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DISCOVERY ENERGY CORP

(FORMERLY SANTOS RESOURCE CORP.)

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDING AUGUST 31, 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 completion of the acquisition described herein, 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 the Petroleum Exploration License (PEL) 512 (the "Prospect") in the State of South Australia. The Prospect involves 584,651 gross acres overlaying portions of the geological system generally referred to as the Cooper and Eromanga basins. The Prospect is flanked by offset production totaling more than 4.2 million barrels since 2001. Other nearby fields have produced more than 16.3 million barrels of oil. 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. As discussed herein, we are currently actively working to acquire the Prospect.

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. The dollar amounts in the official work commitment are Australian currency. The US dollar amounts contained herein are approximate and are based on the September 28, 2012 closing quoted exchange rate of AU$1.00/US$1.0464. The US dollar costs actually incurred in the future will be a function of the exchange rate that exists between the two currencies when expenditures are made. During the past year, that exchange rate has varied from a low of AU$1.00/US$0.9500 to a high of AU$1.0593/US$1.00.

Recent Events

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 pursuant to the terms, provisions and conditions of a Common Stock Purchase Agreement dated as of such date (the "Stock Agreement") by and between (a) Shih-Yi Chuang, Richard Bruce Pierce, Andrew Lee Smith, David W. Smalley

and Robert Birarda, as sellers (collectively "Sellers"), and (b) Keith J. McKenzie. In connection with the closing of the transactions provided for by the Stock Agreement, Mr. McKenzie, William E. Begley and Michael D. Dahlke (collectively "Purchasers") acquired an aggregate of 25,310,000 shares of our common stock ("Transferred Shares"), $.001 par value, theretofore owned separately by Sellers at a price of $0.0001 per Transferred Share. This number of Transferred Shares represented 78.9% of our outstanding shares of our common stock prior to taking into account the other transactions described below, and 41.5% of our outstanding shares of our common stock after taking into account the issuances of 20.0 million shares to Keith D. Spickelmier and 10,070,000 shares in connection with a private placement (both issuances of which are described below).

At the time of the sale and purchase of the Transferred Shares, the number of directors constituting our Board of Directors was initially expanded from one to two, and Keith J. McKenzie was elected to our Board of Directors to fill the newly created vacancy. Eventually, our Board of Directors was expanded to three persons; Richard Bruce Pierce resigned from his seat on such board; and Keith D. Spickelmier and William E. Begley were elected to fill the two vacant seats. Moreover, at the time of the sale and purchase of the Transferred Shares, all our then serving officers resigned from their positions as such. The following persons were elected (some upon the preceding resignations, some later) to the one or more offices of our company set forth opposite their respective names below as our new slate of officers:

Keith D. Spickelmier	Chairman of the Board
Keith J. McKenzie	Chief Executive Officer
Michael D. Dahlke	President and Chief Operating Officer
William E. Begley	Chief Financial Officer and Treasurer
Mark S. Thompson	Secretary

* Acquisition of Rights Under the Liberty Agreement. Pursuant to the terms, provisions and conditions of an assignment (the "Assignment") dated effective January 13, 2012 executed by Keith D. Spickelmier in our favor, we acquired all of Mr. Spickelmier's rights in a legal document (as amended and restated, the "Liberty Agreement") between Liberty Petroleum Corporation ("Liberty") and Mr. Spickelmier dated September 12, 2011. In the Liberty Agreement, Liberty granted to Mr. Spickelmier an right to negotiate an option (the "Option") to acquire the Prospect upon Liberty's acquisition of rights in it. Liberty was the winning bidder for the Prospect. 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 an additional $100,000 deposit to extend the exclusive right provided for by the Liberty Agreement, and an additional $200,000 deposit to modify certain terms of the Liberty Agreement, including the further extension of the exclusive right. The preceding amounts will be applied to the Option's exercise price upon exercise, or (as discussed below) will be refunded if the Option is not exercised for various reasons.

  The purchase price for the assignment of Mr. Spickelmier's rights in the Liberty Agreement is as follows:

  * $50,000 in cash, which was paid during the quarter ended May 31, 2012
  * $100,000 payable upon notice from the South Australian Minister of Regional Development (the "Minister") that the Minister has granted and issued in our name a petroleum exploration license allowing the exploration and drilling rights related to the Prospect (the "License")
  * 20.0 million shares of our common shares issued upon delivery of the Assignment
  * 55.0 million shares of our common shares issued upon notice from the Minister that the Minister has granted and issued the License in our name.

In the Assignment (as amended), Mr. Spickelmier agreed that, if the Minister ever definitively decides not to grant and issue the License in our name, or has failed to grant and issue the License in our name prior to November 30, 2012, whichever occurs first, then Mr. Spickelmier shall return immediately to us the 20.0 million shares issued to him in connection with the delivery of the Assignment.

* Optioning of the Prospect. On January 31, 2012, per the Liberty Agreement, we entered into an Option to Purchase and Sale and Purchase Agreement (the "Option Agreement") with Liberty. The

Option Agreement provides for the sale and transfer of the Prospect. The Option Agreement reflects the results of negotiations between us and Liberty, including certain adjustments agreed to in June 2012. The Option Agreement supersedes the Liberty Agreement.

The Option Agreement provides that the Option's exercise price for the Prospect is a deemed total of $3.95 million payable as follows:

* Cash in the amount of $800,000 - As of the date of this Report, all of the $800,000 cash amount has been deposited with Liberty; accordingly, once the License is issued to us, we will owe Liberty no further up-front cash amounts.
* Two promissory notes with an aggregate principal amount of $650,000, one in the amount of $500,000 becoming due six months after our acquisition of the Prospect, and the other in the amount of $150,000 becoming due nine months after our acquisition of the Prospect. These notes will feature prepayment discounts if we pay the notes earlier than required. At best, these prepayment discounts could save us $150,000 if the notes are paid within 60 days after the License is issued
* Twelve million shares of our common stock, of which Liberty has agreed not to sell more than 10% in any three-month period

After any exercise of the Option, Liberty would retain a 7.0% royalty interest.

If the Minister does not grant the License allowing the exploration of and drilling on the Prospect within a certain period of time, we will have the option to cancel the transaction, and Liberty is required to refund all moneys paid to it.

The License involves a five-year work commitment involving expenditures of AU$200,000 (US$209,300) in the first year after the acquisition, AU$1.25 million (US$1,308,000) in the second year, and even greater amounts in subsequent years. Our inability to honor this work commitment could result in the reversion of the License to Liberty pursuant to the terms of the Option Agreement.

In addition to the matters described above, the Option Agreement features various other agreements, representations, warranties and indemnities that we believe are customary and are commercially reasonable.

Effective May 15, 2012, Liberty and we entered into a Novation Deed, which is intended to supersede the Option Agreement. The Novation Deed attempts to place us (through our newly formed Australian subsidiary, Discovery Energy SA Ltd, referred to hereinafter as the "Subsidiary") in a direct contractual relationship with regard to the License and the Prospect for all purposes. For example, instead of the License's being issued to Liberty and then assigned to us, Liberty and we will strive to have the License issued directly in the Subsidiary's name. The rationale for this action was to try to avoid regulatory delays in having documents and rights subsequently assigned to us, and to avoid transfer taxes that would result upon such assignments. The Novation Deed was intended to change only the form of our transaction with Liberty and not its substance. Accordingly, when possible, the original terms of the Option Agreement were preserved in the Novation Deed. The approach provided by the Novation Deed required approval by the appropriate regulatory agencies. On June 4, 2012, we received notice that the substitution of the Subsidiary for Liberty regarding the License was approved by the Executive Director of the Energy Resources Division of the Department form Manufacturing, Innovation, Trade Resources and Energy, which acts as a delegate of the Minister for Minerals and Energy Resources.

We need no further up-front funds to acquire the License. Nevertheless, we will need to raise additional funds to satisfy the deferred payments to Liberty incurred in connection with the acquisition of the License, our obligations under the work commitment with respect to the License and other amounts required to explore and develop the Prospect, and other working capital needs. We have no assurance that we will be able to raise funds to satisfy the preceding amounts.

* Native Title Agreement. On September 3, 2012, our Australian subsidiary (the "Subsidiary") completed the execution of an agreement titled "Deed (Pursuant to Section 31 of the Native Title Act 1993)" (referred to hereinafter as the "Native Title

Agreement") with (a) the State of South Australia, (b) representatives of the Dieri Native Title Holders (the "Native Title Holders") on behalf of the Native Title Holders, and (c) the Dieri Aboriginal Corporation. The Native Title Holders have certain historic rights on the lands covered by the License, which we are seeking to have issued to the Subsidiary. 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. The terms, provisions and conditions of the Native Title Agreement are described in a Current Report on Form 8-K that we filed with the SEC on September 7, 2012. 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.

* License Grant Offer. On September 6, 2012, the related South Australian government agency formally offered to grant the License to the Subsidiary. The Native Title Agreement, and a similar agreement with other Aboriginal native titleholders and claimants with respect to a comparatively small amount of land also covered by the License were preconditions to this offer. This offer must be accepted within 60 days, and a nominal annual fee must accompany the acceptance. The Company intends to cause the Subsidiary to accept the offer timely. Once the offer is accepted and the License is issued, the Company will report these events in a subsequent Current Report on Form 8-K, giving further information regarding the issued License. Although we expect the License to be issued to the Subsidiary, we have no assurance of this.

* Private Placement of Common Stock. We completed a private placement as of May 1, 2012 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.

* Engagement of Financial Adviser. 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$15.0 million. We have no assurance that we will be successful in completing this type of transaction.

* Change in Shell Status. As a result of the acquisition 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.

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

Currently, we are striving to close the acquisition of the Prospect. In this connection, we have raised sufficient funds, completed the execution of virtually all documentation, and received a governmental offer of a grant of a petroleum exploration license allowing the exploration and drilling rights related to the Prospect (the "License"). To be granted the License, we need only accept the offer timely and pay a nominal annual fee. Although we intend to accept the offer timely and expect the License to be issued to the Subsidiary, we have no assurance of this.

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 will involve the acquisition of the Prospect. For the terms of this acquisition, see the section captioned "Optioning of the Prospect" above. If this acquisition is completed, the Prospect will be subject to a five-year work commitment, which involves the following:

* Year 1 - AU$200,000 ((US$209,300) must be expended for geological studies and interpretation of existing seismic
* Year 2 - AU$1,250,000 (US$1,308,000) must be expended to shoot 250 square kilometers (approximately 97 square miles) of new 2D seismic
* Year 3 - AU$5,000,000 (US$5,232,000) must be expended to shoot 400 square kilometers (approximately 154 square miles) of new 3D seismic and AU$3,600,000 (US$3,767,000) must be expended to drill two wells
* Year 4 - AU$9,000,000 (US$9,418,000) must be expended to drill five wells
* Year 5 - AU$9,000,000 (US$9,418,000) must be expended to drill five wells

The prices of the equipment and services that we must employ to fulfill the work commitment also 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, and frequent higher prices 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 the cost estimates included in Liberty's original License bid, which has been accepted by the South Australian government.

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 ($US6.3 - 8.9 million) and exploratory well drilling ($US5.5 - 7.3 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 six months ended August 31, 2012 are not directly comparable to financial results for the quarter and six months ended August 31, 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 August 31, 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 six months periods ended August 31, 2012 and 2011 are summarized in the table below:

	Three months Ended August 31, 2012	Three months Ended August 31, 2011	Six months Ended August 31, 2012	Six months Ended August 31, 2011
Revenue	$ -	$ -	$ -	$ -
Operating Expenses	205,327	1,510	344,098	36,141
Other (income) /expenses	(6,480)	-	(7,723)	(615)
Net Loss	198,847	1,510	336,375	36,756

Our operating expenses for the three and six months periods ended August 31, 2012 and 2011 are outlined in the table below:

	Three months Ended August 31, 2012	Three months Ended August 31, 2011	Six months Ended August 31, 2012	Six months Ended August 31, 2011
General and Admini-strative	$ 10,232	$ 28	$ 32,470	$ 74
Mineral Property Costs	123,080	-	170,592	29,740
Professional Fees	69,931	1,482	133,723	6,327
Travel	980	-	4,143	-
Rent	1,104	-	3,170	-
Total	$ 205,327	$ 1,510	$ 344,098	$ 36,141

Results of Operations for the Three-Month Periods Ended August 31, 2012 and 2011

Expenses. The expenses for the three-month period ending August 31, 2012 were dramatically higher than for the corresponding period one year ago. The difference of $197,337 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 Mineral Property Costs during the current reporting periods accounted for over half 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 most of the remaining increase in our expenses and were associated primarily with legal services required for the processes of acquiring the South Australian exploration license, privately placing stock and regulatory reporting of company developments. General and Administrative expenses during the current reporting period reflect in part the costs associated with changing the Company's name and establishing its Australian subsidiary.

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 August 31, 2012, our net loss during the period increased to $198,847 (or $0.00 per-share) compared to our net loss during the same period in fiscal 2012 of $1,510 (or $0.00 per-share).

Results of Operations for the Six-Month Periods Ended August 31, 2012 and 2011

Expenses. The expenses for the six-month period ending August 31, 2012 were dramatically higher than for the corresponding periods one year ago. The difference of $299,169 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 over half 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 most of the remaining increase in our expenses and were associated primarily with legal services required for the processes of acquiring the South Australian exploration license, privately placing stock and regulatory reporting of company developments. General and Administrative expenses during the current reporting period reflect in part the costs associated with changing the Company's name and establishing its Australian subsidiary.

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 six-month period ending August 31, 2012, our net loss during the period increased to $336,375 (or $0.01 per-share) compared to our net loss during the same period in fiscal 2012 of $36,756 (or $0.00 per-share).

Off-Balalnce Sheet Arrangements

The Company has no off-balance sheet arrangements.

Liquidity and Capital Requirements

As of August 31, 2012, we had cash in the amount of $162,809, and we had working capital of $1,016,730. Earlier in this fiscal year, we completed a round

of financing in which we raised "seed" capital in the amount of US$1,258,750. This has been our source of cash so far this fiscal year. We need to raise additional funds for operating expenses. In this connection, during the first week of September 2012, we initiated a second private placement seeking up to $2.0 million in capital through the sale of 160 million shares of common stock at a price of $0.125 per share. As of October 12, 2012, subscriptions valued at $250,000 have been received. These subscriptions will result in the issuance of 2,000,000 shares of stock . We will continue to try to raise funds in this financing, but we have no assurance that we will be able to do so.

We will also need to obtain additional financing before we can implement the initial phase of our current plan of operation. To acquire the Prospect, we will incur a deferred payment in the form of two promissory notes in the aggregate amount of US$650,000 payable to Liberty, one becoming due six months after our acquisition of the Prospect, and the other becoming due nine months after our acquisition of the Prospect. Furthermore, the acquisition of the Prospect will obligate us to pay US$100,000 in cash to Keith D. Spickelmier for his assignment to us of the ability to acquire the Prospect. Moreover, after the acquisition, we will have a work commitment with respect to the Prospect requiring us to expend AU$200,000 (US$209,300) in the first year after the acquisition and AU$1.25 million (US$1,308,000) in the second year. Some of these amounts 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.

We believe at least US$3.0 million of additional capital will be required to satisfy our obligations in connection with the acquisition of the Prospect and for two years after the Prospect is acquired, but this amount would not allow us to develop the Prospect in any meaningful way. About US$1.0 million would need to be raised within about the next 12 months to satisfy amounts becoming due within such time period, while the remaining US$2.0 million amount would need to be raised within about the next 24 months to satisfy amounts becoming due near the end of such time period.

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. If Chrystal is successful in raising funds for us, we will owe to Chrystal the fees described in footnote 6 to the financial statements contained in this Report.

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 may seek to add value by completing a 3D seismic survey over a portion of the property and/or re-processing existing seismic data related to the Prospect.

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 Prospect. 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 include acceleration in the shooting of new 2D/3D seismic (US$6.3 -8.9 million) and early (versus the bid work plan) exploratory drilling (US$5.5-7.3 million). Assuming availability of funding, timely governmental approvals, and access to proper equipment and trained personnel, we feel that US$ 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 Prospect, 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 4T. 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.

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

Exhibit Number	Description
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)

October _____, 2012

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: October _____, 2012

/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: October _____, 2012

/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: October _____, 2012

/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: October _____, 2012

/s/ William E. Begley

William E. Begley,
Chief Financial Officer

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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: 62,595,500

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

For more information visit us at discoveryenergy.com