October 2012

Strong local infrastructure already in place
- Moomba oil processing facility approximately 65 kilometres away with access via road or existing pipeline capacity with interconnection near the PEL 512 South Block

Experienced and capable management team
- Seasoned professionals with strong track records in oil and gas and extensive operational experience in Cooper Basin

Clear route to value creation
- Ability to invest at an attractive price versus peer group valuation parameters with multiple catalysts for value creation and a focus on early cash generation from initial wells
- Strategically and geographically well placed for industry players seeking access, or additional resources, in the Cooper/Eromanga Basin Oil Fairway
Cooper/Eromanga Basins
(South Australia)

- The largest onshore oil and gas province in Australia
- Long production history commencing in the 1960’s
- Over 820 producing gas wells and 430 producing oil wells
- Western Flank Oil Fairway is a core production contributor for the Basin
- Unconventional gas opportunity with clear pathway for domestic and export commercialization
- Western Unconventional Gas Fairway well positioned to deliver huge resource to market

Source: Santos, Senex
Management Team

Experienced Management Team with a Focused Commercial and Operations Strategy:

Keith D. Spickelmier  
*Executive Chairman*


Keith J. McKenzie  
*CEO & Director*

25 years’ experience working with public companies in the industrial and resource sectors. 13 years in the Oil & Gas sector in various executive, finance, start-up, and consulting capacities. Founding principal & COO in 2004 of Paxton Energy, Inc., responsible for development drilling & operations.

William E. Begley  
*CFO, Director & Treasurer*

25 years’ energy industry & finance experience – starting his career at BP. Held senior positions in energy banking at Salomon Brothers. Recently served as Chief Financial Officer and Treasurer for Magellan Petroleum Corporation, Australia focus.

Michael D. Dahlke  
*President & COO*

Founding principal of CSB Partners, LLC, consulting with firms in oil field services, upstream & mid-stream oil & gas. Previously a member of the Jefferies & Company oil and gas banking and consulting group. Joined Jefferies after a 30-year career with Enron Corp. (and predecessors)
## Operations Team

**A Highly Experienced Technical and Operations Team with Cooper Basin Expertise:**

<table>
<thead>
<tr>
<th>Name</th>
<th>Role and Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrew Adams</td>
<td>30 years' experience in petroleum exploration ranging across technical &amp; commercial aspects of the business. Managing Director of Bass Strait Oil Company Ltd and Commercial Manager at Cue Energy Resources. Led Santos Ltd. exploration and development teams with a focus on Australia and Southeast Asia.</td>
</tr>
<tr>
<td>Andy Carroll</td>
<td>Previously Managing Director of Great Artesian Oil &amp; Gas Ltd (ASX: GOG). Re-positioned the company from a Cooper Basin “farm-out” explorer to be an oil &amp; gas business. Business development included organising financing for US$90 million acquisition.</td>
</tr>
<tr>
<td>Woody Leel</td>
<td>Certified petroleum geologist with experience in domestic and international exploration and production. He has held senior positions (VP Exploration, District Geologist and Senior Geologist) at leading companies such as Hess Corp., Triton Energy and Getty Oil and with several independent oil companies.</td>
</tr>
<tr>
<td>James A. Carroll</td>
<td>Registered, licenced and certified by the Texas Board of Professional Geoscientists with more than 40 years of on and off shore domestic and international successes in oil and gas. International experience includes detailed analysis of 3D seismic data in the Cooper Basin.</td>
</tr>
</tbody>
</table>
Cooper/Eromanga basin history

Basin Background
- Located in Queensland/South Australia
- Cooper Basin (32 million acres)
- Eromanga Basin (250 million acres)
- First gas discovered – 1963
- First oil discovered – 1970

Cooper Basin Creation
- Developed in late Carboniferous/early Permian
- Maximum thickness of sediments – ~2,750 meters (9,000 feet)
- Divided into several depo-centers by faulted anticlinal trends
- Permian- alternating fluvial sandstones/floodplain siltstones
- Triassic- fluvial/floodplain sediments overlay Permian

Eromanga Basin Creation
- Developed as an interior sag over central & eastern Australia
- Depo-centers coincident with underlying Cooper Basin synclines
Prolific and proven conventional oil & gas basin

Australia’s largest and most mature conventional onshore hydrocarbon basin with 50 years of production history

- Over 2,980 wells now drilled; average depth of just 1,250 metres (4,100 feet)
- More than 125 oil fields and almost 200 gas fields
- Produced more than 158 Mmbbls of oil, 77 Mmboe of condensate and 5 Tcf of gas
- High quality reservoirs, some with stacked pays, produce high well flow rates
- Multiple publicly listed operators now producing from Western Oil Fairway
- Major financing, M&A and farm-in activities in the basin over the past 18 months

Oil and Gas Wells in the Cooper Basin

Over past 3 years the Western Flank Oil Fairway has become a core production contributor for the basin

Source: DMITRE December 2012
Discovery licence summary

The PEL 512 Licence is comprised of 584,651 gross acres across 3 blocks:

**PEL 512 Licence terms**
- A guaranteed 5 year work commitment (see table)
- The right of renew after initial term for two further 5 year terms
- Included 5,153 km of 2D and 141 sq. km of 3D seismic data acquired by previous operators
- Net revenue interest 82% (10% state royalty; 1% Aboriginal and 7% Liberty)

**Discovery has successfully completed**
- The native title agreements and execution of the License on October 26, 2012
- All the geological studies required in the year 1 development work commitment

<table>
<thead>
<tr>
<th>YEAR</th>
<th>$AUS ('000s)</th>
<th>Guaranteed Work Program*</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>200</td>
<td>Geological studies.</td>
</tr>
<tr>
<td>Two</td>
<td>1,250</td>
<td>Shoot 250 km of 2D seismic</td>
</tr>
<tr>
<td>Three</td>
<td>5,000</td>
<td>Shoot 400 sq. km of 3D seismic</td>
</tr>
<tr>
<td></td>
<td>3,600</td>
<td>Drill 2 wells</td>
</tr>
<tr>
<td>Four</td>
<td>9,000</td>
<td>Drill 5 wells</td>
</tr>
<tr>
<td>Five</td>
<td>9,000</td>
<td>Drill 5 wells</td>
</tr>
</tbody>
</table>

*Source: Discovery Energy; Bid Commitment is based on Guaranteed Work Program*
Operators focused on Western Oil Flank

- The Cooper and Eromanga basins are located in desert terrain with year-round operations.
- Field services are readily available and infrastructure is well developed.
- Basin operators investing significant capital in more infrastructure, 3D seismic and exploration/development drilling.
- Multiple farm-in transactions highlight attraction of Basin.

The Cooper Basin’s Major Players

- **ACER ENERGY**: Market Cap US$132m
- **BEACH ENERGY**: Market Cap US$1.84bn
- **Cooper Energy**: Market Cap US$181m
- **Drillsearch**: Market Cap US$60m
- **Santos**: Market Cap US$590m
- **Senex**: Market Cap US$770m
- **Strike Energy**: Market Cap US$65m
- **TERRA NOVA**: Market Cap US$13m

Source: Discovery Energy
## Strong performance of Cooper Basin operators

<table>
<thead>
<tr>
<th>Company</th>
<th>Symbol</th>
<th>Market Cap*</th>
<th>Resource</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acer Energy Ltd</td>
<td>(ACN:ASX)</td>
<td>US$132 Million</td>
<td>42 Mmbbls OOIP (P50)</td>
<td>12.7 Tcf Prospective Resource OGIP (P50)</td>
</tr>
<tr>
<td>Beach Petroleum (1)</td>
<td>(BPT:ASX)</td>
<td>US$1.67 Billion</td>
<td>13.4 Mmbbls Oil (P1)</td>
<td>93 Mmboe (P2)</td>
</tr>
<tr>
<td>Cooper Energy Ltd</td>
<td>(COE:ASX)</td>
<td>US$205 Million</td>
<td>2P reserves 1.9 Mmbbls</td>
<td>Net production for 2012 estimated 501,012 Bbls</td>
</tr>
<tr>
<td>Drillsearch</td>
<td>(DLS:ASX)</td>
<td>US$599 Million</td>
<td>2P reserves of 12.5 Mmboe</td>
<td>Increase of 47% from Western Flank discoveries</td>
</tr>
<tr>
<td>Santos Ltd (2)</td>
<td>(STO:ASX)</td>
<td>US$11.35 Billion</td>
<td>2P Reserves 1,445 Mmbbls</td>
<td>2P RRR of 457% on a 3-year rolling average</td>
</tr>
<tr>
<td>Senex Energy</td>
<td>(SXY:ASX)</td>
<td>US$797 Million</td>
<td>Net 3P oil reserves of 14 Mmbbls</td>
<td>Net 3P coal seam gas reserves of 314 PJ</td>
</tr>
<tr>
<td>Strike Energy</td>
<td>(STX:ASX)</td>
<td>US$144 Million</td>
<td>Net 14.3 Tcf of gas from shales</td>
<td>Prospective estimated resource (P50)</td>
</tr>
</tbody>
</table>

(1) Operates multiple oil fields North of the PEL 512 border  
(2) Operates multiple oil fields East of the PEL 512 border

Source: Bloomberg October 12, 2012*
Deloitte Access Economics, June 2012
“The most substantial onshore petroleum reserves in Australia are located in the Cooper and Eromanga Basins.”

Drillsearch press release, July 2012
“Drillsearch commits to extensive Western Flank Oil exploration & development program for FY 2013. Seven appraisal/development wells planned for Bauer Oil Field and other Western Flank Oil discoveries. Exploration program to include five firm exploration wells and 400 km² of additional 3D seismic. The FY 2013 Western Flank Oil exploration and development program will bring into production the significant oil discoveries made at PEL 91 in the previous year and expand exploration to determine the future potential of the Western Flank Oil Fairway.”

Strike Energy, David Wrench, Managing Director, September 2012
The sheer size of the resource gives our company unrivalled leverage to successful economic recovery of unconventional resources from the Cooper Basin and is a pleasing result from the first significant unconventional exploration activity in the Southern Flank of the Cooper Basin”

Beach Energy Investor Presentation, September 2012
“[Cooper Basin] Western Flank oil is a core contributor to Beach due to …. high net back per barrel, high flow rates from wells, excellent understanding of the geology resulting in high success rate, multiple play types, an established and proposed pipeline infrastructure to increase production rates”

Beach Energy, Reg Nelson, Managing Director, October 2012
“This discovery [of the new Windmill-1 field] in PEL 92 continues the momentum of our Western Flank exploration programme following the new field oil discovery at Mustang-1 in PEL 111. Oil discoveries such as these deserve a great deal of attention as they are high profit generating and have the potential to grow in size with further appraisal drilling”
The Cooper & Eromanga Basins offer multiple play types and stacked pay opportunities

- Oil generation occurs in the Jurassic section of the Eromanga Basin
- Jurassic source rocks have direct access to Jurassic reservoirs
- Gas becomes progressively liquids rich toward the basin margins
- Generated oil is typically low wax, light and paraffinic (40+ API)
- Initial geotechnical analysis of the PEL 512 southern block has mapped 63 leads in the Patchawarra, Poolawanna, Hutton and Namur Formations
- Many of the leads/prospects across the southern block of PEL 512 have multiple reservoir targets
Multiple stacked Permian, Triassic and Jurassic reservoirs

Permian oil migrates laterally to the basin margins and vertically when conduits are present

Permian section subcrops against the base Jurassic unconformity downdip from PEL 512

Subcrop provides a direct conduit for migrating oil into the overlying section

Discontinuous shales and faults may also allow vertical migration within Eromanga Basin sequence
Western Eromanga Basin

- Up to 70% of the oil within the Cooper-Eromanga region is trapped within the Eromanga Basin.
- While the Hutton Sandstone is the primary oil reservoir unit within the basin, nearly all units from the Poolowanna to Murta Formation contain free-flowing oil reservoirs.
- Numerous studies over the last decade have confirmed the Birkhead, Murta and Poolowanna formations as the three main effective source rocks within the Eromanga Basin sequence.
- Long-distance migration of Permian sourced oil has been suggested for many of the accumulations in the Eromanga Basin.
The number of oil fields reached 125 in the South Australian part of the Cooper Basin as of June 2012, extensive areas on the flanks of the Cooper and broader Eromanga Basin remain under-explored.

From Jan 2002 thru Sept 2012 a total of 237 exploration wells and 438 appraisal/development wells were drilled in the Cooper Basin with world class success rates.

<table>
<thead>
<tr>
<th>Jan 2002 to September 2012</th>
<th>New Explorers</th>
<th>Santos Joint Venture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration wells drilled</td>
<td>188</td>
<td>49</td>
</tr>
<tr>
<td>Commercial success rate</td>
<td>40%</td>
<td>49%</td>
</tr>
<tr>
<td>Technical success rate</td>
<td>47%</td>
<td>51%</td>
</tr>
<tr>
<td>Appraisal and development wells</td>
<td>82</td>
<td>356</td>
</tr>
<tr>
<td>Commercial success rate</td>
<td>97%</td>
<td>96%</td>
</tr>
</tbody>
</table>

“The Western flank of the Cooper Basin still has the best risk/reward profile for further onshore conventional oil exploration in Australia” - Goldman Sachs June 2012

Source: DMITRE December 2012
Producing oil fields – eastern border of PEL 512

The blocks on the eastern border of PEL 512 South block are operated by Santos Ltd.

- **Tantanna Oil Field** (1988): 12 wells drilled
  - 7.8 Mmbbls produced
- **Sturt Oil Field** (1988): 12 wells drilled
  - 2.8 Mmbbls produced
- **Malgoona Oil Field** (1990): 2 wells drilled
  - 324,000 Bbls produced
- **Tatoola Oil Field** (1988): 3 wells drilled
  - 1.7 Mmbbls produced
- **Spencer Oil Field** (1986): 13 wells drilled
  - 3.7 Mmbbls produced

These oil fields have produced more than 16 Mmbbls of oil or US$1.6bn in revenue at US$100/bbl

Source: PIRSA, Santos
PEL 512 is on trend to multiple producing oil fields within PEL 92 & PEL 91 to the north operated by Beach Energy (BPT:ASX)

- **Sellicks Oil Field** (2002): 421,000 Bbls; 694 Bopd
  - initial production test rate: 2,685 Bopd

- **Christies Oil Field** (2003): 1.6 Mmbbls; 1,720 Bopd
  - initial production test rate: 2,400 Bopd

- **Callawonga Oil Field** (2006): 3.3 Mmbbls; 3,330 Bopd
  - initial production test rate: 5,660 Bopd

- **Parsons Oil Field** (2008): 1.7 Mmbbls; 2,775 Bopd
  - initial production test rate: 7,600 Bopd

- **Perlubie Oil Field** (2009): 101,000 Bbls; 560 Bopd
  - initial production test rate: 3,000 Bopd

- **Butlers Oil Field** (2009): 1 Mmbbls; 1,425 Bopd
  - initial production test rate: 2,600 Bopd

Source: PIRSA– October 2012
Beach Energy’s Drilling Results (2011)

- 3 exploration wells drilled resulting in 2 new oil discoveries (67%)
- 15 of the 15 development wells drilled were successful (100%)
- Several new oil field discoveries in the Namur Sandstone at ~1350 meters (4,500 feet)
- New play in the deeper Birkhead formation has yielded an outstanding 80% exploration success rate
- 3D seismic data is the key to the recent drilling success
- During production testing wells have flowed at rates (FARO) up to 7400 Bopd

Source: Beach, Drillsearch
Highly successful 2012 drilling program

**PEL 92 Exploration Highlights in 2012**
- Ongoing field development – Multiple wells tied in with production expected at 10,000 Bopd
- Discoveries in the Namur Sandstone and new play in the deeper Birkhead formation
- High Flow Rates – recently completed Parsons #4 well production tested at 7,600 Bopd

**PEL 91 Exploration Highlights in 2012**
- Drilled and completed four Bauer development wells, with gross production rates of 5,000 Bopd expected (average of 1,250 Bopd per well)
- Bauer-1 North recently flowed at 15,000 Bopd on an 80 minute initial production test, with no water present
- Results to date suggest the Bauer oil field has the potential to contain 2P oil reserves in excess of 10 million barrels (>1.25 Mmbo per well)

Source: Beach, Drillsearch

*Western Flank Cooper Basin Oil and Gas Fields*

- Oil Fields
- Gas Fields
- 2011 Discoveries
- 2012 Discoveries
- Beach Operated
- Senex Operated
- Santos Operated
- 2013 Exploration
- Drilling Locations

**MOOMBA TERMINAL**

Source: Discovery Energy
Recent exploration & development success

Improved well success rates being driven by:

- Better drilling and completion efficiencies
- More and improved 3D seismic control data
- Greater understanding of the geology & producing formations

From Jan 2011 thru Dec 2012 Cooper Basin explorers drilled 45 exploration wells and 71 development wells

- New Explorers had an overall exploration success rate of 57% and development success rate of 97%

The use of 3D seismic control has been a critical factor in the increase of recent success rates

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<td>42</td>
<td>3</td>
</tr>
<tr>
<td>Commercial success rate</td>
<td>57%</td>
<td>67%</td>
</tr>
<tr>
<td>Technical success rate</td>
<td>83%</td>
<td>100%</td>
</tr>
<tr>
<td>Appraisal and development wells</td>
<td>33</td>
<td>38</td>
</tr>
<tr>
<td>Commercial success rate</td>
<td>97%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Cooper Basin oil success rate

Source: Discovery Energy, PIRSA Database Dec 2012
3D seismic is a key driver for success

Recent success rates have increased using 3D seismic control in the Western Flank;

- **Fusinus** – 55 km of 2D completed, interpretation in Q3 2012
- **Ricon** – 197 km² of 3D completed interpretation in Q3 2012
- **Pocatus** – 105 km of 2D seismic acquired and processed in Q1 2012 to identify drill targets for FY13
- **Irus** – completing the 582 km² multi-permit 3D seismic survey, 295 km² of which covers PEL 92
- **Aquillus** – 336 km² of 3D seismic being interpreted, targeting Birkhead and Namur
- **Limbatus** – 151 km² of 3D seismic being interpreted, targeting Birkhead and Namur
- **Undatus** – 249 km of 2D seismic being interpreted
- **Mulka** – 127 km² 3D seismic survey on PEL 112

![Seismic Survey Map](source-url)
Significant historic work on Discovery’s Licence

**Previous work on the PEL 512 includes:**

- 10 exploration wells drilled in the South Block based on geology with limited 2D or no seismic control
- 4 of the wells around the Lake Hope area had oil shows
- 5,153 km of 2D seismic and 141 km² of 3D seismic with a field acquisition replacement cost of ~$30M

**Recent work by Discovery includes:**

- Completed the reprocessing of the Lake Hope 3D and interpretation of the existing 2D seismic data which resulted in 114 structures with closures being mapped on the PEL 512 Block
- Commissioners a comprehensive NI 51-101 evaluation by Apex Engineering of the South Block resulted in 63 leads in Namur, Hutton and Permian formations
- Completed a geological and geophysical study on the Western Block based on 2D seismic evaluation which identified 51 leads with very large areal extents and major reserve potential
Drill Ready Prospects – Lake Hope 3D

- Sturt Field (1.1MMBO)
- Malgoona Field (324MMBO)
- Sturt Field East (1.7MMBO)
- Taloola Field (1.4MMBO)
- Hollos-1
- Talia-1
- Nealyon-1
- Cabbots-1
- Tibouchina-1
- Wronsky-1
- Papyrus-1

Permian Edge

PEL 512 Licence
Will Australia drive the next shale oil & gas boom?

Chevron Pursues Australian Shale

BRISBANE, Australia, Feb. 25 (UPI) -- Energy giant Chevron is entering Australia's shale natural gas sector.

Under a deal announced Monday, Chevron will pay up to $349 million to farm into two shale prospects covering an estimated 810,000 acres in the Cooper Basin in central Australia controlled by Australia's Beach Energy.

The U.S. Energy Information Administration says the Cooper Basin could yield 85 trillion cubic feet of gas. Australia's current annual domestic gas usage stands at 1 trillion cubic feet of gas.

"The Cooper Basin is a huge potential resource," Reg Nelson, managing director of Adelaide's Beach Energy, was quoted as saying by the Financial Times. "This is ground breaking. This is nation building."

EIA estimates that Australia has the world's sixth biggest potential shale reserves.

While Chevron is one of the biggest foreign investors in Australia, it previously focused on large conventional gas ventures such as its $53 billion Gorgon LNG development in Western Australia.

"We have an industry-leading queue of LNG projects under development in Australia and this agreement provides an opportunity to explore a new, prospective basin and potentially add to our natural gas portfolio," Chevron Australia Managing Director Roy Krzywosinski said of the Beach deal.

"The Cooper Basin is an established petroleum producing basin and provides the opportunity to leverage our expertise in tight gas."

Beach's Nelson said Chevron first approached his company in early 2012, Bloomberg reports.

Cooper Basin has produced conventional oil and gas since the 1960s. So far, Australian oil and gas company Santos has started producing shale from one well in the basin and is actively searching for more, the Financial Times said.

Source: UPI.com Energy News
More than 20 companies/joint ventures are focused on the huge discovery potential in the Cooper Basin shales

Unconventional activity and news flow gathering pace:
- Beach Energy’s Encounter-1 and Holdfast-1 wells proved up the shale play with flow rates tested at >2 Mmscfd
- Santos’ operated Moomba-191 well flow tested at 2.6 Mmscfd and was commercialised in October 2012
- Farm-in agreement – Drillsearch recently announced US$130 million JV with BG Group to explore unconventional shales
- Finance raising for development – Senex Energy completed a US$157 million raise in June to deliver a 12 well unconventional campaign in 2012/2013
- Chevron enters play with plans to invest $349 million to farm into two shale prospects in the Cooper Basin in central Australia controlled by Australia's Beach Energy.
The results from Moomba 191 indicate that Cooper Basin shale can be commercially produced

- Dedicated shale well commissioned on September 28, 2012
- Initial flow rate over 3 Mmscfd
- First month average flow rate of ~2.7 Mmscfd
- Gas composition is consistent with that produced in the Moomba Big Lake area
- Majority of gas flow across the Murteree shale
- Minor Contribution from the Epsilon and Roseneath
- Continued production expected to result in greater contribution from Epsilon and Roseneath resulting in higher gas recovery

**Moomba 191 Production History**

**Santos EUR Estimates YE 12**

<table>
<thead>
<tr>
<th>Gross Bcf</th>
<th>1P</th>
<th>2P</th>
<th>3P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessed OGIP</td>
<td>2</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Ultimate Recovery</td>
<td>1.5</td>
<td>3</td>
<td>7</td>
</tr>
</tbody>
</table>
Local O&G Industry is Highly Developed

- Oil and gas will be transported to the Moomba processing terminal by either:
  - Short haul trucking - Just 45 km from PEL 512
  - Existing pipeline infrastructure: 21,000 Bopd
  - Processes 902 Mmcf of raw gas 42 Mbbls of crude oil per day
- New Beach and Senex 18” trunk line from the Lycium Hub to the Moomba Plant with additional capacity of 18,000 Bopd
- Oil piped to Brisbane or Port Bontython for export to world markets on Brent prices
- Transportation costs in the Western Margin are lower due to existing capacity, infrastructure and close proximity to Moomba Plant
Moomba Processing Facilities

Source: Santos Presentation February 2012
**Western Oil Flank demonstrates strong economics**

**Robust economics**
- Shallow low cost conventional wells at ~US$2.4M
- Multiple oil bearing targets throughout each play
- Rapid cash flows – quick drill and tie-in periods – ~4 months from discovery to revenue

**Rapid pay back and value creation on each well**
- Typical economic threshold for a well is 45,000 Bbls (125 Bopd) of initial annual production assuming a post-drill price of US$100/Bbl
- Butlers-1 Well on PEL 92 – drilled in 2009 and had an Initial Potential Rate of 2600 Bopd and reported to have 2.1 Mmbo proved and probable reserves.

<table>
<thead>
<tr>
<th>High Net Backs (A$)</th>
<th>Beach</th>
<th>Drillsearch</th>
<th>Senex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of presentation</td>
<td>Mar '13</td>
<td>Feb '13</td>
<td>Mar '13</td>
</tr>
<tr>
<td>Brent Oil Price Assumption</td>
<td>110</td>
<td>114</td>
<td>110</td>
</tr>
<tr>
<td>F&amp;D and Operating Costs</td>
<td>(25)</td>
<td>(30)</td>
<td>(27)</td>
</tr>
<tr>
<td>Netback per barrel</td>
<td>$85</td>
<td>$84</td>
<td>$83</td>
</tr>
</tbody>
</table>

*Source: Cooper Energy Investor Presentation May 28, 2012*

*Source: Apex Engineering – August 2012*
Beach operated Western Flank oil reserve curve

Recent EUR per well largest to date after 10 years of exploration

Source: Beach Energy Presentation March 2013
Equity Markets are rewarding Cooper Basin Players

Source: Drillsearch Presentation, Market data as at Feb 22, 2013

Drillsearch

Share Price and Rebased to 100

Beach Energy

Share Price and Rebased to 100

Santos

Share Price and Rebased to 100

Senex Energy

Share Price and Rebased to 100

Source: Drillsearch Presentation, Market data as at Feb 22, 2013
Conclusion

Substantial exploration block in the most sought after area of Australia’s most prolific onshore producing basin

- Potential for major discoveries from multiple play types; conventional & unconventional

Directly on trend with significant production

- To the North: Beach Petroleum – 10,000+ Bopd net targeted by 2013
- To the East: 5 producing fields have produced over 16 Mmbbls

Rapid path to oil production and cash flow with drilling prospects in inventory

Exceptional well economics and good oil flow rates

- US$80+/Bbl netback and strong IRRs

Access to developed local industry infrastructure

- Close proximity to the Moomba processing plant, the Lycium Hub and new 18,000 Bopd pipeline

Experienced management, operations and technical advisory teams with proven track record in the Cooper Basin

High level of interest from potential partners to joint venture/develop asset
Next steps

- Complete exploration funding and strengthen in-house technical capability
- Obtain variance from South Australia Government to accelerate work program
- Apply for permits to conduct seismic program
- Undertake 3D seismic acquisition on western portion of PEL 512 South Block
- Apply for drilling permits
- Negotiate and secure drilling contract
- Drill 3 - 5 wells commencing in Q4, 2013
- Continue to grow the acreage portfolio
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