



QUARTERLY REPORT

FOR THE PERIOD ENDING MAY 31, 2015

UNAUDITED

DENR | OTC

*Development of Prime Acreage in Australia's Prolific
Cooper Basin Western Oil Flank*

DISCOVERY ENERGY CORP

CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED MAY 31, 2015

(EXPRESSED IN US DOLLARS, UNLESS OTHERWISE STATED)

UN-AUDITED

TABLE OF CONTENTS

Balance Sheets	F1
Statements of Expenses and Other Comprehensive Income (Loss)	F2
Statements of Cash Flows	F3
Nature of Operations and Basis of Presentation	F4
Going Concern	F4
Related Party Transactions	F5
Oil and Gas Properties	F5
Notes Payables	F5
Common Stock	F6
Subsequent Events	F6

Consolidated Financial Statements

Discovery Energy Corp. Balance Sheets

(Unaudited)	For the Period Ending	
	May 31, 2015	February 28, 2015
Assets		
Current Assets		
Cash	\$ 20,065	\$ 859
Prepaid expenses	11,100	16,176
Total Current Assets	<u>31,165</u>	<u>17,035</u>
Oil and gas property - unproved (successful efforts method)	2,421,415	2,421,415
Total Assets	<u>\$ 2,452,580</u>	<u>\$ 2,438,450</u>
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 59,793	\$ 97,256
Accounts payable- related parties	112,920	134,299
Other liabilities	13,707	13,860
Promissory notes-related parties	97,600	143,600
Promissory notes	542,294	542,294
Total Current Liabilities	<u>826,314</u>	<u>931,309</u>
Stockholders' Equity		
Preferred Stock- 10,000,000 shares authorized, zero issued and outstanding	-	-
Common Stock - 500,000,000 shares authorized, \$0.001 par value - 139,906,167 and 138,239,500 shares issued and outstanding as of May 31, 2015 and February 28, 2015, respectively	139,906	139,239
Additional paid in capital	3,833,231	3,633,897
Accumulated deficit	(2,351,430)	(2,259,311)
Accumulated other comprehensive income (loss)	4,559	(6,684)
Total Stockholders' Equity	<u>1,626,266</u>	<u>1,507,141</u>
Total Liabilities and Stockholders' Equity	<u>\$ 2,452,580</u>	<u>\$ 2,438,450</u>

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

Consolidated Financial Statements (cont.)

Discovery Energy Corp.

Statements of Expenses and Other Comprehensive Income (Loss)

(Unaudited)	Three Months Ended	
	May 31, 2015	February 28, 2015
Expenses		
General and administrative	\$ 25,616	\$ 17,517
Exploration costs	2,550	3,470
Professional fees	18,667	181,120
Rent	5,526	3,110
Travel	40,000	28,800
Total expenses	<u>92,359</u>	<u>234,017</u>
Other (Income) Expenses		
Interest expense	5,343	5,095
Miscellaneous income	(16)	(12)
Foreign exchange loss/(gain)	(5,567)	3,611
Other (income) expenses	<u>(240)</u>	<u>8,694</u>
Net loss	<u>\$ (92,119)</u>	<u>\$ (242,711)</u>
Comprehensive loss		
Net loss	(92,119)	(242,711)
Foreign currency translation adjustments	11,243	(2,000)
Total comprehensive loss	<u>\$ (80,876)</u>	<u>\$ (244,711)</u>
Net loss per share - basic and diluted (in Dollars per Share)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding - basic and diluted (in Shares)	<u>139,768,486</u>	<u>138,497,401</u>

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

Consolidated Financial Statements (cont.)

Discovery Energy Corp. Statements of Cash Flows

(Unaudited)	Three Months Ended	
	May 31, 2015	February 28, 2015
Cash flows used in operating activities		
Net loss	\$ (92,119)	\$ (242,711)
Adjustments to reconcile net loss to net Cash used in operating activities		
Operating activities		
Shares issued for service	-	99,520
Changes in assets and liabilities:		
Prepaid expenses	5,076	4,772
Accounts payable - related party	(21,379)	50,005
Interest payable	4,300	-
Accounts payable and accrued liabilities	(41,916)	(31,060)
Net cash used in operating activities	<u>(146,038)</u>	<u>(119,474)</u>
Cash flows from financing activities		
Repayments on promissory notes	(50,000)	-
Common stock issued	200,000	55,000
Proceeds from notes payable-related party	4,000	96,200
Net cash flows from financing activities	<u>154,000</u>	<u>151,200</u>
Foreign exchange effect on cash	11,244	-
Change in cash during the period	19,206	31,726
Cash beginning of the period	859	2,483
Cash end of the period	<u>\$ 20,065</u>	<u>\$ 34,209</u>

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

Notes to the Financial Statements

1. Nature of Operations and Basis of Presentation

The principal business of Discovery Energy, Inc. (the “Company”) is the proposed exploration and development of the 584,651 gross acres (the “Prospect”) in the State of South Australia covered by Petroleum Exploration License (PEL) 512 (the “License”). The Prospect involves a 100% working interest in the preceding acreage, which overlies portions of the Cooper and Eromanga basins. The Company has not presently determined whether the Prospect contains any crude oil and natural gas reserves that are economically recoverable. While the Company’s present focus is on the Prospect, the Company may consider the acquisition of other attractive oil and gas properties under the right circumstances.

In May 2012, the Company incorporated a wholly-owned Australian subsidiary, Discovery Energy SA Ltd. for purposes of acquiring the License.

The accompanying unaudited interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s February 28, 2014 Annual Report on Form 10-K filed with the SEC. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements, which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year end February 28, 2015, as reported on Form 10-K, have been omitted.

2. Going Concern

The accompanying financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenues since inception and has never paid dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity or debt financing to continue operations, the successful development of the Prospect or one or more alternative oil and gas properties, and the attainment of profitable operations. As of May 31, 2015, the Company has not generated any revenues and has an accumulated loss of \$2,351,430 since inception. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. Related Party Transactions

As of May 31 and February 28, 2015, the Company owed \$112,920 and \$134,299, respectively, to certain Company directors for reimbursement of expenses paid on behalf of the Company. In addition, as of May 31 and February 28, 2015, the Company owed \$97,600 and \$143,600, respectively, for promissory notes issued to various related parties. These amounts are unsecured, non-interest bearing and due on demand.

4. Oil and Gas Properties

On May 19, 2014, the Company received notice from the Government of South Australia that had issued certain modifications to

Notes to the Financial Statements (cont.)

the License and suspended the License for a period of six months. Under the amended License, the Company will be required to drill 7 exploratory wells rather than 12, as originally required. These required wells must be drilled in years 3, 4, and 5 (2, 2, and 3, respectively). The amount of required 2D seismic was also reduced to 100 kilometers (in year 3) from 250 kilometers (in year 2) but the total 3D seismic work guaranteed increased to 500 square kilometers from 400 square kilometers. However, the 3D seismic survey requirement is spread over years 2, 3 and 4 (100, 200 and 200 sq. km. respectively). The effect of the suspension is to move the end date of the four years remaining in the initial term of the License six months into the future. Hence, year 2 will now end on April 27, 2015, year 3 on April 27, 2016, year 4 on April 27, 2017 and the fifth and final year of the initial term will end April 27, 2018.

On February 15, 2015, Discovery Energy Corp. (the “Company”) received confirmation from the South Australian Minister for Mineral Resources and Energy that the Company’s application for the further six-month suspension of the work commitment relating to the Petroleum Exploration License (PEL) 512 covering the Company’s 584,651-acre prospect in South Australia had been approved effective February 6, 2015.

As further extended, the Company’s remaining work commitments are due to be commenced by October 25, 2018, as set out below:

- ▶ Year 2 ending October 25, 2015 - Conduct a new 3D seismic survey totaling at least 100 kilometers.
- ▶ Year 3 ending October 25, 2016 - Acquire new 2D seismic data totaling at least 100 kilometers, acquire 3D seismic data totaling at least 200 square kilometers and drill two wells.
- ▶ Year 4 ending October 25, 2017 - Acquire new 3D seismic data totaling at least 200 square kilometers and drill two wells.
- ▶ Year 5 ending October 25, 2018 - Drill three wells

The modification extends the time that the Company has to meet its commitments. The Company’s inability to honor this work commitment may result in the assignment of the Prospect to Liberty pursuant to the terms of the Novation Deed or its reversion to the South Australian Government.

5. Notes Payables

Two promissory notes were issued on October 26, 2012 to Liberty upon delivery of the License with aggregate principal amount of \$650,000. The original terms of the note were:

- (i) One note in the original principal amount of \$500,000 was originally due on April 26, 2013.
- (ii) The other note in the original principal amount of \$150,000 was originally due on July 26, 2013.
- (iii) Both notes bear interest at a floating rate equal to the one month term LIBOR rate, plus an additional 3%.

These promissory notes had undergone a number of amendments, including extensions of the due dates. On September 26, 2013, these promissory notes were combined into a single consolidation promissory note (the “Consolidated Note”) in the original principal amount of \$542,294, as some of the principal had been reduced and some interest had accrued. Effective June 2, 2015, the Consolidated Note was amended and extended to September 2, 2015 and if the Company makes prepayments in the aggregate amount of \$250,000 prior to the new Initial Due Date, then the due date for the remainder of the principal amount of and accrued

Notes to the Financial Statements (cont.)

interest on the Consolidated Note would be extended until November 2, 2015.

On March 9, 2015, the Company entered into an unsecured corporate demand note with William Begley, a related party. The note was in the amount of \$4,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On March 31, 2015, the Company repaid three unsecured corporate demand notes with Keith Spickelmier totaling \$50,000. The notes were dated September 26, 2013, December 16, 2013, and January 8, 2014 for \$7,500, \$17,500, and \$25,000, respectively.

On May 5, 2015, the Company entered into an amendment of a previous unsecured corporate demand note with related party, Keith Spickelmier. The note was in the amount of \$3,100 and the maximum term was amended and extended to the second anniversary from the date of the note. None of the other provisions of the original notes were changed.

6. Common Stock

On March 20, 2015, the Company issued 666,667 shares at a price of \$0.30.

7. Subsequent Events

On June 9, 2015, the Company repaid a promissory note dated February 21, 2015 in the amount of \$2,000.

On June 15, 2015, the board of directors approved a private placement of up to 3,000,000 Common Shares at a price of \$0.50 per share. On June 26, 2015 the Company received \$50,000 from a private investor and subsequently issued 100,000 Common Shares.

On July 3, 2015, the Company repaid two promissory notes dated December 17, 2014 and January 15, 2015 in the total amount of \$12,000.

On July 13, 2015, the Company received confirmation from the South Australian Department of State Development (formerly the Minister for Mineral Resources and Energy) that the Company's application for the further six-month suspension of the work commitment relating to the Petroleum Exploration License (PEL) 512 covering the Company's 584,651-acre prospect in South Australia had been approved effective July 9, 2015. As further extended, the Company's remaining work commitments are due to be commenced by April 27, 2019.

DISCOVERY ENERGY CORP
MANAGEMENT DISCUSSION AND ANALYSIS
PERIOD ENDED MAY 31, 2015

(EXPRESSED IN US DOLLARS, UNLESS OTHERWISE STATED)

TABLE OF CONTENTS

Overview	A1
Plan of Operation	A3
General	A3
Proposed Initial Activities	A3
Results of Operations	A5
Results of Operations for the Three-Month Periods Ended November 30, 2014 and 2013	A6
Off-Balance Sheet Arrangements	A7
Financing History and Immediate, Short-Term Capital Needs	A7
Major Financing Efforts and Other Sources of Capital	A8
Evaluation of Disclosure Controls and Procedures	A10
Limitations on Effectiveness of Controls and Procedures	A10
Changes in Internal Controls over Financial Reporting	A10
Other Information	A11
Exhibits	E12
Forward Looking Statements	E17

Cautionary Statement For Forward-Looking Statements

This Quarterly Report 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.

Overview

Our company, Discovery Energy Corp., was incorporated under the laws of the state of Nevada on May 24, 2006 under the name “Santos Resource Corp.” Our current business plan is to explore for and produce oil and gas from a tract of land (the “Prospect”) covered by Petroleum Exploration License (PEL) 512 (the “License”) in the State of South Australia. We adopted this business plan near the end of our fiscal 2012, after having previously abandoned our initial business plan involving mining claims in Quebec, Canada and after we had been dormant from a business perspective for a period of time. In connection with the adoption of our current business plan, we had a change in control of our company, a change in our management, a change in our corporate name, and a change of our status from a “shell” company, as that term is defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 under the Securities Exchange Act of 1934.

We made significant strides in our business plan during our fiscal 2013, including the formal grant of the License after the satisfaction of a number of significant preconditions. During our fiscal 2014, we focused our efforts on completing a major capital raising transaction or procuring one or more major joint venture partners to further our business plan. We continued these efforts throughout our fiscal 2015.

Beginning in the second quarter of fiscal 2015 a significant decline in the price of oil has affected the oil and gas industry worldwide. This decline began in June 2014 when the price of Brent oil was above US\$110 per barrel and continued to a low of US\$49 per barrel in January of 2015. Since then prices have recovered somewhat with the recent Nymex Futures trading near US\$53 per barrel as of early July 2015. While the effect of this price drop has worldwide implications, we believe that it has not affected the oil and gas industry in Australia as adversely as it has in other parts of the world. However, current oil prices will make our ability to complete a capital raising transaction or procure a joint venture partner more difficult. Although we believe that we will continue to be challenged by low oil prices for the near future, we are not currently in a position to determine the full extent of that impact. As a result of the decline in oil prices we have and are making changes to our ongoing business strategy to best position ourselves for when the markets improve.

Although we are continuing efforts to complete a major capital raising transaction, we are shifting our emphasis away from a single capital raising transaction that would meet our financial needs for an extended period of time. Our new emphasis will be on obtaining sufficient funds for us to complete the second year of our work commitment and positioning ourselves to exploit

Management Discussion & Analysis (cont.)

commercially the Prospect at the appropriate time in the future. This shift in strategy will minimize the dilution to shareholders and is partly due to depressed energy prices which presently do not justify efforts to produce hydrocarbons and that presently have made more difficult capital raising transactions under acceptable terms. Our strategy will be to position ourself to begin the development of the Prospect after energy prices have recovered sufficiently. Part of our positioning includes the following:

- ▶ Efforts to procure purchase/off-take contracts for our hydrocarbons once we are in a production mode.
- ▶ Efforts to procure one or more joint venture partners to undertake jointly 3D seismic surveys at reduced costs to all parties, which surveys will satisfy in part our License work commitment
- ▶ Efforts to procure one or more joint venture partners that would drill wells on the Prospect, which wells will satisfy in part our License work commitment
- ▶ Efforts to procure funds at a minimum level so that we are able to satisfy our financial obligations and at even greater levels so that we are able to pursue our business plan in the manner that we prefer

The results of our efforts are at various stages, although none of them has resulted in any binding definitive agreements at this time. While we are guardedly optimistic that these efforts will be successful, we have no assurance of this.

Our fiscal 2015 did have several positive developments. One such development was a beneficial modification of our five-year work commitment, which now takes into account new technologies and developments in the Cooper Basin. We also received an extension of the work commitment relating to the License for a second time. The details of these developments are discussed herein. The modification and extension of the work commitment early in our fiscal 2015 reduced our obligations under the work commitment. The changes to and two extensions of the work commitment are allowing us additional time to pursue capital raising transactions or procure a major joint venture partner, and perhaps benefit from a recovery in the price of oil. Moreover, one benefit of lower oil and gas prices is that the costs of third party service providers (such as seismic firms and contract drillers) have declined significantly as well, creating a more favorable business environment when we are able to take advantage of it.

Even though we have not completed a major capital raise under acceptable/attractive terms, we still have regular and ongoing payments and expenditures. These payments and expenditures and non-payment consequences (which could be materially adverse to our interests) are discussed in detail herein. So far we have been successful in satisfying or deferring the most important of these payments and expenditures, and we expect to continue to do so in the future. However, while we have been successful in this regard to date, we have no assurance that we will continue to be successful in this regard in the future.

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 3 months ended May 31, 2015, that exchange rate has varied from a low of US\$1.00/AU\$1.2312 to a high of US\$1.00/AU\$1.3175. On July 13, 2015 the rate stood at US\$1.00/AU\$1.3425.

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 2015 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 exploration 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 the Prospect, 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. Therefore, we have undertaken certain financing activities described in “Liquidity and Capital Requirements - Major Financing Efforts and Other Sources of Capital” 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 License is subject to a five-year work commitment. We have completed the first year of this work commitment and in this first

Management Discussion & Analysis (cont.)

year we conducted geological and geophysical studies including interpretation of existing seismic data. In management's view, the geotechnical work completed in the first year was sufficient to satisfy this requirement, and we filed our report in this connection with the South Australian government. We have received no comments from the government relating to this report.

We received from the South Australian Minister for Mineral Resources and Energy three six-month extensions of the work commitment relating to the License, the first in May 2014, the second in February 2015 and the third in July 2015. The first of these extensions also reduced our obligations under the work commitment. After these modifications and extensions, our remaining work commitment involved the following:

- ▶ Year 2 ending about April 27, 2016 - Conduct a new 3D seismic survey totaling at least 100 square kilometers.
- ▶ Year 3 ending about April 27, 2017 - Acquire new 2D seismic data totaling at least 100 kilometers, acquire 3D seismic data totaling at least 200 square kilometers and drill two wells
- ▶ Year 4 ending about April 27, 2018 - Acquire new 3D seismic data totaling at least 200 square kilometers and drill two wells
- ▶ Year 5 ending about April 27, 2019 - Drill three wells

Although our remaining work commitment has been reduced and extended, we have no assurance that we will be able to extend the work commitment again or to fulfill it timely, as we need to complete capital raising transactions, or procure a joint venture partner, or both, to do so.

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. Previous high worldwide energy prices had resulted in growing demand, which lent support to higher prices being charged by suppliers. Prices being charged by suppliers have declined with the decline in energy prices. Nevertheless, we have no assurance that the steps in the work plan (e.g. shooting 100 square kilometers of 3D seismic) can be accomplished at current or lower costs.

Based on our research and technical analysis to date, we believe that the License work plan can be justified. Hence, the initial phase of our plan of operation involves (among other things) conducting 3D seismic surveys totaling 300 square kilometers (approximately 116 sq. miles), conducting a 2D seismic survey of 100 kilometers (approximately 62 miles) and drilling of at least two exploration wells. This activity will take place on the south portion of the Prospect and meets the near-term work requirements under the License. Subject to the availability of funds plus proper equipment and personnel or a farm-out arrangement, management feels that US\$15 million or more can be productively invested under the license as defined in the Year 2 and Year 3 work commitments.

We are seeking a joint venture partner, which might act as the operator to conduct seismic work and drill our wells. Our ability to accomplish this seemingly has been impaired by the recent dramatic decline in oil prices. If we are unsuccessful in procuring such a partner and provided that we procure funds therefor, we intend to engage the services of a qualified seismic company to acquire additional 3D seismic data and (once we have identified proposed drilling sites) a third party contractor for drilling operations. Subject to necessary financing, 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. 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

Management Discussion & Analysis (cont.)

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 responsible for the well(s) 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

Our results of operation for the three month periods ended May 31, 2015 and 2014 are summarized in the table below:

	Three Months Ended	
	May 31, 2015	May 31, 2014
Revenue	\$ -	\$ -
Operating Expenses	92,359	234,017
Other (income)/expenses	(240)	8.69
Net Loss	\$ \$92,119	\$ \$242,711

Management Discussion & Analysis (cont.)

Our operating expenses for the three month periods ended May 31, 2015 and 2014 are outlined in the table below:

	Three Months Ended	
	May 31, 2015	May 31, 2014
General and Administrative	\$ 25,616	\$ 17,517
Exploration Costs	2,550	3,470
Professional Fees	18,667	181,120
Rent	5,526	3,110
Travel	40,000	28,800
Total	\$ 92,359	\$ 234,017

Results of Operations for the Three-Month Periods Ended November 30, 2014 & 2013

Revenues - We did not earn any revenues for either the quarter ended May 31, 2015 or the similar period in 2014. 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.

Expenses - The total expenses incurred during the quarter ended May 31, 2015 were approximately 61% less than those incurred during the quarter ended May 31, 2014. The decrease of approximately \$141,700 reflects a nearly 90% reduction in professional fees offset to some extent by increases in travel and general and administrative expenses. The bulk of our activities during the quarter ended May 31, 2015 were aimed at raising capital. However, the company did not make any payments to third parties associated with its capital raising efforts. It did pay some extraordinary professional fees, both with common stock and cash as described below.

The largest component of the decline in our expenses was the reduction in professional fees for the quarter ended May 31, 2015 compared to the quarter ended May 31, 2014. We did not incur any investment banking and financial advisory fees for third party fund raising assistance during the current reporting period but have such expenses in the comparable period last year. Additionally, during the period ending May 31, 2014, we did make a one-time payment of common stock to a former advisor for the early release of certain potential funding sources from their post-termination non-circumvent status.

Travel expenses during the quarter ended May 31, 2015 were about \$11,000 higher than for the quarter ended May 31, 2014. This increase reflects the costs of an extended visit to Australia for face-to-face meetings with investment bankers, potential farm-in partners, prospective oil field service providers and government oil and gas regulators.

General and administrative expenses were about \$8,100 higher for the quarter ended May 31, 2015 compared to the 3-month period ended May 31, 2014. The increase is associated with a non-cash charge for the impact of foreign currency fluctuations on the asset carrying value of our Australian subsidiary. This increase was partially offset by reductions in other general and administrative expenses.

Management Discussion & Analysis (cont.)

Our exploration costs during the quarter ended May 31, 2015 declined by about \$1,000 compared to those costs incurred during the comparable period ended May 31, 2014. Because the License work program is currently suspended, there was very little technical work required during either reporting period. After the quarter ended May 31, 2015, certain new technical data files relevant to the License area were made public by the South Australian government. Analysis of this information is expected to increase exploration costs in the near-term.

Net loss - Our net loss for the quarter ended May 31, 2015 decreased by approximately \$150,600 (a 62% decline) as compared to the quarter ended May 31, 2014. This result reflects dramatically lower professional fees offset by modest dollar increases in travel and general corporate expenses. We also benefited from favorable US\$ exchange rate as well.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Liquidity and Capital Requirements

Financing History and Immediate, Short-Term Capital Needs

Since the change in our corporate direction in January 2012, we have financed our business primarily through private placements of common stock. Since January 2012 we conducted several rounds of financing in which we raised total “seed” capital in the amount of \$2,653,750 resulting in the issuance of 19,474,167 shares of our common stock. These figures include the results-to-date of the current private placement discussed below. As of May 31, 2015, we had drawn \$10,650 in funds against our bank credit card. From time to time, our officers and directors have advanced short-term funds. As of July 10, 2015, we had outstanding loans totaling \$83,600 from two directors and an entity controlled by one officer. These loans are each evidenced by demand notes, which are non-interest bearing.

As of May 31, 2015, we had cash in the amount of \$20,065, and we had a working capital deficit of about \$795,149. As of July 13, 2015, we had the US dollar equivalent of approximately \$21,200 of cash on hand. The bulk of the current working capital deficit is associated with the consolidation promissory note in the original principal amount of \$542,294 made payable to Liberty Petroleum Corporation (“Liberty”). As extended, this consolidation promissory note is due and payable on or before September 2, 2015, provided that if we make prepayments in the aggregate amount of \$250,000 prior to the due date, then the due date for the remainder of the principal amount of and accrued interest on the note would be extended until November 2, 2015.

Given the amount of cash on hand, we anticipate the need to raise an estimated \$3.5 million of additional funds by end of October 2015 for operating expenses, retirement of the Liberty note and completion of the second year of our work commitment. We intend to try to do this by common stock private placements to individual and institutional investors. We have no assurances that we will be successful in raising required additional funds. If we are unsuccessful in raising required additional funds in the immediate future, we will need (among other things) to seek a further extension of the Liberty note and our work commitment under the License. While Liberty and the related governmental authorities have accommodated us in the past in this regard, we have no assurance that they would accommodate us again. Our failure to raise required additional funds and our subsequent failure to obtain an extension of the Liberty note and our work commitment under the License could have adverse consequences for us, including our inability to continue our business plan, which could result in a complete loss of stockholders’ equity.

Management Discussion & Analysis (cont.)

Long-Term Capital Needs

The five-year work commitment relating to the License imposes certain financial obligations on us. In management's view, the geotechnical work completed in year-one was sufficient to satisfy the requirement for year-one, and we filed our report in this connection with the South Australian government. We have received no comments from the government relating to this report. However, we will need to obtain additional financing above that discussed above before we can fully implement our current plan of operation. This includes monies to meet the second year requirements of the work commitment. This second year will end on April 27, 2016, though the South Australian has assured us that, if fieldwork has been initiated, time will be allowed to complete the seismic survey. Moreover, we expect to need a substantial amount of funds to develop the Prospect. In addition to the preceding, we will need working capital to satisfy our general and administrative expenses.

Between November 2015 and the end of October 2016, we estimate that at least \$11.6 million of additional capital will be required to continue operations and satisfy our obligations for the third year of our work commitment. This amount will be needed before we are able to commence production on the Prospect. Accordingly, this amount must be raised. Moreover, this amount would not allow us to develop the Prospect in any meaningful way.

Beyond the third License year, we have developed a work plan for the Prospect that is expected to include additional 3D seismic surveying and exploratory drilling. Assuming availability of funding, timely governmental approvals, and access to proper equipment and trained personnel, we feel that a total of about US\$19.0 million of outside capital must be invested across the Prospect the final two years of the initial License term.

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 below. 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.

Major Financing Efforts and Other Sources of Capital

Starting in October 2012, we have entered into engagement agreements with several financial intermediaries to assist us in completing a major capital raising transaction. None of these engagements resulted in the completion of such a transaction, and we are not now bound by any such engagement agreement. We are now pursuing our own independent capital raising initiatives, and we have several prospects in this regard.

Our capital strategy for most of the past two years or so has been to try to engage in a single major capital raising transaction to provide sufficient funds to satisfy our capital needs for a number of years to come. While we are not completely abandoning this strategy, we are shifting our emphasis in an effort to try to engage in one or more smaller capital raising transactions to provide sufficient funds to satisfy our capital needs through October 2015. We are engaged in discussions regarding smaller financings at this time, but we have not reached an agreement in principle, much less a definitive agreement, in this regard. We have no assurance

Management Discussion & Analysis (cont.)

that we will be successful in obtaining required funds.

In addition to smaller, equity placements for short-term needs and a major capital raising transaction for long-term needs, we expect to pursue other possible sources of capital. For example, one source of funding being pursued is the sale of a portion of our interest in the Prospect to a joint venture partner for a cash payment and/or a work commitment. We have had 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 conducted extensive geological and geophysical work, including the reprocessing of existing 3D seismic data relating to a portion of the Prospect, 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. A joint venture arrangement is unlikely to help with our immediate cash needs, but (if secured) one would help with our longer-term cash needs.

In June 2015 we initiated a private placement program offering of our Common Stock in order to raise funds to meet our immediate cash needs. We are seeking to place with accredited investors up to 3.0 million Common Shares at a price of \$0.50 per share. As of July 7, 2015, we had raised \$50,000 and accordingly have issued 100,000 Common Shares.

Production from successful 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 development activities. Cash flow is a critical factor to our plan of operation in the long run. Management believes that, if our plan of operation progresses (and production is realized) as planned, sufficient cash flow and debt financing will be available for purposes of properly pursuing our plan of operation, although we can make no assurances in this regard.

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

Consequences of a Financing Failure

The amount of cash on hand, the pending maturity of the Liberty note, and the need to raise additional capital of at least \$3.5 million by the end of October 2015 to continue operations and satisfy our obligations for the second year of our work commitment have all heightened our need to raise a significant amount of additional capital in the near future. If required financing is not available on acceptable terms, we could be prevented from satisfying our debt or work commitment obligations, or developing the Prospect. Our failure to pay timely the Liberty note could result in Liberty's exercise of the rights of an unsecured creditor and possibly levy encumbrances on all or a large part of our assets. Our failure to honor our work commitment could result in our loss of the Prospect. Our failure to procure required financing on acceptable terms could prevent us from developing the Prospect. If any of the preceding events were to occur, we could be forced to cease our 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.

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.

Management Discussion & Analysis (cont.)

OTHER INFORMATION

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

During June 2015, we effected a private placement of 100,000 of our shares of common stock (“ Shares ”) with one investor at a price of \$0.50 per Share. The issuances of these Shares are claimed to be exempt pursuant to Section 4(2) of the Act and Rule 506 of Regulation D under the Act. No advertising or general solicitation was employed in offering these securities. The offering and sale was made only to a single accredited investor, and subsequent transfers were restricted in accordance with the requirements of the Act.

Item 6. Exhibits

Exhibits

The following 10 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

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)

Date: July 15, 2015

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: July 15, 2015

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

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: July 15, 2015

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

**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 May 31, 2015 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.

Date: July 15, 2015

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

**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 May 31, 2015 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.

Date: July 15, 2015

By: /s/ William E. Begley

William E. Begley,
Chief Financial Officer

Forward Looking Statements

FORWARD LOOKING STATEMENTS: Certain information regarding the Company contained herein may constitute forward looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company cautions that actual performance will be affected by a number of factors, many of which are beyond the Company's control, and that future events and results may vary substantially from what the Company currently foresees. Discussion of the various factors that may affect future results is contained in the Company's Annual Report which is available at www.sec.gov or www.sedar.com. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.



Australia Subsidiary



HEAD OFFICE

Discovery Energy Corp.

Suite 1700 – One Riverway Place
Houston, Texas USA 77056
Tel: (713) 840 6495
Fax: (713) 622 1937
Email: info@discoveryenergy.com

DIRECTORS

Keith Spickelmier, Chairman
Keith McKenzie
William Begley

OFFICERS

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

AUDITORS

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

INCORPORATION

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

LISTING

Exchange: OTC Markets
Trading Symbol: "DENR"
Cusip Number: 25470P 102
ISIN Number: US25470P1021

SUBSIDIARY COMPANY

Discovery Energy SA Ltd.

Level 8 - 350 Collins Street
Victoria 3000 AUS
Tel: 61 (0) 3 8601 1131
Fax: 61 (0) 3 8601 1180
Email: info@discoveryenergy.com.au

DIRECTORS

Keith McKenzie
Mike Dahlke
William Begley
Andrew Adams

LEGAL COUNSEL - USA

Gillis, Paris & Heinrich, PLLC
Suite 818 - 8 Greenway Plaza,
Houston, Texas USA 77046

LEGAL COUNSEL - AUSTRALIA

GJ King & Associates
216 Stadtmillers Lane
Bowling NSW 2582 Australia

SHARE CAPITAL AUTHORIZED AND ISSUED AS AT JANUARY 20, 2014

Authorized: 500,000,000 common shares without
par value Issued and Outstanding: 140,006,167

TRANSFER AGENT

Transfer Online, Inc.
512 SE Salmon St.
Portland, OR 97214
Website: www.transferonline.com

For more information visit us at Discoveryenergy.com