



**DISCOVERY**  
ENERGY CORP

**FS | Q1 2011**



**DISCOVERY ENERGY CORP**  
*(FORMERLY SANTOS RESOURCE CORP.)*

**INTERIM FINANCIAL STATEMENTS**

**FOR THE QUARTER ENDING MAY 31, 2011**

*(EXPRESSED IN US DOLLARS)*

**UNAUDITED**

**DENR | OTCBB**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-Q**

- Quarterly report pursuant section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended May 31, 2011
- Transition report pursuant section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-53520

**Santos Resource Corp.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State of Incorporation)

**98-0507846**  
(I.R.S. Employer Identification No.)

11450 - 201A Street  
Maple Ridge, British Columbia V2X 0Y4  
Tel: (604) 460-8440

\_\_\_\_\_  
(Address and telephone number of Registrant's principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Class: common stock - \$0.001 par value

Outstanding at July 15, 2011: 32,076,500

**Santos Resource Corp.**  
 (an Exploration Stage Company)  
 Interim Balance Sheets  
 (Expressed in US Dollars)

	May 31, 2011 (Unaudited)	February 28, 2011
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 951	\$ 1,909
Amounts receivable	2,559	2,278
<b>Total Assets</b>	<b>\$ 3,510</b>	<b>\$ 4,187</b>
<b>Liabilities and Stockholders' Equity (Deficiency)</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 37,183	\$ 40,330
Shareholder loan - Note 3(b)	68,520	30,804
<b>Total Current Liabilities</b>	<b>105,703</b>	<b>71,134</b>
<b>Stockholders' Equity (Deficiency)</b>		
Common Stock - 75,000,000 shares authorized, \$0.001 par value - 32,076,500 shares issued	32,077	32,077
Additional paid in capital	149,871	149,871
Deficit accumulated during the exploration stage	(284,141)	(248,895)
<b>Total Stockholders' Equity (Deficiency)</b>	<b>(102,193)</b>	<b>(66,947)</b>
<b>Total Liabilities and Stockholders' Equity (Deficiency)</b>	<b>\$ 3,510</b>	<b>\$ 4,187</b>

Nature of operations and Continuance of Business - Note 1

Subsequent event - Note 6

**On Behalf of the Board:**

/s/ Richard Pierce \_\_\_\_\_ Director

/s/ Andrew Lee Smith \_\_\_\_\_ Director

The accompanying notes are an integral part of these interim financial statements

**Santos Resource Corp.**  
 (an Exploration Stage Company)  
 Interim Statements of Operations  
 (Expressed in US Dollars)  
 (Unaudited)

	Three months Ended May 31, 2011	Three months Ended May 31, 2010	Cumulative to May 31, 2011
Expenses			
General and administrative	\$ 46	\$ 176	\$ 1,045
Foreign exchange loss (gain)	615	-	3,111
Mineral property costs	29,740	-	99,429
Professional fees	4,845	2,797	180,556
Total Expenses	<u>35,246</u>	<u>2,973</u>	<u>284,141</u>
Net loss and comprehensive loss	<u>\$ (35,246)</u>	<u>\$ (2,973)</u>	<u>\$ (284,141)</u>
Net loss per share - basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	
Weighted average number of shares outstanding - basic and diluted	<u>32,076,500</u>	<u>32,076,500</u>	

The accompanying notes are an integral part of these interim financial statements

**Santos Resource Corp.**

(an Exploration Stage Company)

Interim Statements of Stockholders' Equity (Deficiency)

At May 31, 2011

(Expressed in US Dollars)

(Unaudited)

		Common Stock Number	Par Value	Additional Paid-in Capital	Deficit Accumulated During the Exploration Stage	Total Stockholders' Equity (Deficiency)
Balance, May 24, 2006 (date of inception), and <b>February 28, 2007</b>		-	\$ -	\$ -	\$ -	\$ -
Capital Stock issued for subscriptions receivable at \$0.0005 per share and services at \$0.0005 per share	19-Jun-07	31,040,000	31,040	(15,520)	-	15,520
Mineral Property Option - Starfire Minerals at \$0.15 per share	25-Jun-07	75,000	75	11,175	-	11,250
Private Placement at \$0.15 per share	1-Feb-08	961,500	962	143,264	-	144,226
Private Placement Fees	1-Feb-08	-	-	(4,568)	-	(4,568)
Net loss for the year		-	-	15,520	(70,888)	(55,368)
<b>Balance, February 29, 2008</b>		32,076,500	32,077	149,871	(70,888)	111,060
Net loss for the year		-	-	-	(92,777)	(92,777)
<b>Balance, February 28, 2009</b>		32,076,500	32,077	149,871	(163,665)	18,283
Net loss for the year		-	-	-	(54,305)	(54,305)
<b>Balance, February 28, 2010</b>		32,076,500	32,077	149,871	(217,970)	(36,022)
Net loss for the year		-	-	-	(30,925)	(30,925)
<b>Balance, February 28, 2011</b>		32,076,500	32,077	149,871	(248,895)	(66,947)
Net loss for the period		-	-	-	(35,246)	(35,246)
<b>Balance, May 31, 2011</b>		32,076,500	\$32,077	\$149,871	\$(284,141)	\$(102,193)

The accompanying notes are an integral part of these interim financial statements

**Santos Resource Corp.**  
(an Exploration Stage Company)  
Interim Statements of Cash Flow  
(Expressed in US Dollars)  
(Unaudited)

	Three months Ended May 31, 2011	Three months Ended May 31, 2010	Cumulative to May 31, 2011
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Cash flows used in Operating Activities</b>			
Net loss for the period	\$ (35,246)	\$ (2,973)	\$ (284,141)
Adjustments to net loss for non-cash activities			
Shares issued for property acquisition	-	-	11,250
Unrealized foreign exchange loss (gain)	615	-	3,111
Services provided by founders in exchange for shares	-	-	15,520
Change in amounts receivable	(281)	214	(2,559)
Change in accounts payable and accrued liabilities	(4,068)	(2,734)	35,568
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net cash used in operating activities</b>	<u>(38,980)</u>	<u>(5,493)</u>	<u>(221,251)</u>
<b>Cash flows from financing activities</b>			
Common Stock issued	-	-	159,746
Private Placement Fees	-	-	(4,568)
Advances from shareholders	37,716	19,989	67,515
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Net cash flows from financing activities</b>	<u>37,716</u>	<u>19,989</u>	<u>222,693</u>
<b>Cash flows from investing activities</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	-	-	-
<b>Foreign exchange effect on cash</b>	306	-	(491)
Cash increase (decrease) during the period	(958)	14,496	951
Cash beginning of the period	1,909	307	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash end of the period	<u>\$ 951</u>	<u>\$ 14,803</u>	<u>\$ 951</u>
Interest Paid in the period	<u>                    </u>	<u>                    </u>	<u>                    </u>
	-	-	-
Income Taxes Paid in the period	<u>                    </u>	<u>                    </u>	<u>                    </u>
	-	-	-

The accompanying notes are an integral part of these interim financial statements

**Santos Resource Corp.**  
(an Exploration Stage Company)  
Notes to the Interim Financial Statements  
For the period ended May 31, 2011  
(Expressed in U.S. dollars)  
(Unaudited)

**1. Nature of Operations and Continuance of Business**

Santos Resource Corp. (the "Company") was incorporated in the state of Nevada on May 24, 2006. The Company is an Exploration Stage Company. The Company's principal business is the acquisition and exploration of mineral properties. The Company has not presently determined whether its properties contain mineral reserves that are economically recoverable.

The accompanying financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenues since inception and has never paid dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, confirmation of the Company's interests in the underlying properties, and the attainment of profitable operations. As at May 31, 2011, the Company has not generated any revenues and has an accumulated loss of \$284,141 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

These interim financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Item 310(b) of Regulation S-B. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the periods ended May 31, 2011 and 2010 are not necessarily indicative of the results that may be expected for any interim period or the entire year. These interim financial statements should be read in conjunction with the audited financial statements for the year ended February 28, 2011.

**3. Related Party Transactions**

- a) On June 25, 2007, the Company issued 75,000 shares of common stock at \$0.15 per share to Starfire Minerals Inc. ("Starfire") as part of its contract to Option to Purchase Property in Quebec. Richard Pierce, President of Santos Resource Corp. is a director on the board of each company.
- b) A shareholder loaned the Company \$68,520 during the period April 2007 to May 31, 2011. The loan is non interest bearing and unsecured and is payable upon request from the shareholder; accordingly fair value cannot be reliably determined.
- c) A shareholder of the Company contributed services to the Company. The amounts are not recorded as it is not material.

**Santos Resource Corp.**  
 (an Exploration Stage Company)  
 Notes to the Interim Financial Statements  
 For the period ended May 31, 2011  
 (Expressed in U.S. dollars)  
 (Unaudited)

**4. Mineral Properties**

Under the property option agreement entered into on June 25, 2007 (amended May 29, 2008, April 23, 2009, April 26, 2010, and December 15, 2010), the Company acquired a 75% interest in 18 mineral property claims in Northern Quebec known as the Lordeau Property, from Starfire (subject to the NSR Royalty) by paying Starfire cash of \$10,582 (Cdn\$10,000), issuing 75,000 common shares, and incurring expenditures of \$48,304 (Cdn\$50,000).

Santos will pay Starfire a 3% net smelter return royalty ("NSR Royalty"). Santos may purchase in the aggregate up to two-thirds (i.e., 2% NSR Royalty) of the NSR Royalty on the basis of one hundred thousand dollars for each one-tenth percent of the NSR Royalty (i.e., \$100,000 per 0.1% NSR Royalty) acquired on the first one-half of the NSR Royalty (i.e., the first 1% NSR Royalty), and one hundred fifty (\$150,000) dollars for each one-tenth percent of the NSR Royalty (i.e., \$150,000 per 0.1% NSR Royalty) thereafter for the remaining NSR Royalty (i.e., the remaining 1% NSR Royalty). To exercise its option to purchase the NSR Royalty or any portion thereof, Santos must provide the Owner with at least 30 days advance written notice of its intention to do so, and must close upon each purchase within 60 days of each notice.

**5. Financial Instruments**

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, and shareholder loan, unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying value, unless otherwise noted.

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At May 31, 2011 the Company had the following financial assets and liabilities in Canadian dollars:

	USD equivalent	CDN Dollars
Cash on deposit	\$ 444	\$ 430
Shareholder loan	\$ 68,520	\$ 66,368
Accounts payable and accrued liabilities	\$ 27,683	\$ 26,814

At May 31, 2011 US dollar amounts were converted at a rate of \$0.9686 Canadian dollars to \$1.00 US dollar.

**6. Subsequent Event**

The Company has evaluated subsequent events pursuant to ASL Topic 855 and has determined that there are no subsequent events to report.



## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

THE FOLLOWING PRESENTATION OF MANAGEMENT'S DISCUSSION AND ANALYSIS OF SANTOS RESOURCE CORP. SHOULD BE READ IN CONJUNCTION WITH THE FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION INCLUDED HEREIN.

### **Overview**

Santos Resource Corp. (the "Company" or "Santos") was incorporated under the laws of the state of Nevada on May 24, 2006. We have not commenced business operations and we are considered an exploration stage company. We are defined as a "shell company" under the Rule 405 of the Securities Act and Rule 12b-2 of the Exchange Act because we have nominal operations and nominal assets. To date, our activities have been limited to organizational matters, obtaining a geological report on the Lourdeau Claims (also referred to as the Lourdeau Property), the preparation and filing of a registration statement on Form S-1, and acquiring the Lourdeau Claims.

### **Lourdeau Claims**

Under the Property Option Agreement entered into on June 25, 2007, we acquired an option to acquire a 75% interest in and to 18 mineral claims called the Lourdeau Claims from Starfire Minerals Inc. ("Starfire"), the registered owner of the Lourdeau Claims. To exercise the option we paid Starfire cash of \$10,582 (CAD\$10,000), issued Starfire 75,000 shares, and instead of incurring expenditures of \$48,304 (CAD\$50,000) we paid Starfire cash of \$48,304, pursuant to which we acquired a 75% interest in the Lourdeau Claims. Title to the Lourdeau Claims remain the name of Starfire. The Lourdeau Claims consist of 18 mineral claims covering approximately 900.75 hectares (9.01 km<sup>2</sup>), located in the La Grande geological area of Quebec in the James Bay Territory about 620 miles (1,000 km) north of Montreal, Quebec.

Under the Property Option Agreement, Starfire retained a 3% Net Smelter Return ("NSR") royalty interest in the Lourdeau Claims. NSR means the actual proceeds received from the sale of ore, metals or concentrated products from the Lourdeau Property derived from commercial production as recorded by the producer and net of any smelting and refining charges, penalties, costs of transportation of ores, metals or concentrates from the Lourdeau Property to any mint, smelter or other purchaser, cost of insurance of the products, and any export and import taxes levied with respect to production from the Lourdeau Property.

Santos also has the right to purchase up to two-thirds of the NSR royalty (i.e. 2% of the NSR royalty) on the basis of \$100,000 for each 0.1% of the NSR royalty (i.e. \$100,000 per 0.1% NSR royalty) acquired on the first one-half of the NSR royalty, and \$150,000 for each 0.1% of the NSR royalty (i.e. \$150,000 per 0.1% NSR royalty) thereafter for the remaining NSR royalty (i.e. the remaining 1% NSR royalty). To exercise its option to purchase the NSR royalty or any portion thereof, Santos must provide Starfire with at least 30 days advance written notice of its intention to do so, and must close upon each purchase within 60 days of each notice.

Santos and Starfire will share their proportionate costs incurred in making all filings related to the Lourdeau Property and to maintain the Lourdeau Property in good standing by preparing and filing the assessment reports, paying taxes and keeping the Lourdeau Property free and clear of all liens and encumbrances. The Lourdeau Claims are in good standing until July 18, 2011 and have been assigned tenure numbers 87500, 87501, 87502, 87503, 87504, 87505, 87506, 87507, 87508, 87509, 87510, 87511, 87512, 87513, 87514, 87515, 87516 and 87517 by the Province of Quebec.

Starfire and Santos agree to negotiate in good faith the terms and conditions of entering into a joint venture agreement to carry out further exploration and mining activities on the Lourdeau Property, with the intention that all costs and profits to be split proportionately by the parties according to their ownership of the Lourdeau Property.

## **Plan of Operation**

Our business plan is to proceed with the exploration of the Lourdeau Claims to determine whether there are commercially exploitable reserves of base and precious metals. We presently do not have funds to meet our general operating expenses and to meet our obligations under the Property Option Agreement. We do not have the funds to conduct the recommended exploration program. Due to extreme weather conditions, exploration activities can only be conducted between June and August of each year. We are attempting to raise additional money, and have not started the exploration program as we have not been successful in raising funds. However, if we are able to raise additional money, we can only conduct the exploration program recommended by Mr. Michel Boily in the summer of 2011. We anticipate the recommended program will cost approximately \$111,057 (CAD\$107,570).

Mr. Michel Boily, Ph.D., P. Geo. was hired by Santos to provide a Technical Report in July 2007 on the Lourdeau Claims. Mr. Boily does not have any interest in the Lourdeau Property or the Company. The report is based on published and private reports, maps and data provided by the Company and in the public domain.

Mr. Boily recommends a systemic surface sampling program of the Lourdeau Vein site and its vicinity, and the northern edge of the Lourdeau Hill, incorporating grab and channel sampling, in order to get a solid geochemical assay database. Mr. Boily recommends obtaining a helicopter-borne geophysical survey to cover the rest of the Lourdeau Property. Mr. Boily recommends the geophysical magnetic and radiometric surveys to be done on a 100 m spaced grid.

Depending on the results of this program, the next phase could involve a drilling campaign which would define the targets acquired during the geophysical surveys and sampling campaign. The focus of the drilling will be the uranium-mineralized sandstones at the Lourdeau Hill, with the gold, copper and silver-mineralized metavolcanic constituting secondary targets.

We anticipate that additional funding will be in the form of equity financing from the sale of our common stock. However, we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock to fund additional phases of the exploration program should we decide to proceed. We believe that debt financing will not be an alternative for funding any further phases in our exploration program. The risky nature of this enterprise and lack of tangible assets places debt financing beyond the credit-worthiness required by most banks or typical investors of corporate debt until such time as an economically viable mine can be demonstrated. We do not have any arrangements in place for any future equity financing.

## **Risk Factors**

An investment in Santos' common stock involves a number of very significant risks. Prospective investors should refer to all the risk factors disclosed in Santos' Annual Report on Form 10-K filed with the SEC on May 31, 2011.

## **Financial Condition**

As at May 31, 2011, Santos had a cash balance of \$951. Management does not anticipate generating any revenue for the foreseeable future. When additional funds become required, the additional funding will come from equity financing from the sale of Santos' common stock. If Santos is successful in completing an equity financing, existing shareholders will experience dilution of their interest in Santos. Santos does not have any financing arranged and Santos cannot provide investors with any assurance that Santos will be able to raise sufficient funding from the sale of its common stock. In the absence of such financing, Santos' business will fail.

Based on the nature of Santos' business, management anticipates incurring operating losses in the foreseeable future. Management bases this expectation, in part, on the fact that very few mineral claims in the exploration stage ultimately develop into producing, profitable mines. Santos' future financial results are also uncertain due to a number of factors, some of which are outside its control. These factors include, but are not limited to:

- o Santos' ability to raise additional funding;
- o the market price for minerals; and
- o the results of Santos' proposed exploration programs on its exploration mineral properties.

Due to Santos' lack of operating history and present inability to generate revenues, Santos' auditors have stated their opinion that there currently exists a substantial doubt about Santos' ability to continue as a going concern. This means that there is substantial doubt whether Santos can continue as an on going business for the next 12 months unless we obtain additional capital to pay our bills. We presently do not have the funds to conduct the recommended exploration program. Further, even if Santos completes its current exploration program, we will require additional funds in order to place the Lourdeau Claims into commercial production.

### Liquidity

Santos' internal sources of liquidity will be loans that may be available to Santos from management. Although Santos has no written arrangements with any of directors and officers, Santos expects that the directors and officers will provide Santos with internal sources of liquidity, if it is required.

Also, Santos' external sources of liquidity will be private placements for equity conducted outside the United States. Since inception on May 24, 2006 to May 31, 2011, Santos did not complete any definitive arrangements for any external sources of liquidity, except for a private placement in February 2008 where the Company issued 961,500 shares of common stock at \$0.15 per share for proceeds of \$144,226.

There are no assurances that Santos will be able to achieve further sales of its common stock or any other form of additional financing. If Santos is unable to achieve the financing necessary to continue its plan of operations, then Santos will not be able to continue its exploration programs and its business will fail.

### Capital Resources

As of May 31, 2011, Santos had total assets of \$3,510 and total liabilities of \$105,703 for a net working capital deficiency of \$102,193, compared with a net working capital deficiency of \$66,947 as of February 28, 2011 (an increase of \$35,246). The assets as at May 31, 2011 are comprised of cash of \$951 and amounts receivable of \$2,559. The liabilities as at May 31, 2011 consisted of shareholders loan of \$68,520 and accounts payables and accrued liabilities of \$37,183.

There are no assurances that Santos will be able to achieve further sales of its common stock or any other form of additional financing. If Santos is unable to achieve the financing necessary to continue its plan of operations, then Santos will not be able to continue its exploration programs and its business will fail.

Management does not believe that Santos' current cash will be sufficient to meet our general operating expenses for the next 12 months and to meet our obligations under the Property Option Agreement. We do not have the funds to conduct the recommended exploration program which is estimated to cost approximately \$111,057 (CAD\$107,570). We need to raise additional money to conduct our exploration program, however we have not been successful in raising funds. If we are able to raise additional money, we plan to conduct our exploration program in the summer of 2011.

### Results of Operations

Our results of operations for the three month periods ended May 31, 2011 and 2010 are summarized as follows:

	Three months ended May 31, <b>2011</b>	Three months ended May 31, <b>2010</b>
Revenue	\$ -	\$ -

	Three months ended May 31, <b>2011</b>	Three months ended May 31, <b>2010</b>
Operating Expenses	\$ 35,246	\$ 2,973
Net Loss	\$ (\$35,246)	\$ (2,973)

We did not earn any revenues for the three months ended May 31, 2011 and 2010. We do not anticipate earning revenues until such time as we have entered into commercial production of our mineral properties. We are presently in the exploration stage of our business and we can provide no assurance that we will discover commercially exploitable levels of mineral resources on our properties, or if such resources are discovered, that we will enter into commercial production of our mineral properties.

Our expenses for the three month periods ended May 31, 2011 and 2010 are outlined in the table below:

	Three months ended May 31, <b>2011</b>	Three months ended May 31, <b>2010</b>
General and Administrative	\$ 46	\$ 176
Foreign Exchange Loss	615	-
Mineral Property Costs	29,740	-
Professional Fees	4,845	2,797
Total	<u>\$ 35,246</u>	<u>\$ 2,973</u>

### Off-Balance Sheet Arrangements

Santos has no off-balance sheet arrangements.

### Cautionary Statement Regarding Forward-Looking Statements

This quarterly report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as "anticipate," "expect," "intend," "plan," "will," "we believe," "our company believes," "management believes" and similar language. These forward-looking statements are based on our current expectations and are subject to certain risks, uncertainties and assumptions, including those set forth in the following discussion, including under the heading "Risk Factors". Our actual results may differ materially from results anticipated in these forward-looking statements. We base our forward-looking statements on information currently available to us, and we assume no obligation to update them. In addition, our historical financial performance is not necessarily indicative of the results that may be expected in the future and we believe that such comparisons cannot be relied upon as indicators of future performance. Other important factors that could cause actual results to differ materially include the following: business conditions, the price of precious metals, ability to attract and retain personnel; the price of the Company's stock; and the risk factors set forth from time to time in the Company's SEC reports, including but not limited to its annual report on Form 10-K; its quarterly reports on Form 10-Q; and any current reports on Form 8-K. In addition, the Company disclaims any obligation to update or correct any forward-looking statements in all the Company's annual reports and SEC filings to reflect events or circumstances after the date hereof.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

**Item 4. Controls and Procedures****Disclosure Controls and Procedures**

Under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) and Rule 15d-15(e) as of the end of the period covered by this quarterly report. Based on that evaluation, the principal executive officer and principal financial officer have identified that the lack of segregation of accounting duties as a result of limited personnel resources is a material weakness of its financial procedures. Other than for this exception, the principal executive officer and principal financial officer believe the disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that our disclosure and controls are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation and there were no corrective actions with regard to significant deficiencies and material weaknesses.

**Changes in Internal Control over Financial Reporting**

None.

**PART II - OTHER INFORMATION****Item 1. Legal Proceedings**

None.

**Item 1A. Risk Factors**

Not applicable.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 3. Defaults upon Senior Securities**

None.

**Item 4. Removed and Reserved****Item 5. Other Information**

None.

**Item 6. Exhibits**

Exhibit No.	Description of Exhibit	Filed herewith	Incorporated by reference		
			Form	Exhibit	Filing date (mm/dd/yy)
3.1	Articles of Incorporation		S-1	3.1	07/14/08
3.2	Bylaws		S-1	3.2	07/14/08
4.1	Specimen Stock Certificate		S-1	4.1	07/14/08
10.1	Mineral Property Option Agreement dated June 25, 2007 between Starfire Minerals Inc. and Santos Resource Corp., whereby Santos has an option to acquire a 75% interest in and to the Lourdeau Property		S-1	10.1	07/14/08
10.2	Mineral Property Option Amending Agreement dated May 29, 2008 between Starfire Minerals Inc. and Santos Resource Corp.		S-1	10.2	11/26/08
10.3	Mineral Property Option Agreement Amendment No. 2 dated April 23, 2009 between Starfire Minerals Inc. and Santos Resource Corp.		10-K	10.3	05/27/09
10.4	Mineral Property Option Amending Agreement (third amendment) dated April 26, 2010 between Starfire Minerals Inc. and Santos Resource Corp.		8-K	10.4	04/30/10

Exhibit No.	Description of Exhibit	Filed herewith	Incorporated by reference		
			Form	Exhibit	Filing date (mm/dd/yy)
10.5	Mineral Property Option Amending Agreement (fourth amendment) dated August 31, 2010 between Starfire Minerals Inc. and Santos Resource Corp.		8-K	10.5	08/31/10
10.6	Mineral Property Option Amending Agreement (fifth amendment) dated December 15, 2010 between Starfire Minerals Inc. and Santos Resource Corp.		8-K	10.6	12/15/10
31.1	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X			
32.1	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X			

### SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

#### SANTOS RESOURCE CORP.

Date: July 15, 2011

By: /s/ Richard Pierce  
Richard Pierce  
Director, President and Treasurer

# Contact Information

## HEAD OFFICE

Discovery Energy Corp.  
Suite 1700 – One Riverway Place  
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☎ (713) 840 6495

☎ (713) 622 1937

✉ info@discoveryenergy.com

## DIRECTORS

Keith Spickelmier, Chairman  
Keith McKenzie  
William Begley

## OFFICERS

Keith McKenzie, Chief Executive Officer  
Mike Dahlke, President and COO  
William Begley, Chief Financial Officer  
Mark Thompson, Corporate Secretary

## SUBSIDIARY COMPANY

Discovery Energy SA Ltd.  
Level 8 - 350 Collins Street  
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☎ 61 (0) 3 8601 1180

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## DIRECTORS

Keith McKenzie  
Mike Dahlke  
William Begley  
Andrew Adams  
Andy Carroll

## LEGAL COUNSEL - USA

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Houston, Texas USA 77046

## LEGAL COUNSEL - AUSTRALIA

GJ King & Associates  
216 Stadtmillers Lane  
Bowling NSW 2582 Australia

## AUDITORS

Malone Bailey LLP  
Certified Public Accountants  
Suite 800, 10350 Richmond Ave.  
Houston, Texas USA 77042

## INCORPORATION

Incorporated of record in the office of the Secretary of State on May 24, 2006 in the State of Nevada

## TRANSFER AGENT

Action Stock Transfer Corp.  
2469 E. Fort Union Blvd, Ste 214  
Salt Lake City, UT 84121  
Website: actionstocktransfer.com

## LISTING

Exchange: NASD OTCBB  
Trading Symbol: "DENR"  
Cusip Number: 25470P 102  
ISIN Number: US25470P1021

## SHARE CAPITAL AUTHORIZED AND ISSUED AS AT MARCH 23rd 2012

Authorized: 500,000,000 common shares without par value

Issued and Outstanding: 61,058,500

## MEDIA COMMUNICATIONS

Hotshop Communications Inc.  
Granville Island, BC  
Tel: 604.408-0939  
Website: hotshop.ca

*For more information visit us at [discoveryenergy.com](http://discoveryenergy.com)*