

## Opportunity to participate in the Cooper-Eromanga Basins Western Oil Flank (PEL 512 - 584,651 Acres)

**Discovery Energy (“DENR”) is preparing for drilling on its 100% owned PEL 512 permit located in the Cooper-Eromanga Basins, South Australia**

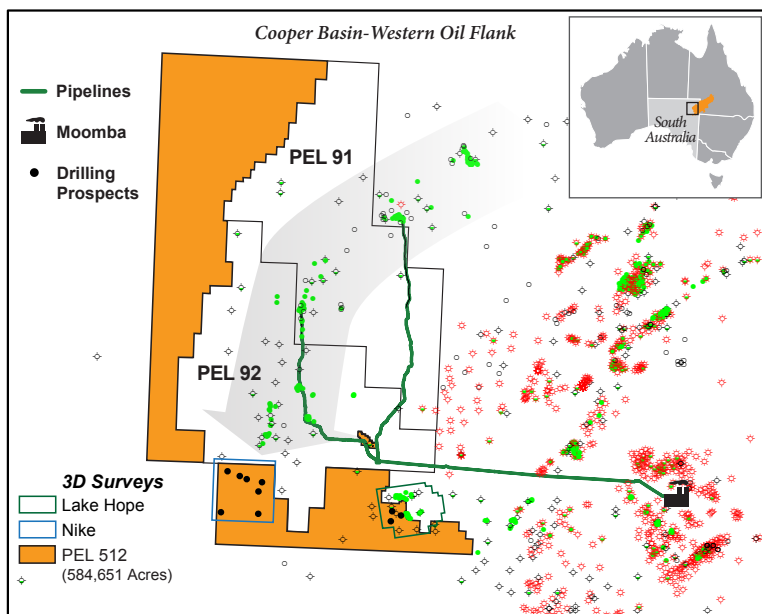
- ▶ Permit is 2,366 km<sup>2</sup> (584,651 acres)
- ▶ In Year 3 of the Initial 5 year Licence term (15 years)
- ▶ Adjacent to mature production and new discoveries
  - ▶ Tantanna Oil Field (1988) produced >7.9MMbbls
  - ▶ Sturt & Sturt East Fields (1988) produced >2.9MMbbls
  - ▶ Parsons Oil Field (2008) produced >3.8MMbbls
  - ▶ Callawonga Oil Field (2006) produced >6.2MMbbls
  - ▶ Butlers Oil Field (2009) produced >3.1MMbbls
  - ▶ Bauer Oil Field (2013) produced >16.3 MMbbls
  - ▶ Bauer Oil Field (06/14) producing ~11,284 Bopd
  - ▶ Bauer-5 Well (02/14) peak production ~7,699 Bopd

*Source: PEPS - Production data as of 08/31/17*

### Investment Opportunity

- ▶ Acreage is strategically located in the Western Oil Flank of the Cooper/Eromanga basins where E&P is experiencing a major conventional oil boom.
- ▶ Nearby operators are aggressively developing offset acreage with exceptional success in bringing wells online at high production rates from quality multi-pay reservoirs with a world class water drive.
- ▶ Low cost operations and transportation costs at ~US\$22 per barrel.
- ▶ Offset production is currently at ~20,000 Bopd.
- ▶ Oil trades at field central delivery point (Moomba) based on Brent pricing.
- ▶ Technical database includes 5153 km of 2D seismic and 321 km<sup>2</sup> of 3D seismic on the acreage and over 800 km<sup>2</sup> of 3D seismic on the offset acreage.
- ▶ Conventional and unconventional opportunities have been identified with over 140 leads and multiple prospects in inventory.
- ▶ Conventional resource estimates of over 2,100 Mmbbls of oil in place (OOIP) and 656 Mmbbls of prospective unrisked recoverable oil (P50).
- ▶ 110,000 acres has been deemed by PIRSA as proven oil fairway which will permit the future conversion of up to 220,000 acres to Petroleum Retention Licences (PRL).
- ▶ Recently completed the 180 km<sup>2</sup> Nike 3D seismic program on the PEL 512 South Block inline with the proven production on trend, which has added multiple drillable prospects to inventory.

### Area of Interest



## Revised Guaranteed Work Program

Work Year	Revised Work Program	YE Oct 27
1	Geological Studies ( <i>Completed</i> )	N/A
2	100 km <sup>2</sup> 3D Seismic ( <i>Completed 180</i> )	2017
3	Drill 2 wells 200 km <sup>2</sup> 3D Seismic ( <i>Credit 80 km<sup>2</sup></i> ) 100 km 2D Seismic	2018
4	Drill 2 wells 200 km <sup>2</sup> 3D Seismic	2019
5	Drill 3 wells	2020
<b>Total</b>	<b>7 wells/2D-100km/3D-500km<sup>2</sup></b>	

## Compelling Economics

- ▶ Low cost (~AUD\$2.0m) vertical wells with high quality reservoirs, stacked pay and high flow rates deliver quick payback, compelling IRR's and rapid value creation.
- ▶ Early cash flows as a result of quick drill and tie-in periods, nearby operator recently set a new record of 42 days from discovery to production.
- ▶ High net back potential based on Brent pricing for light/ultra light sweet crude (40 - 55 degree API).
- ▶ Ready market access via the Moomba regional oil processing facility through short haul trucking or existing and expanding pipeline capacity.

## Offset Well Economics

Well #	Offset	Formation(s)	Completed (mm/dd/yy)	Last Report (1) (mm/dd/yy)	AFE (\$m)	Oil Cum (m bbl)	EUR (2) (m bbl)	Opex (\$/bbl)	IRR (%)	NPV10 (3) (\$m)
Tantana #1	East	NR/HN/BH	08/31/88	12/31/08	\$2.25	2,857	2,857	30	> 500	\$38.2
Sturt East #1	East	PWA	11/30/88	09/30/95	\$2.25	722	725	30	> 500	\$9.5
Warrior #2	South	BH/MCK	09/30/04	3/31/2015	\$2.25	1,495	1,500	30	> 500	\$22.2
Christies #3	North	NR	11/30/06	3/31/2015	\$2.25	811	900	30	> 500	\$10.6
Callawonga #1	North	NR/BH	06/30/08	3/31/2015	\$2.25	1,857	2,300	30	> 500	\$28.4
Parsons #1	North	NR	12/31/09	3/31/2015	\$2.25	1,881	2,000	30	> 500	\$28.7
Growler #6	North	BH	12/31/11	3/31/2015	\$2.25	997	1,500	30	> 500	\$18.1
Butlers #4	North	NR	02/29/12	3/31/2015	\$2.25	716	1,100	30	> 500	\$13.2

Formation Legend: NR-Namur, HN-Hutton, BH-Birkhead, PWA-Poolawanna, MCK-McKinley

Notes: (1) Last Production Report of 03/31/15 is published data from PIRSA-PEPS Database. (2) Annual exponential decline forecast of 17% from the last reported production was used to determine EUR (3) Oil Price used for NPV calculations is Flat US\$60/bbl.

## Recent Developments

- ▶ The Company completed a series of debenture financings totalling USD \$6.8 Million.
- ▶ Discovery completed a 3D survey (180 km<sup>2</sup>) on the production trend acreage of PEL 512 and regional AVO analysis.
- ▶ The Company, based on it's comprehensive technical analysis, plans to drill up to 5 wells costing approximately USD 10 Million.

### Disclaimer

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## Share Structure

<b>Stock Symbol:</b>	<b>DENR:OTC Markets</b>
<b>Reporting Status:</b>	<b>SEC Active (2006)</b>
<b>Shares Issued:</b>	<b>143M</b>
<b>Restricted:</b>	<b>141M</b>
<b>Trading Float:</b>	<b>1.5M</b>
<b>Management:</b>	<b>69%</b>
<b>High/Low:</b>	<b>\$1.00/\$0.12</b>
<b>Market Cap:</b>	<b>\$70M</b>

### For Further Information

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