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DISCOVERY ENERGY CORP

(FORMERLY SANTOS RESOURCE CORP.)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDING NOVEMBER 30, 2012

(EXPRESSED IN US DOLLARS)

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Item 2. Management's Discussion and Analysis.

CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes 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. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in our other Securities and Exchange Commission filings. The following discussion should be read in conjunction with our Financial Statements and related Notes thereto included elsewhere in this report.

General

Our company, Discovery Energy Corp. f/k/a "Santos Resource Corp.," was incorporated under the laws of the state of Nevada on May 24, 2006. Until recently, we had not commenced business operations. Our original plan of business was to explore and develop a 75% interest in and to 18 mineral claims covering approximately 900.75 hectares (9.01 km2) called the Lourdeau Claims. The Lourdeau Claims are located in the La Grande geological area of Quebec, Canada, in the James Bay Territory about 620 miles (1,000 km) north of Montreal, Quebec. We abandoned this original plan of business, and had been looking for another business opportunity. Until the acquisition of contractual rights that led to the eventual acquisition of the oil and gas assets described below, we had been a "shell company" as defined in the Rule 405 of the Securities Act of 1933, as amended (the "Securities Act"), and Rule 12b-2 of the Securities Exchange Act of 1934 (the "Exchange Act"), as amended. For reasons given hereinafter, we have adopted a significant change in our corporate direction. We have decided to focus our efforts on the acquisition of an attractive crude oil and natural gas prospect located in Australia, and the exploration, development and production of oil and gas on this prospect.

We are now pursuing a new business plan involving the development of a tract of lands (the "Prospect") covered by Petroleum Exploration License (PEL) 512 in the State of South Australia (the "License"). The Prospect involves a 100% Working Interest in 584,651 gross acres overlaying portions of the geological system generally referred to as the Cooper and Eromanga basins. This geologic system, which covers the southwest corner of Queensland state and the northeast corner of South Australia (including the PEL 512 acreage) is the most prolific onshore area in Australia. Since 1963, a total of 150 gas fields and 107 oil fields have been put on production in this area. The development reflects the drilling of a total of 667 exploration wells, 482 appraisal wells and 836 development wells. Since the early 1980s, the oil fairway on which the Prospect sits has produced over 23.6 million barrels of oil.

The Prospect features access to markets via existing and expanding pipeline capacity. During the late 1980s and again during 2005-2006, various operators in the extreme southeast corner of the Prospect drilled 11 wells. Reports filed with the South Australian government indicate that some of these wells exhibited "oil shows" but none were completed to enable production. We were granted the License on October 26, 2012, although we acquired on January 13, 2012 contractual rights that led to the eventual grant of the License.

In the remainder of this Report, Australian dollar amounts are prefaced by "AU$" while United States dollar amounts are prefaced simply by "$" or (when used in close proximity to Australian dollar amounts) by "US$." When United States dollar amounts are given as equivalents of Australian dollar amounts, such United States dollar amounts are approximations only and not exact figures. During the past year, that exchange rate has varied from a low of AU$1.00/US$0.9675 to a high of AU$1.00/US$1.0593.

Significant Recent Events Prior to Our Third Quarter 2013

In connection with the change in our business focus, the following events have occurred:

* ***Change of the Control and Management***. A change of the control of our company occurred effective on January 13, 2012 when a controlling number of shares of our common stock was transferred by five persons to Keith J. McKenzie, William E. Begley and Michael D. Dahlke. In connection with this change of the control, new slates of our directors and officers were elected.

* ***Posturing to be Granted the License.*** In connection with and subsequent to the change of the control transaction, we engaged in several transactions and agreements by which we would be in a position to be granted the License. These transactions included the following:

  * An assignment of rights in a legal document with Liberty Petroleum Corporation ("Liberty") whereby Liberty granted an exclusive right to negotiate an option to be granted the License. Initially, Liberty had the rights to be granted the License.
  * The optioning, and the eventual outright assignment, by Liberty to us of the right to be granted the License.

  * Agreements with Aboriginal native titleholders and claimants who have certain historic rights on the lands covered by the License (the "Native Title Holders").
  * The receipt of a formal governmental offer to be granted the License.

* ***Private Placement of Common Stock***. To raise "seed" capital, we completed a private placement in which we sold an aggregate of 10,070,000 shares at a price of US$0.125 per share. The cash offering resulted in US$1,258,750 in proceeds to us. The shares were issued to a total of 23 investors, all of whom were accredited.

* ***Name Change***. We changed our corporate name from "Santos Resource Corp." to "Discovery Energy Corp." effective May 7, 2012.

* ***Change in Shell Status***. As a result of the events described above, we are no longer a shell corporation as that term is defined in Rule 405 of the Securities Act and Rule 12b-2 under the Exchange Act.

Significant Events During Our Third Quarter 2013

During our third quarter 2013 (the period covered by this Report), the following significant events occurred:

* ***Grant of the License.*** On October 26, 2012, Discovery Energy SA Ltd (the "Subsidiary"), our wholly owned Australian subsidiary, received from the South Australian Minister for Mineral Resources and Energy the formal grant of the License. The License is subject to a five-year work commitment described below in the section captioned "Plan of Operation - Proposed Initial Activities." Failure to comply with the work program requirements could lead to the cancellation of the License. The License requires that, prior to commencing any fieldwork, the Subsidiary post a minimum security deposit of AU$50,000 (US$51,900). Moreover, the License requires the Subsidiary to maintain insurance of the types and amounts of coverage that management believes are reasonable and customary, and are the industry standard throughout Australia. The License requires the Subsidiary to pay certain fees to the Native Title Holders and production payments to the South Australian government. The License contains a few provisions regarding environmental matters and liabilities that management also believes are reasonable and customary, and are the industry standard throughout Australia. In connection with the grant of the License, we paid the amounts described below:

  * **Liberty**. Liberty was the winning bidder for the License. We entered into agreements with Liberty whereby Liberty agreed to sell the License to us upon its issuance. Eventually, we and Liberty modified these agreements so that we would take the direct issuance of the License in place of Liberty. For Liberty's agreements to allow us to be issued the License, we agreed to remit to Liberty the following consideration, which has a deemed value of US$3.95 million:

  * Cash in the amount of $800,000 - All of this cash amount were paid to Liberty prior to the issuance of the License.
  * Two promissory notes with an aggregate principal amount of $650,000, one in the amount of $500,000 becoming due six months after the issuance of the License, and the other in the amount of $150,000 becoming due nine months after the issuance of the License - These notes were issued after the issuance of the License. These notes feature prepayment discounts if we pay the notes earlier than required.

* Twelve million shares of our common stock - All of these shares became due to Liberty after the issuance of the License, and Liberty agreed not to sell more than 10% of the shares received in any three-month period

In addition to the preceding, Liberty was allowed to retain a 7.0% royalty interest relating to the License.

* **Keith D. Spickelmier**. Prior to our agreements with Liberty, Liberty had entered into an agreement (as amended and restated, the "Liberty Agreement") with Keith D. Spickelmier, now (but not then) our Chairman of the Board. This agreement granted to Mr. Spickelmier the right to negotiate an option to acquire the License upon its issuance. Per the terms of the Liberty Agreement, Mr. Spickelmier paid to Liberty a $50,000 initial deposit. In anticipation of the assignment of the Liberty Agreement to us, we paid to Liberty (a) an additional $100,000 deposit to extend the exclusive right provided for by the Liberty Agreement, and (b) an additional $200,000 deposit to modify certain terms of the Liberty Agreement, including the further extension of the exclusive right. The preceding amounts were part of the $800,000 that we paid to Liberty, as discussed above. Subsequent to the assignment to us of the Liberty Agreement and pursuant to its terms, we reached the agreements described above whereby we would take the direct issuance of the License in place of Liberty. The purchase price for the assignment of Mr. Spickelmier's rights in the Liberty Agreement is as follows:

* $50,000 in cash - This amount was paid during the quarter ended May 31, 2012.
* $100,000 in cash - This amount was paid after the issuance of the License, and after we and Mr. Spickelmier decided not to defer its payment.
* Twenty million shares of our common shares - These shares were issued upon the assignment of the Liberty Agreement.
* Fifty-five million shares of our common shares - These shares became due to Mr. Spickelmier and his designees (all of whom constitute other members of our management) after the issuance of the License.

* **Native Title Holders**. As a precondition to the issuance of the License, our Subsidiary entered into an agreement (the "Native Title Agreement") with representatives of the Dieri Native Title Holders (the "Native Title Holders") on behalf of the Native Title Holders, and with certain others. The Native Title Holders have certain historic rights on the lands covered by the License. The Native Title Agreement memorializes the agreement of the Native Title Holders and the Association to the issuance of the License and the Subsidiary's activities with respect to the License. In connection with the entry into the Native Title Agreement, the Subsidiary entered into a similar agreement with other Aboriginal native titleholders and claimants with respect to a comparatively small amount of land also covered by the License. For all practical purposes, the terms of this additional agreement are the same as those contained in the Native Title Agreement. In consideration of the Native Title Holders' entering into the Native Title Agreement, the Subsidiary made to them a one-time payment in the amount of AUS$75,000 (US$80,410). Throughout the term of the Native Title Agreement, the Subsidiary will be obligated to make additional payments that are described in a Current Report on Form 8-K that we filed with the U.S. Securities and Exchange Commission (the "Commission") on September 7, 2012.

* **Government Payment**. In connection with the issuance of the License, we made a nominal payment (less than US$3,500) to the Government of South Australia.

* ***Engagement of Financial Advisor***. During October 2012, we engaged the services of Chrystal Capital Partners LLP ("Chrystal"), a corporate finance firm based in London regulated by the British Financial Services Authority. Chrystal has agreed to assist us in connections with our efforts to complete a major capital raising transaction of up to US$20.0 million. We have no assurance that we will be successful in completing this type of transaction.

* ***Private Placement of Common Stock***. We commenced a private placement in the first week of September 2012 in which we sold an aggregate of 4.4 million shares at a price of US$0.125 per share. The cash offering resulted in US$550,000 in proceeds to us as of the date of this Report. The shares were issued to a total of seven investors, all of whom were accredited.

Plan of Operation

General

We intend to engage primarily in the exploration and development of oil and gas on the Prospect in an effort to develop oil and gas reserves. Our principal products will be crude oil and natural gas. Our development strategy will be directed in the multi-pay target areas of South Australia, with principal focus on the prolific Cooper/Eromanga Basin, towards initiating and rapidly expanding production rates and proving up significant reserves primarily through exploratory drilling. Our mission will be to generate superior returns for our stockholders by working with industry partners, suppliers and the community to build a focused exploration and production company with strong development assets in the oil and gas sector.

In the right circumstances, we might assume the entire risk of the drilling and development of the Prospect. More likely, we will determine that the drilling and development of the Prospect can be more effectively pursued by inviting industry participants to share the risk and the reward of the Prospect by financing some or all of the costs of drilling wells. Such arrangements are frequently referred to as "farm-outs." In such cases, we may retain a carried working interest or a reversionary interest, and we may be required to finance all or a portion of our proportional interest in the Prospect. Although this approach will reduce our potential return should the drilling operations prove successful, it will also reduce our risk and financial commitment to a particular prospect. Prospective participants regarding possible "farm-out" arrangements have already approached us.

There can be no assurance that we will be successful in our exploratory and production activities. The oil and gas business involves numerous risks, the principal ones of which are listed in our 2012 Annual Report on Form 10-K in "Item 1A. Risk Factors - RISKS RELATING TO OUR INDUSTRY - PARTICIPANTS IN THE OIL AND GAS INDUSTRY ARE SUBJECT TO NUMEROUS RISKS." As we become more involved in the oil and gas exploration and production business, we will give more detail information regarding these risks.

Although our primary focus is on the acquisition and development of the Prospect, we have received information about, and have had discussion regarding possible acquisition of or participation in, other oil or gas opportunities. None of these discussions has led to any agreement in principle. Nevertheless, given an attractive opportunity and our ability to consummate the same, we could acquire one or more other crude oil and natural gas properties, or participant in one or more other crude oil and natural gas opportunities.

Proposed Initial Activities

We have just begun the initial phase of our plan of operation. To date we have not commenced any drilling or other exploration activities on any properties, and thus we do not have any estimates of oil and gas reserves. Consequently we have not reported any reserve estimates to any governmental authority. We cannot assure anyone that we will find commercially producible amounts of oil and gas. Moreover, at the present time, we cannot finance the initial phase of our plan of operation solely through our own current resources. Consequently, we plan on undertaking certain financing activities described in "Liquidity and Capital Resources" below. The success of the initial phase of our plan of operation depends upon our ability to obtain additional capital to acquire seismic data with respect to the Prospect, and to drill exploratory and developmental wells. We cannot assure anyone that we will obtain the necessary capital.

The initial phase of our plan of operation involved (among other things) the issuance of the License to the Subsidiary. The License is subject to a five-year work commitment, which involves the following:

* Year 1 -Conduct geological and geophysical studies including interpretation of existing seismic data
* Year 2 - Conduct a new 2D seismic survey totaling at least 250 kilometers (approximately 155 miles)
* Year 3 - Acquire new 3D seismc data totaling at least 400 square kilometers (approximately 155 square miles) and drill two wells

* Year 4 - Drill five wells
* Year 5 - Drill five wells

The prices of the equipment and services that we must employ to fulfill the work commitment vary based on both local and international demand for such products by others involved in exploration for and production of oil and gas. Recent high worldwide energy prices have resulted in growing demand, which lends support to higher prices being charged by suppliers. Therefore, we have no assurance that the steps in the work plan (e.g. shooting 250 square kilometers) can be accomplished at current or lower costs..

Based on our technical analysis to date, we believe that acceleration of the PEL 512 work plan can be justified. Hence, we have begun outlining a more aggressive schedule for the first license year. It is expected this plan will involve an earlier 2D/3D seismic campaign (US$3.7 - 4.2 million) and exploratory well drilling (US$6.9 - 10.7 million). Subject to the availability of funds plus proper equipment and personnel, management feels that US$15.0 million or more can be productively invested within the first two years. Not only is this program contingent on our procurement of sufficient funds therefore, it may also be subject to governmental approval to vary the work commitment already in place.

We intend to seek a joint venture partner that might act as the operator of our wells. If we are unsuccessful in procuring such a partner, we will engage the services of a third party once we have identified a proposed drilling site. Management foresees no problem in procuring the services of one or more qualified operators and drillers in connection with the initial phase of our plan of operation, although a considerable increase in drilling activities in the area of our properties could make difficult (and perhaps expensive) the procurement of operating and drilling services. In all cases, the operator will be responsible for all regulatory compliance regarding the well, including any necessary permitting for the well. In addition to regulatory compliance, the operator will be responsible for hiring the drilling contractor, geologist and petroleum engineer to make final decisions relative to the zones to be targeted, well design, and bore-hole drilling and logging. Should the well be successful, the operator would thereafter be responsible for completing the well, installing production facilities and interconnecting with gathering or transmission pipelines if economically appropriate. We expect to pay third party operators (i.e. not joint venture partner with us) commercially prevailing rates.

The operator will be the caretaker of the well once production has commenced. Additionally, the operator will formulate and deliver to all interest owners an operating agreement establishing each participant's rights and obligations in that particular well based on the location of the well and the ownership. The operator will also be responsible for paying bills related to the well, billing working interest owners for their proportionate expenses in drilling and completing the well, and selling the production from the well. Unless each interest owner sells its production separately, the operator will collect sale proceeds from oil and gas purchasers, and, once a division order has been established and confirmed by the interest owners, the operator will issue the checks to each interest owner in accordance with its appropriate interest. The operator will not perform these functions when each interest owner sells its production separately, in which case the interest owners will undertake these activities separately. After production commences on a well, the operator also will be responsible for maintaining the well and the wellhead site during the entire term of the production or until such time as the operator has been replaced.

The principal oil, natural gas and gas liquids transportation hub for the region of South Australia surrounding the Prospect is located in the vicinity of Moomba. This processing and transportation center is approximately 60 km (36 miles) due east of the Prospect's eastern boundary. Large diameter pipelines deliver oil and gas liquids from Moomba south to Port Bonython (Whyalla). Natural gas is also moved south to Adelaide or east to Sydney. A gas transmission pipeline also connects Moomba to Ballera, which is located northeastward in the State of Queensland. From Ballera gas can be moved to Brisbane and Gladstone, where a Liquefied Natural Gas (LNG) project is under development. The Moomba treating and transportation facilities and the southward pipelines were developed and are operated by a producer consortium led by Santos Limited (no relation to us).

We cannot accurately predict the costs of transporting our production until we locate our first successful well. The cost of installing infrastructure to deliver our production to Moomba or elsewhere will vary depending upon distance traversed, negotiated handling/treating fees, and pipeline tariffs.

Results of Operations

General

Financial results for the quarter and nine months ended November 30, 2012 are not directly comparable to financial results for the quarter and nine months ended November 30, 2011. During January 2012, we changed our business focus. This change in focus resulted in an elevated level of business activity and a corresponding increase in expenses.

We did not earn any revenues for the three months ended November 30, 2012 and 2011. We do not anticipate earning revenues until such time as we have entered into commercial production of oil and natural gas. We are presently in the exploration stage of our business, and we can provide no assurance that we will discover commercially exploitable levels of hydrocarbons on our properties, or if such resources are discovered, that we will enter the commercial production.

Our results of operation for the three and nine months periods ended November 30, 2012 and 2011 are summarized in the table below:

	Three months Ended November 30 2012	Three months Ended November 30 2011	Nine months Ended November 30 2012	Nine months Ended November 30 2011
Revenue	$ 0	$ 0	$ 0	$ 0
Operating Expenses	$ 289,315	$ 8,665	$ 633,412	$ 44,806
Other (income)/expenses	$ 1,972	$ (6,170)	$ (5,750)	$ (5,555)
Net Loss	$ 291,287	$ 2,495	$ 627,662	$ 39,251

Our operating expenses for the three and nine months periods ended November 30, 2012 and 2011 are outlined in the table below:

	Three months Ended November 30 2012	Three months Ended November 30 2011	Nine months Ended November 30 2012	Nine months Ended November 30 2011
General and Administrative	$ 49,154	$ 16	$ 81,623	$ 90
Exploration Costs	$ 51,487	$ 0	$ 222,079	$ 29,740
Professional Fees	$ 106,975	$ 8,649	$ 240,698	$ 14,976
Travel	$ 77,613	$ 0	$ 81,756	$ 0
Rent	$ 4,086	$ 0	$ 7,256	$ 0
Total	$ 289,315	$ 8,665	$ 633,412	$ 44,806

Results of Operations for the Three-Month Periods Ended November 30, 2012 and 2011

Expenses. The expenses for the three-month period ending November 30, 2012 were dramatically higher than for the corresponding period one year ago. The difference of $280,650 generally reflects the change of our activities from that of a shell company to those associated with the multiple initiatives begun at the end of our last fiscal year to repurpose the Company as an oil and gas exploration and production enterprise. Growth in Professional Fees during the current reporting periods accounted for over one-third of our increased expenses. These costs reflect the expenses legal and advisory expenses primarily associated with our capital raising efforts, completion of the License acquisition and regulatory reporting of Company developments. The sharp increase in travel expenses are attributable to our major fund raising effort with Chrystal Capital, The project is being conducted primarily in the United Kingdom and requires extended “in country” attendance by of several members of our management team. The rise in Mineral Property Costs reflects the ongoing geologic evaluation and analysis of our optioned South Australian exploration area. General and Administrative expenses during the current reporting period reflect the costs associated with management and support of our ongoing work to repurpose the Company as an oil and gas exploration operation.

Other (income)/expenses. Our other income was derived from adjustments to prior periods offset to some extent by the cost of translating US$ to AU$ to meet local expenses in Australia.

Net loss. In view of the increase in expenses during the three-month period ending November 30, 2012, our net loss during the period increased to $291,287 (or $0.00 per-share) compared to our net loss during the same period in fiscal 2012 of $2,495 (or $0.00 per-share).

Results of Operations for the Nine-Month Periods Ended November 30, 2012 and 2011

Expenses. The expenses for the nine-month period ending November 30, 2012 were dramatically higher than for the corresponding periods one year ago. The difference of $588,606 generally reflect the change of our activities from that of a shell company to those associated with the multiple initiatives begun at the end of our last fiscal year to repurpose the Company as an oil and gas exploration and production enterprise. Growth in Mineral Property Costs during the current reporting periods accounted for approximately one-third of our increased expenses. These costs reflect the ongoing geologic evaluation and analysis of our optioned South Australian exploration area. Elevated Professional Fees accounted for nearly 40% of the increase in our expenses and were associated primarily with legal and advisory services required for the processes of acquiring the South Australian exploration license, privately placing stock, initiation of a major fund raising effort and regulatory reporting of company developments. Travel expenses are primarily associated with the extended attendance in the United Kingdom by several members of our management team seeking to

raise capital for the Company. General and Administrative expenses during the current reporting period reflect in part the costs associated with managing and supporting the changing the Company business plan including the establishing its Australian subsidiary and the acquisition of an oil and gas exploration license in South Australia.

Other (income)/expenses. Our other income reflects the receipt of a Canadian sales tax refund associated with the company's activities in Fiscal Year 2012, adjustments to prior periods offset by the cost of translating US$ to AU$ to meet local expenses in Australia

Net loss. In view of the increase in expenses during the nine-month period ending November 30, 2012, our net loss during the period increased to $627,662 (or $0.01 per-share) compared to our net loss during the same period in fiscal 2012 of $39,251 (or $0.00 per-share).

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Liquidity and Capital Requirements

Since the change in our corporate direction in January 2012, we have financed our business primarily through private placements of common stock. Earlier in this fiscal year, we completed a round of financing in which we raised "seed" capital in the amount of $1,258,750. At the end of November 2012, we completed a second private placement that raised $550,000. As a result of the two private placements, we have issued 14,470,000 shares of our common stock..

As of November 30, 2012, we had cash in the amount of $233,646, and we had a working capital deficit of $503,227. As of December 31, 2012, we had cash in the amount of $98,505. Given the amount of cash on hand, we anticipate raising additional funds in the near term for operating expenses. We intend to do this by small common stock private placements or through short-term loans. We have no assurances that we will be successful in raising required additional funds for operating expenses. Our failure to do so could have adverse consequences for us, including our inability to continue our new business plan, which could result in a complete loss of stockholders' equity.

In addition to our need to raise additional funds for operating expenses, we will need to obtain additional financing before we can implement the initial phase of our current plan of operation. To be issued the License, we incurred a deferred payment in the form of two promissory notes in the aggregate amount of $650,000 payable to Liberty, one in the amount of $500,000 becoming due on April 26, 2013, and the other in the amount of $150,000 becoming due on July 26, 2013. Moreover, we have a work commitment with respect to the License requiring us to expend certain amounts to honor this commitment.. Some of the amounts described in this paragraph will become due before we are able to commence production on the Prospect. Accordingly, some of these amounts must be raised. Moreover, we expect to need a substantial amount of funds to develop the Prospect. In addition to the preceding, we will need working capital in amounts not now determinable.

Between now and the end of October 2014, we estimate that at least US$6.0 million of additional capital will be required to satisfy our obligations in connection with the acquistion and maintenance of the License. However, this amount would not allow us to develop the Prospect in any meaningful way. About $1.0 million would need to be raised by the end of April 2013 to satisfy amounts becoming due within such time period. The remaining $5.0 million amount would need to be raised by near the middle of the summer of 2014 to satisfy amounts becoming due before the end of October 2014.

During October 2012, we engaged the services of Chrystal Capital Partners LLP ("Chrystal"), a corporate finance firm based in London regulated by the British Financial Services Authority. Chrystal has agreed to assist us in connections with our efforts to complete a major capital raising transaction of up to $20.0 million. Initially, to avoid additional dilution, we decided to seek to raise only $15.0 million. However, we would now consider an investment greater than $15.0 million made on terms acceptable to us. We have no assurance that we will be successful in completing this type of transaction. If Chrystal is successful in raising funds for us, we will owe to Chrystal the fees described in footnote 2 to the financial statements contained in this Report. We have no assurance that Chrystal will be successful in raising required funds.

Another source of funding under investigation is the sale of a portion of our post-acquisition interest in the Prospect to a joint venture partner for a cash payment and/or a work commitment. We have had very preliminary discussions with several companies to become joint venture partners. To obtain the maximum combination of cash and work commitment in connection with the sale of an interest in the Prospect, we have reprocessed the existing 3D seismic data relatting to a portion of PEL512, and we may seek to add further value by completing a 3D seismic survey over other portions of the Prospect. We have no assurance that we will secure a joint venture partner. Moreover, it is unlikely that a joint venture arrangement will help with our immediate cash needs, but (if secured) one would help with our longer-term cash needs.

If required financing is not available on acceptable terms, we could be prevented from satisfying our debt obligations or developing the Prospect. In such event, we would be forced to seek an extension of the due date of the amount owed to Liberty, or else default on one or more of these amounts. If a default occurs, Liberty could exercise the rights of an unsecured creditor and possibly levy encumbrances on all or a large part of our assets. Moreover, our failure to honor our work commitment could result in our loss of the License. If any of the preceding events were to occur, we could be forced to cease our new business plan altogether, which could result in a complete loss of stockholders' equity. If we do not obtain additional financing through an equity or debt offering, we may be constrained to attempt to sell some portion of the Prospect under unfavorable circumstances and at an undesirable price. However, we cannot assure anyone that we will be able to find interested buyers or that the funds received from any such sale would be adequate to fund our activities. Our future liquidity will depend upon numerous factors, including the success of our business efforts and our capital raising activities.

We are currently developing a more aggressive work plan for the Prospect than has been included in the License bid. This plan is expected to include acceleration in the shooting of new 2D/3D seismic ($3.7 - 4.2 million) and early (versus the bid work plan) exploratory drilling ($6.9 - 10.7 million). Assuming availability of funding, timely governmental approvals, and access to proper equipment and trained personnel, we feel that US$ 15.0 million or more can be productively invested within the Prospect during the first two years following the issuance of the License.

If we are successful with the early wells, we will continue with a full development plan, the scope of which is now uncertain but will be based on technical analysis of acquired seismic data collected and/or reprocessed, field drilling reports and well log reports. However, all of the preceding plans are subject to the availability of sufficient funding and the procurement of all governmental approvals. We do not now have sufficient available funds to undertake these tasks, and will need to procure a joint venture partner or raise additional funds as described above. The failure to procure a joint venture partner or raise additional funds will preclude us from pursuing our business plan, as well as exposing us to the loss of the License, as discussed immediately above. Moreover, if our business plan proceeds as just described, but our first wells do not prove to hold producible reserves, we could be forced to cease our exploration efforts on the Prospect.

Production from our exploration and drilling efforts would provide us with cash flow. The proven reserves associated with production would increase the value of our rights in the Prospect. This, in turn, should enable us to obtain bank financing (after the wells have produced for a period of time to satisfy the related lender). Both of these results would enable us to continue with our initial drilling activities. In fact, cash flow and conventional bank financing are as critical to our plan of operation in the long run as the procurement of a joint venture partner or completion of a significant institutional financing. Management believes that, if our plan of operation progresses (and production is realized) as planned, sufficient cash flow and conventional bank financing will be available for purposes of properly pursuing our plan of operation, although we can make no assurances in this regard.

To conserve on our cash requirements, we may try to satisfy our obligations by issuing shares of our common stock, which will result in dilution to our existing stockholders.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have 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 our 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.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Controls over Financial Reporting

There have not been any changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the period of this report that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 6. Exhibits.

(10) The following exhibits are filed with this Quarterly Report or are incorporated herein by reference:

Exhibit Number	Description
10.01	Engagement Letter dated October 11, 2012 by and between the Company and Chrystal Capital Partners LLP.
31.01	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.02	Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.01	Certification Pursuant to 18 U.S.C. Section 1350, as pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.02	Certification Pursuant to 18 U.S.C. Section 1350, as pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Labels Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DISCOVERY ENERGY CORP.
(Registrant)

By: /s/ Keith J. McKenzie
Keith J. McKenzie,
Chief Executive Officer
(Principal Executive Officer)

By: /s/ William E. Begley
William E. Begley,
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

January 18, 2013

Strictly Private and Confidential

Discovery Energy Corp.
One Riverway, Suite 1700
Houston, TX 77056
USA

11 October 2012

For the attention of Keith Spickelmier, Executive Chairman & Keith McKenzie, CEO

Dear Sirs

Engagement Letter

Discovery Energy Corp. ("Discovery", "Company", "Client", "you" or "your")

This letter refers to our recent discussions concerning your proposed plans to raise up to USD $20m of financing, potentially in multiple phases and including potential farm-in arrangements, to develop your assets in the Cooper Basin, Australia (the " **Fund Raise(s)** " or " **Objectives** ").

This letter, together with the attached terms and conditions in Appendix 1 and other Appendices below, which are intended to be legally binding, set out the basis of the engagement of Chrystal Capital Partners LLP (**"Chrystal Capital"**) to act as financial adviser to you. Accordingly we set out below the nature of the responsibilities and conditions which Chrystal Capital and the Client undertake in relation to the Objectives.

Based on information provided by you and pursuant to the rules of the Financial Services Authority (the **"FSA"**), which requires all of our clients to be classified into one of three regulatory categories, we have classified the Company as a "Retail Client".

1. **Chrystal Capital's Scope of Engagement**

The services we expect to be providing to you comprise the following (together, the **"Services"**) which can be broken down into the following broad phases:

Initial Preparation

In advance of commencing the first round of Fund Raises Chrystal Capital will provide you with advisory services in relation to your intent to progress the Company through multiple rounds of Fund Raises. This will include, but will not be limited to:

1.1 Advising on how to structure the Company to be attractive to investors;

1.2 Advising on the type of reports needed and the level of detail required;

1.3 Introducing you to companies qualified to provide these resource reports;

1.4 Advising and supporting on any financing rounds that you intend to lead and complete, (whether initiated by Chrystal or the Company) and;

1.5 Providing on-going analysis of the resource and consulting advice on best practice in the capital markets.

Fund Raising Phases

1.6 Advising generally with regard to the raising of funds from Prospects (as defined in Appendix 1) interested in participating in a financing round. The round size is likely to be determined by the structure of the financing with dilution and valuation being the key considerations;

1.7 Working alongside you to gather and organise the necessary information needed to allow Prospects to properly assess the investment opportunity. Advice on the population of the electronic data room and UK regulatory know your client files;

1.8 Corporate governance and management reporting framework issues that are consistent with both the Company's and Chrystal Capital's regulatory obligations;

1.9 Reviewing and providing guidance on financial modelling and projections and drafting or repositioning the power point presentation of the results in accordance to the particular requirements of Prospects and in a manner consistent with the Company's regulatory obligations;

1.10 Selecting appropriate Prospects to introduce you to with a particular emphasis on Prospects that can add skills and value to the Objectives and development of the Company in addition to the provision of capital;

1.11 Producing pre-financing documentation to lend credibility and stimulate the interest of Prospects;

1.12 Organising, booking and attending the road show and providing advice in advance of the road show;

1.13 Providing support and guidance throughout the Objectives including Prospect selection and assistance with negotiation of terms and conditions and;

1.14 Liaising with the Company's directors, legal advisers, accountants, brokers, auditors, financial public relations advisers and registrars as necessary through to completion of the Objectives.

Post Financing Services Phase

1.15 Advising generally with regard to the raising of funds from Prospects post financing through defined secondary placements alongside the engaged Placement Agent(s);

1.16 Coordinating advisers such as legal advisers, accountants, brokers, auditors, financial public relations advisers and registrars on an on-going basis through the financial calendar events;

1.17 Driving a PR marketing programme to ensure maximum Prospects exposure and retail liquidity;

1.18 Marketing the Company to a wider selection of brokers to increase the number of analysts covering the stock with high quality research reports;

1.19 Advising on drafting RNS releases to the market; and

1.20 Providing on-going help with the solicitation of potential partners, clients and ultimately likely bidders for the Company.

This is not an exhaustive list of the Services we will perform but merely a broad guidance of the critical role that we will perform as the Company's financial advisor.

In connection with the provisions of its services hereunder, Chrystal hereby agrees to comply with all laws, regulations and rules applicable to such services.

2. **Your Obligations**

In consideration of our agreeing to act for you in relation to the Objectives, you agree and represent that, for so long as we act for you, you will (and will procure that your Related Companies will):

2.1 comply at all times (to the extent applicable) without delay with the FSA Handbook of Rules and Guidance, including those rules made under the Financial Services and Markets Act 2000 (**"FSMA"**) (the **"FSA Rules"**), which for the avoidance of doubt includes the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules, the Criminal Justice Act 1993, the AIM Rules for Companies published by the London Stock Exchange from time to time, the PLUS Rules for Issuers and the PLUS Trading Rules published by the PLUS Markets Group Plc, any Admission and Disclosure Standards, the City Code on Takeovers and Mergers (the **"Code"**) (and any rulings and instructions given by the Takeover Panel), the rules and requirements of the Bank of England, the Companies Act 2006 and such other rules, regulations and laws in any jurisdiction that may apply from time to time (collectively the **"Rules"**) and all directions given by ourselves in relation to compliance with the applicable Rules;

2.2 comply at all times with section 21 of FSMA which restricts persons who are not authorised by the FSA from communicating invitations or inducements to engage in investment activity during the course of business;

2.3 register transfers of securities in the Company in a manner consistent with the Company's regulatory obligations and despatch share certificates as applicable, without delay;

2.4 forward to us for our prior perusal and written approval proofs of all documents and press announcements (other than routine press announcements) to be communicated that relate to, or have an effect on, the Objectives;

2.5 ensure that the contents of all statements or financial promotions approved by us at your request, and the contents of all documents or announcements published or otherwise issued by you, are true, complete, accurate and not misleading and that any expressions of opinion or belief are made on reasonable grounds;

2.6 if required by the Rules, ensure that an appropriate dealing regime is in place in respect of your directors' and relevant employees' dealings;

2.7 notify us immediately upon becoming aware of any breach or alleged breach of the Rules and any other legal or regulatory issues that you are aware of or which may arise;

2.8 notify us in a timely manner before the engagement of any professional advisers and provide us with the details of any other professional advisers or other corporate finance advisers engaged by you within the last 24 months; and

2.9 Ensure that all Prospects pay their investments directly to the legal advisor who is nominated by the Company to receive the proceeds of the Fund Raise (the "Legal Advisor") and use reasonable endeavours to ensure that a term substantially in the form set out in Appendix 6 is detailed in any agreement between a Prospect and the Company in connection with the Objectives.

2.10 The company shall be entitled to reject any Prospect or proposed transaction presented by Chrystal Capital for any reason that the Company believes appropriate.

3. **Chrystal Capital Team and Points of Contact**

Kingsley Wilson will be the individual in charge of providing the Services and your principal point of contact within Chrystal Capital. He will be assisted by such other or additional members of the Chrystal Capital team as we may consider appropriate from time to time.

4. **Basis of Charges**

In consideration of us providing the Services, you agree to remunerate us as follows:

4.1 **Commitment and Advisory Fees**

(a) A rolling monthly client commitment fee in the sum of GBP £7,500 (Sterling) is payable in cash, which is non-refundable. This fee is payable until this agreement is terminated in accordance with the section on termination below.

4.2 **Success Fees - Cash**

(a) Upon completion of each and every successful closing of a Fund Raise (other than one involving a Pre-Existing Exception (as defined in 4.2(b))) during the Exclusivity Period or the 18-month trailing period thereafter, a success fee amounting to 7% (seven per cent) of the gross amount of all such funds raised pursuant to the Objectives is payable in cash due on completion. Any funds raised under a farm-in agreement where the investors have been introduced by you will result in a 3.0% (three per cent) success being payable in cash due on completion. For the avoidance of doubt a 7% (seven per cent) fee will be payable in cash under a farm-in agreement where the investors are introduced by us.

(b) In the event that you complete a Fund Raise of any type or manner from any source in any country subject to the Pre-Existing Exceptions (as defined below) during the Exclusivity Period (as defined in clause 5 of this letter) a fee of 7% (seven per cent) of the gross amount of all such funds raised is also payable by you to us in cash on completion of the Fund Raise. For the avoidance of doubt this clause applies to each and every Fund Raise completed during the Exclusivity Period subject to the Pre-Existing Exceptions. The Pre-Existing Exceptions" are:

(i) Up to $2m in equity funding currently being marketed by the Company financings wit, or facilitated by, existing shareholders in this initial Fund Raise. For the avoidance of doubt this equity funding will not longer be a Pre-Existing Exception once complete.

(ii) Any Fund Raise by MIGO, which is currently under review, within 45 days from the signing of this Engagement Letter. After 45 days from the signing of this Engagement Letter MIGO will then be deemed to become a Chrystal Prospect and no longer a Pre-Existing Exception and any Fund Raise by MIGO will result in a 3% (three per cent) success fee being payable in cash due on completion.

(c) Any fees payable in cash (other than the rolling monthly client commitment fees) may in our sole discretion be paid to us in the form of shares of your common stock equal to the fees due. The subscription price shall be the share price as at the immediately previous fundraising completed by the Company.

4.3 **Success Fees - Shares**

(a) In consideration of the Services provided to you pursuant to this letter, the Company hereby agrees to issue and allocate us and/or our nominees, pursuant to the Restricted Share Award Agreement attached hereto as Appendix 7, a total of **6,472,425** (six million, four hundred and seventy two thousand and four hundred and twenty five) shares of the Company's common stock (**"Shares"**), which is equivalent to 5% (five per cent) of the total outstanding share capital of the Company calculated as fully diluted **(129,448,500)** at the date of the signing of this letter. Such Shares will be allotted to us nil paid or at nominal value and will be sent to us or our lawyers on the signing of this letter and the aforementioned Restricted Share Award Agreement to be held in escrow pending completion of the Objective.

(b) In the event that you complete a Fund Raise of any type or manner from any source in any country from Prospects not introduced by us, during the Exclusivity Period (as defined in clause 5 of this letter), the Shares allotted to us pursuant to clause 4.3(a) of this letter will become fully paid against completion of the Fund Raise. Subject to the Company Investors described in clause 4.2(b). In event of a Fund Raise by MIGO completing after 45 days of the signing of this Engagement Letter, Chrystal will retain 50% of the allotted shares in 4.3(a) and return the balance to Company on completion of the Fund Raise.

(c) We acknowledge that in granting us the Exclusivity Period in which to raise the capital and otherwise provide the Services, you are bearing a material opportunity cost risk that we fail to complete the Objectives. We therefore agree that if we are unsuccessful in completing the Objectives or providing the Services, defined as the Company not receiving any capital from our Prospects, then all of the Shares will be returned to the Company, less any cash paid.

(d) The attached Restricted Share Award Agreement shall govern the share issuance provided for by this Section 4.3. Accordingly, if any inconsistency arises between the terms, provisions and condition of this Agreement and those of such Restricted Share Award Agreement, the terms, provisions and conditions of such Restricted Share Award Agreement shall control.

4.4 **Success Fees - Options**

(a) On completion of each Objective, any Fund Raise (other than one involving a Pre-Existing Exception (as defined in 4.2(b))) within the Exclusivity Period (as defined in clause 5 of this letter) and on any subsequent Fund Raise, the Company hereby grants to Chrystal Capital or its nominees, with immediate effect, an option to acquire ordinary shares/common stock or such equivalent as may be relevant (which entitles us on exercise to full voting rights and which rank pari passu with all other shares in the Company) in the capital of the Company. The total number of shares under option capable of being exercised on a successful completion of each Objective shall be calculated in accordance with the provisions of the option agreement attached to this letter in Appendix 3.

(b) None of the options to be issued pursuant to Section 4.4(a), and none of the shares to be issued pursuant to such options, shall be covered by the Discovery Energy Corp. 2012 Equity Incentive Plan.

4.5 **Termination and Further Transaction Fees**

(a) If the Services are terminated before completion of the Objectives and the Objectives or a transaction similar to one set out in the Objectives completes within a period of 18 months after the effective date of termination with Prospects, or Related Companies of the Prospects, or Placement Agents sourced by Chrystal Capital pursuant to the Objectives, the Company shall pay Chrystal Capital the fees and expenses referred to in paragraphs 4.1, 4.2 and 4.3 of this letter in respect of the similar transaction less any amount already paid.

(b) If the Objectives are successfully completed pursuant to the terms of this letter and a further Fund Raise of any description is carried out by the Company, within a period of 18 months after the effective date of the completion of the Objectives, using the same Prospects, or Related Companies of the Prospects, or Placement Agents sourced by Chrystal Capital pursuant to the Objectives, the Company shall pay Chrystal Capital the fees and expenses referred to in paragraphs 4.2, and 4.3, as applicable, in respect of the further Fund Raise.

(c) You shall have the right to terminate this letter by giving us notice in writing at any time within the first 45 (forty-five) days after the date of this agreement. If the Services are terminated within:

(i) 15 days of the signing of this letter the Company hereby agrees to pay Chrystal a fee of $33,500 together with any outstanding pro rata monthly client commitment fee and any outstanding expenses;

(ii) 30 days of the signing of this letter the Company hereby agrees to pay Chrystal a fee of 6$67,000 together with any outstanding pro rata monthly client commitment fee and any outstanding expenses;

(iii) 45 days of the signing of this letter the Company hereby agrees to pay Chrystal a fee of $100.000 together with any outstanding pro rata monthly client commitment fee and any outstanding expenses;

(iv) For the avoidance of doubt Clauses 4.5(a) and (b) would still apply but the Company will owe no further remuneration to Chrystal Capital other than the preceding break-up fee and as provided in Clauses 4.5 (a) and (b).

4.6 **Expenses**

In addition to the fees set out in this letter, you will you will also be responsible for all our properly and reasonably incurred expenses in providing the Services. You agree to reimburse our expenses properly and reasonably incurred in providing the Services within five working days of the issue of an invoice by Chrystal Capital. Invoices for expenses will be raised on a monthly basis and include, for example, travel, subsistence, accommodation, courier, delivery, photocopying and printer expenses. We will use our reasonable endeavours to obtain your prior approval before incurring any single expense in excess of GBP £500 (Sterling) and before overall expenses exceed GBP £1,000 (Sterling). However, in the first instance, the Company must provide an expenses pre-payment of £5,000 to cover initial expenses. Any balance will be returned to the Company on completion or termination of this engagement.

Our fees and expenses due pursuant to this letter are due and payable within five working days of the date we render the relevant invoices (unless stated otherwise to the contrary).

The fees and expenses referred to in this letter are in addition to any placing or financing fees, commissions or other separately agreed sums which may become payable in connection with the Objectives.

5. **Exclusivity Period**

Our agreement to act on your behalf is conditional upon Chrystal Capital having sole and exclusive conduct on all matters within the scope of this letter and the attached terms and conditions and the Objectives as set out in this letter. The exclusivity period will be for two (2) months (the " **Exclusivity Period** ") from the signing this letter, and then on a rolling monthly basis unless you or we terminate this letter in accordance with the termination provisions set out below or in Section 4.5©.

In the event of a successful Fund Raise, the Exclusivity Period will be extended to a year from the date of the completion of the Fund Raise and will automatically be renewed every year, unless terminated in accordance with the termination provisions set out below.

For the avoidance of doubt, if you terminate this letter in the Exclusivity Period (other than in accordance with Section 4.5(c) or Section 6 below, you will:

(a) pay us the due retainer and fees set out in clause 4.1(a) and 4.2(b) of this letter; and

(b) allot us the Shares set out in clause 4.3 of this letter; and

(c) pay us the expenses set out in clause 4.5 of this letter.

Any other services to be provided by us to you at your request shall be the subject of separate terms of engagement between Chrystal Capital and you.

6. **Termination**

You shall have the right to terminate this letter by giving us one month's notice in writing at any time 60 (sixty) days after the date of this agreement, or at any time that;

(a) Kingsley Wilson becomes incapacitated and unable to serve as your primary contact under this letter.

(b) Chrystal or any of its principals become the subject of an investigation with respect to misconduct of any nature with respect to securities dealings or financial schemes.

We reserve the right to terminate this letter immediately by giving notice in writing in the event that:

(c) we become aware of facts or circumstances of which we were unaware (and of which we could not have been expected to have been aware) at the commencement of this letter which, in our reasonable opinion, would preclude us from completing the Objectives;

(d) fundamentally damaging information comes to our attention which had not been fully disclosed to us before the date of this letter and which, in our reasonable opinion, would preclude us from completing this letter (including but not limited to any serious litigation against you, any form of actual or threatened insolvency procedure against you, your shareholders or director(s), and any form of criminal act, past or present, committed by a member of your management team);

(e) material information is unavailable to us, or any information which it had been agreed at the outset of this letter would be provided by you is unavailable or not produced in a timely fashion (including but not limited to a request for information over the course of several weeks, and if it has not been provided, this would be deemed to fall within this category);

(f) we decide not to continue our relationship with you under paragraph H below;

(g) any fee or expense amount due in relation to this letter becomes overdue by more than four weeks;

(h) you fail to comply with the 'sole and exclusive conduct' clause in paragraph 5 of this letter; or

(i) you are in breach of any of the terms or provisions of this letter.

Termination, howsoever caused, will not affect our rights of remuneration, indemnification and non-circumvention as set out in this letter or the Appendices, or any other accrued rights which we may have upon termination and shall be without prejudice to the completion of transactions already initiated.

7. **General**

You agree that any advice, including (without limitation) any valuation, written report or material prepared by us, is provided solely for your use and benefit for the purpose of the Objectives and may not be used or relied on for any other purpose or disclosed to any other person (excluding your other professional advisers, who may place no reliance on such advice) without our prior written consent.

Save as required by the Rules, no advice that we give nor any communication we make in connection with the Objectives may be quoted or referred to in any public statement, report, document, release or other communication whether written, electronic or oral by you or by any Related Company without our prior written consent.

You acknowledge that we act solely for you in connection with the Objectives and no one else and accordingly that we will not be responsible to anyone other than you for providing the protections afforded to our customers or for providing advice in relation to or in connection with the Objectives.

You and each of the directors of the Company acknowledge that we are not responsible for providing you or them with legal advice in respect of any applicable laws and regulations in connection with the Objectives and you and each of the directors of the Company undertake to obtain appropriate legal advice and to communicate to us such advice whenever relevant or necessary to the proper performance of our services in connection with the Objectives.

8. **Client Due Diligence**

As we have not conducted corporate finance business with you before, this letter is subject to the satisfactory completion of our statutory Anti-Money Laundering and Know Your Client formalities.

The Company hereby authorises Chrystal Capital to make such enquiries and obtain such references as it may consider necessary to fulfil its legal obligations (including without limitation instructing third party investigatory agencies where appropriate). This letter also authorises Chrystal Capital to make such further enquiries and references as it may from time to time consider necessary to enable it to continue to comply with those obligations. Any fees or expenses incurred by Chrystal Capital in making such enquiries or obtaining such references shall promptly be reimbursed by the Company.

9. **Client acknowledgement**

We should be grateful if you would signify your understanding and acceptance of the engagement, including this letter and the attached terms and conditions in Appendix 1 and the matters set out in the other Appendices, by signing and returning the enclosed duplicate.

Yours faithfully,

/s/ Kingsley Wilson

Kingsley Wilson
For and on behalf of **Chrystal Capital Partners LLP**

To: **Chrystal Capital Partners LLP**

I agree with the terms and conditions of the arrangements set out in the letter and the terms and conditions in Appendix 1 and the matters set out in the other Appendices as evidenced by my signature below:

Agreed & Acknowledged /s/ Keith Spickelmier

Print Name: Keith Spickelmier

Printed Title: Executive Chairman

For and on behalf of: Discovery Energy Corp.

Exhibit 31.01

CERTIFICATIONS

I, Keith J. McKenzie, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Discovery Energy Corp. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter (the company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the company's internal controls over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

Date: January 18, 2013

/s/ Keith J. McKenzie
Keith J. McKenzie,
Chief Executive Officer

Exhibit 31.02

CERTIFICATIONS

I, William E. Begley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Discovery Energy Corp. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal controls over financial reporting, to the Company's auditors and the audit committee of the company's Board of Directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls over financial reporting.

Date: January 18, 2013

/s/ William E. Begley
William E. Begley,
Chief Financial Officer

Exhibit 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Discovery Energy Corp. (the "Company") on Form 10-Q for the quarter ended November 30, 2011 as filed with the Securities and Exchange Commission on or about the date hereof ("Report"), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 18, 2013

/s/ Keith J. McKenzie
Keith J. McKenzie,
Chief Executive Officer

Exhibit 32.02

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Discovery Energy Corp. (the "Company") on Form 10-Q for the quarter ended November 30, 2011 as filed with the Securities and Exchange Commission on or about the date hereof ("Report"), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 18, 2013

/s/ William E. Begley
William E. Begley,
Chief Financial Officer

Contact Information

HEAD OFFICE
Discovery Energy Corp.
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Keith McKenzie
William Begley

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Mike Dahlke, President and C0O
William Begley, Chief Financial Officer
Mark Thompson, Corporate Secretary

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INCORPORATION
Incorporated of record in the office of the Sectretary 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 JULY 16th 2012
Authorized: 500,000,000 common shares without par value
Issued and Outstanding: 133,995,500

MEDIA COMMUNICATIONS
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For more information visit us at discoveryenergy.com