DISCOVERY
ENERGY CORP

ANNUAL REPORT
2021

AUDITED

For the year ending February 28, 2021

DISCOVERYENERGY.COM

About Discovery Energy

Discovery Energy is an emerging oil and gas explorer with a core focus on South Australian Cooper Basin oil projects. The Company's exploration program is underpinned and complemented by targeted corporate activity to take advantage of opportunities and build an extensive pipeline of exploration projects. Discovery's board and management have extensive technical and commercial experience in the oil and gas sector.

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

FORM 10-K

(MARK ONE)

[X] **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended February 28, 2021

[ ] **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 000-53520

DISCOVERY ENERGY CORP.

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	**98-0507846** (I.R.S. Employer Identification No.)
One Riverway Drive, Suite 1700, Houston, Texas (Address of principal executive offices)	**77056** (Zip Code)

Issuer's telephone number: (713) 840-6495

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, par value $.001 per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] No [ ]

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

Large accelerated filer	[ ]	Accelerated filer	[ ]
Non-accelerated filer	[X]	Smaller reporting company	[X]
		Emerging growth company	[ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act) Yes [ ] No [X]

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $10,180,976.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 154,365,396 as of June 14, 2021

DOCUMENTS INCORPORATED BY REFERENCE

None.

DISCOVERY ENERGY CORP.
FORM 10-K
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2021
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CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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," "will," "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 this Annual Report on Form 10-K and in our other Securities and Exchange Commission filings.

PART I

ITEM 1. BUSINESS.

General

Discovery Energy Corp. (the "***Company***") was incorporated under the laws of the state of Nevada on May 24, 2006 under the name "Santos Resource Corp". The current business of the Company is the exploration and development of the 584,651 gross acres (914 sq. miles) area in South Australia ("***Prospect***") held under Petroleum Exploration License PEL 512 ("***License***"). The Prospect is located in the "Western Flank" area, which is the southwest Permian edge of the Cooper and Eromanga Basins, the most prolific producing onshore region in Australia. There are three separate acreage blocks in the Prospect: West (~400,000 acres), South (~181,000 acres) and Lycium (~4,000 acres). In May 2012, the Company incorporated a wholly owned Australian subsidiary, Discovery Energy SA Ltd. ("***Subsidiary***"), for the purpose of acquiring a 100% working interest in the License. In May 2016, the Subsidiary's legal entity status changed from public to private and its name changed to Discovery Energy SA Pty Ltd. The Company is in the initial exploration phase of determining whether or not the Prospect contains economically recoverable volumes of crude oil, natural gas and/or natural gas liquids (collectively "***Hydrocarbons***"). Although the Company's current focus is primarily on the Prospect, management from time-to-time exchanges information with other industry participants regarding additional investment opportunities in Australia. The Company's internet address is https://discoveryenergy.com.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge on our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission (the "***SEC***"). The SEC maintains an internet site that contains our public filings with the SEC and other information regarding the Company, at http://www.sec.gov.

Recent Developments and Events

This section discusses developments and events during fiscal 2021 that are believed to be significant to the Company.

Extension of Debentures. On May 27, 2016, the Company entered into a Securities Purchase Agreement with an initial investor (the "***Original Purchaser***") pursuant to which the Company issued to the Original Purchaser some of the Company's Senior Secured Convertible Debentures (each a "***Debenture***" and collectively the "***Debentures***"). The Debentures are debt instruments convertible into the Company's common shares. Eventually a second investor was made a party to the Securities Purchase Agreement and was also issued Debentures. Thus far, the Company has issued to these two investors a total of 14 Debentures having an aggregate original principal amount of $6,850,000. Interest on the Debentures to date has been accrued and added to principal, thereby increasing the outstanding balance on the Debentures to approximately $9,699,000 as of March 31, 2021. Interest will continue to be accrued until such time as the Debentures are repaid or converted to common shares. The original terms of the Debentures provided that the principal amount of and accrued interest on the Debentures was due and payable in a single balloon payment on or before May 27, 2021 (the "***Maturity Date***"). For more information about the Debentures, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Financing History and Immediate, Short-Term Capital Needs - Debentures Financing" below.

In conjunction with certain issuances of the Debentures, warrants ("***Warrants***") were issued to the Original Purchaser that grant to it the right to purchase up to an aggregate maximum number of 19,125,000 common shares at an initial per-share exercise price of $0.20. The Warrants have been amended from time to time to extend their expiration dates (the "***Termination Date***"). Prior to the extension discussed below, the Warrants had a Termination Date of February 28, 2021. For more information about the Warrants, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Financing History and Immediate, Short-Term Capital Needs - Debentures Financing" below.

On February 4, 2021, the parties to the Debentures and Warrants entered into an amendment to them providing for the following:

* The Maturity Date of the Debentures was extended to December 31, 2023.

* The Termination Date of the Warrants was also extended to December 31, 2023.

* The Company agreed to issue to the Original Purchaser additional Warrants to purchase 8,752,058 additional common shares at a per-share exercise price of $0.20, subject to adjustment upon the occurrence of certain customary events. These warrants were issued on May 28, 2021, and have an expiration date of December 31, 2023. These warrants bring the total number of warrant shares that may be acquired by the Original Purchaser to 27,877,058.

Management believes that the extension of the Debentures under favorable terms, and the recent extension of the deadlines for the work commitment on the Prospect have mitigated many of the issues and concerns affecting the Company caused by the effects of Covid-19 in the U.S. and Australia.

Suspension of Work Commitment. On August 13, 2020, the Company received from the Government of South Australia, Department of Energy and Mining, confirmation that such agency had approved the Company's application for an additional 12-month suspension of the work commitment relating to the License. Prior to this further suspension, the Company's remaining work commitments were due to be completed by October 29, 2022. The deadlines for the Company's remaining work commitments are detailed in the section captioned "Item 1. Business - Plan of Operation - Current Primary Activity" below.

Paycheck Protection Program Loan. In connection with the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act, the Company borrowed an initial loan during fiscal year 2021 in the amount of $118,750 and a second loan during fiscal year 2022 in the amount of $120,000. The Company is in the process of applying for the forgiveness of the first draw to the maximum extent permitted by applicable law. The Company is also planning on applying for forgiveness of the second draw to the maximum extent permitted.

On-going Effects of Coronavirus Pandemic. In December 2019, a novel strain of coronavirus, SARS-CoV-2, which causes coronavirus disease 2019 ("COVID-19"), surfaced in Wuhan, China. Since then, SARS-CoV-2 and COVID-19 spread to many countries, including the U.S. The COVID-19 pandemic led to the implementation of various responses, including government-imposed quarantines, travel restrictions and other public health safety measures. It resulted in a significant spike in unemployment and a concomitant decline in economic activity in the U.S., Australia and many other countries, and any future outbreak of a health epidemic or other adverse public health developments may have similar effects. Although the effects of the COVID-19 pandemic have been lessening in the U.S. and other parts of the world overall due to (among other things) effective vaccination programs, these effects could start worsening again in the U.S. and elsewhere, creating renewed uncertainty. The current COVID-19 pandemic could continue to, and future similar epidemics or pandemics could also, materially and adversely impact our ability to finance and conduct our business once it becomes operational, and could materially and adversely impact our operations, financial condition and results. See the risk factor captioned "PANDEMICS OR DISEASE OUTBREAKS (SUCH AS THE NOVEL CORONAVIRUS, ALSO KNOWN AS THE COVID-19 VIRUS) COULD MATERIALLY AND ADVERSELY AFFECT US IN A VAREITY OF WAYS."

Recovery in Hydrocarbons Prices. Almost simultaneously with the initial widespread adverse effects from the COVID-19 pandemic, a Hydrocarbons price war began in early March 2020. At the time that this event started on March 8, 2020, the price of Brent crude was $45.27 per barrel, which was already down from a recent high of $68.91 on January 6, 2020. Such price declined to a low of $19.33 on April 21, 2020. By June 2021, the posted price of Brent had recovered to almost $73 per barrel. Hydrocarbons are volatile and entail certain risks. See the risk factor captioned "HYDROCARBONS ARE COMMODITIES SUBJECT TO PRICE VOLATILITY BASED ON MULTIPLE FACTORS OUTSIDE THE CONTROL OF PRODUCERS, AND LOW PRICES MAY MAKE PROPERTIES UNECONOMIC." The Company has no assurance that the price of Hydrocarbons will remain at adequate levels or that the Company will not be harmed by future prolonged low Hydrocarbon prices.

Historical Milestones

To date, the Company has achieved the following milestones:

* On October 26, 2012, the License was granted to the Subsidiary. After the License grant, the Company's primary focus was on completing a financing to raise sufficient funds so that the Company could undertake a required proprietary seismic acquisition program. After exploring a number of possible financings, the precipitous decline in crude oil prices starting in the summer of 2014 delayed the Company's ability to successfully complete a financing of the type being sought.
* The Company completed the Debentures and Warrant financing described in "Item 1. Business - Recent Developments and Events - Extension of Debentures" above. Among other uses, the proceeds from the Debentures enabled the Company to undertake required seismic work. For more information about the Debentures and the Warrants, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Financing History and Immediate, Short-Term Capital Needs - Debentures Financing" below.
* On October 30, 2016, fieldwork was completed on the Company's proprietary Nike 3D seismic survey (the "***Nike Survey***") covering an approximately 69 sq. mile (179 sq. km.) section of the western portion of the South Block of the Prospect and directly on trend and in close proximity to mature producing oilfields and recent discoveries on the blocks to the north. The Nike Survey was completed at a "turnkey price" of approximately $2.4 million.
* The raw data from the Nike Survey was converted to analytical quality information, processed and interpreted by the Company's geophysical advisor. Interpretation of the processed data included advanced technical analysis by specialized consultants. This technical work identified an inventory of more than 30 leads judged to be potential areas of crude oil accumulations. The Company has prioritized these initial prospective locations for presentation to potential sources of significant capital. Technical analysis is on-going.
* In June 2017, the Company completed the archeological and environmental field surveys of seven prospective drilling locations as required by applicable laws and regulations. It subsequently filed reports on these surveys with the South Australian government; no material issues were identified at any of the prospective drilling sites.
* In addition to the amounts raised pursuant to the Debentures arrangements, since the Company adopted its current business plan, the Company has raised funds totaling approximately $4.6 million through private placements of the Company's common shares.
* In several transactions to date, the Company (through the Subsidiary) purchased portions of an original 7.0% royalty interest relating to the Prospect retained by the party that, in effect, transferred and sold the License to the Company. As a result, the Company (through the Subsidiary) now owns an aggregate 5.0% royalty interest, while the previous holder of the original 7.0% royalty interest continues to hold a 2.0% royalty interest. The aggregate purchase price for the aggregate 5.0% royalty interest was $540,500 USD.

Prospect

There are producing wells on trend and directly north and east of the Company's South block. A typical Namur well, a primary producing reservoir in the Western Flank, is drilled to a depth of approximately 5,500 feet. The wellbore is vertical or near vertical and there is no lateral drilling or hydraulic stimulation required. This high-permeability reservoir combined with a strong aquifer system produces high flow and recovery rates. Initial production rates typically range from 450 to 940 barrels of oil per day ("***BOPD***"). Production is anticipated to be sweet, high gravity (45 degree) crude which is expected to result in premium pricing. As described in the section captioned "Markets and Marketing" below, markets for the Company's future production are readily accessible via existing infrastructure.

Beginning in 2018, Beach Energy began implementing horizontal drilling techniques targeting the lower permeability McKinlay and Birkhead reservoirs in the Western Flank. Several wells, with lateral sections of approximately 2,000 feet, were successfully drilled and completed. Initial production rates ranged from 800 to 2,000 BOPD resulting in an average well productivity improvement of 8.2 times over vertical wells for 1.5 times the cost. Typically, the time and cost to drill a well decreases and production rates and economics improve as additional wells are drilled and the increase in knowledge and experience is incorporated into best practices.

Exploration Activity

Since 2012, the Company has assembled a database that now includes a substantial inventory of data, analyses and technical information on the Cooper and Eromanga Basins, fields in the Western Flank, operators and operations, all in close proximity to the Prospect. In 2012, an engineering consultant was engaged to prepare an NI 51-101 compliant report which resulted in the identification of more than 110 seismic generated leads over approximately 30% of the Prospect. This was complimented by the reinterpretation of approximately 3,200 miles (5,153 km.) of 2D seismic data and the reprocessing and reinterpretation of approximately 55 sq. miles (141 sq. km.) of 3D seismic data from a survey conducted over the Lake Hope area in the eastern portion of the South block. The data described in the preceding sentence was acquired in connection with the issuance of the License. In late 2016, the Company conducted the approximately $2.4 million Nike Survey covering an area of approximately 69 sq. miles (179 sq. km.) located in the western section of the South block and directly on trend and in close proximity to mature producing oil fields and recent discoveries on blocks to the north. The Company has also undertaken some "work area clearance" ("***WAC***") surveys.

Terms of the License

In 2012, the Subsidiary received a formal grant of the License from the South Australian Minister for Mineral Resources and Energy. The License is a "Petroleum Exploration License" (a "***PEL***") granting the right to explore for all regulated resources (including petroleum and any other substance that naturally occurs in association with petroleum) relating to the Prospect, provided, however, that the License does not permit use of the Prospect as a source of geothermal energy or a natural reservoir for the purpose of gas storage.

The Company now holds a 100% working interest in the License, subject to a 10% overriding royalty interest in favor of the State of South Australia and an aggregate 3% overriding royalty interests in favor of others. In view of these overriding royalty interests, the Company's net revenue interest in the License is 87%

The License is subject to a five-year work commitment as described below. Failure to comply with the work program requirements could lead to the cancellation of the License. The License also requires that insurance of the types and amounts of coverage that management believes are reasonable, customary and the industry standard be maintained, and contains provisions regarding environmental matters and liabilities that management also believes are reasonable, customary and the industry standard.

The initial term of the License is five years, with two five-year renewal terms, subject to the provisions of the South Australian Petroleum and Geothermal Energy Act 2000. As discussed herein, the initial five-year term has been suspended a number of times; as a result, this initial term currently remains in effect. At the end of the initial five-year term of the License and assuming that the Company has met its obligations, the License can be renewed for a first five-year renewal term, provided, however, that the Company must relinquish one-third of its acreage or convert all or portions of it to a Petroleum Retention License (a "***PRL***"). At the end of the first five-year renewal term, assuming that the Company has met its commitment obligations, the License can be renewed for a second five-year renewal term, provided, however, that the Company must relinquish one-third of its original acreage or convert all or portions of the remaining acreage to a PRL. Relevant law requires the South Australian government to grant a PEL with respect to any acreage to be relinquished if the related licensee submits a reasonable application for renewal of the related license. Management believes that (as a matter of practice) the South Australian government almost invariably grants renewals, although the Company has no assurance that this will occur in its case. Any renewal could entail additional requirements, such as additional work commitments. Control over acreage can remain in effect indefinitely, so long as the licensee converts its license to a Petroleum Production License" (a "***PPL***") and is producing Hydrocarbons from the related acreage. A PPL has requirements somewhat different from a PEL, and the scope of the acreage in effect "held by production" is limited by applicable law.

Plan of Operation

Current Status

The Company is in the initial phase of its Plan of Operation. To date, field operations have been limited to the successful completion of seismic and related WAC surveys. Without drilling results, the Company does not have the necessary technical data to prepare estimates of Hydrocarbon reserves needed to prepare various reports for submission to regulators. The Company cannot provide assurance that it will find commercially producible volumes of Hydrocarbons.

Current Primary Activities

The Company's current primary activity is to complete either a major financing or a major joint venture relationship, or both, so that it can execute the remaining work commitment described below, and develop the Prospect.

The License is subject to a five-year work commitment, which imposes certain financial obligations on the Company. In management's view, the geotechnical work completed in Years 1 and 2 of the commitment was sufficient to satisfy the License requirements for those two years. Required reports in connection with these activities were timely filed. To date, no comments from the government have been received, and management understands that the relevant government agency is required by law to furnish comments within 30 days after the reports are filed. Moreover, such agency has extended and modified the work commitment a number of times since the filing of the reports, and has been very accommodating with Company requests.

Over the term of the License thus far, a number of extensions and modifications of the work commitment have been granted. The current remaining work commitment is as follows:

* Year 3 ending October 28, 2021 - Shoot 2D seismic data totaling at least approximately 62 miles (100 km.) and shoot 3D seismic data totaling at a minimum approximately 77 sq. miles (200 sq. km.) and drill two wells.
* Year 4 ending October 29, 2022 - Shoot 3D seismic data totaling a minimum of approximately 77 sq. miles (200 sq. km.) and drill two wells.
* Year 5 ending October 29, 2023 - Drill three wells.

The Company needs a significant amount of additional capital to fulfill its obligations under the work commitment. Moreover, the Debentures will mature in December 2023, and the Company will need to raise additional funds or generate sufficient revenues through Hydrocarbon production to timely repay the Debentures, if they are not converted. The Company's capital requirements and financing activities are described in the section captioned "Liquidity and Capital Requirements" below. The success of the initial phase of the Plan of Operation depends upon the Company's ability to obtain additional capital or enter into a suitable joint venture arrangement in order to acquire additional seismic data and successfully drill commitment wells. Failure to obtain required additional capital or enter into a suitable joint venture arrangement will materially and adversely affect the Company and its stockholders in ways that are discussed in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Consequences of a Financing Failure" below. The Company cannot provide assurance that it will obtain the necessary capital and/or enter into a suitable joint venture agreement.

Once the Company is in a position to commence drilling, it intends to engage the services of a third-party contractor. No significant impediments to procuring the services of one or more qualified contract operators and drillers in connection with the initial phase of the Company's Plan of Operation are anticipated. However, a considerable increase in drilling activity in the West Flank area could result in longer wait times and higher costs to obtain materials and services. The contract operator will be responsible for all regulatory compliance matters; hiring the drilling contractor, geologist and petroleum engineer to make final decisions relative to the zones to be targeted; well design; drilling and logging. Should wells comprising the Company's drilling operations be successful, the operator will then be responsible for completion operations, production facilities procurement, installation, operations and maintenance, interconnecting with gathering or transmission pipelines and attending to various administrative matters.

The Company initially plans to focus on oil-bearing formations, and thus crude oil is most likely to be the Company's principal product for the foreseeable future, if the Company is successful in its exploration and production activities. Natural gas is not expected to be a significant opportunity for the foreseeable future. The Company expects that most of its oil production will be transported through trucking operations owned by others.

Any natural gas produced may (depending on the amount produced) be flared or transported through gathering systems and gas pipelines that are owned by others. Transportation capacity on gas gathering systems and pipelines is occasionally limited and at times unavailable due to repairs or improvements being made to the facilities or due to use by other gas shippers with priority transportation agreements or who own or control the relevant pipeline. The Company cannot accurately predict the costs of transporting its natural gas production until it drills, completes and tests its initial successful wells. The cost of installing infrastructure to deliver the Company's natural gas production to Moomba, which, as described below, is the principal transportation center for the area, or elsewhere will vary depending upon distance traversed, negotiated handling/treating fees, pipeline tariffs and other associated costs. Although issues pertaining to the Company's natural gas transportation could adversely affect the Company, the Company does not believe that this will be the case due to the minor role that any natural gas production is expected to play in the Company's business.

Markets and Marketing

The petroleum industry has been characterized historically by Hydrocarbon prices that fluctuate (sometimes dramatically), and supplier costs can rise significantly during industry booms. The most recent price decline cycle started in early March 2020 when an oil price war began. On March 8, 2020, the price of Brent crude was $45.27 per barrel, which was already down from a recent high of $68.91 on January 6, 2020. Such price declined to a low of $19.33 on April 21, 2020. By March 2021, the posted price of Brent had recovered to almost $70 per barrel. The Company has no assurance that the price of Hydrocarbons will recover to adequate levels or that the Company will not be harmed by prolonged low levels of Hydrocarbon prices. Hydrocarbon prices and markets are likely to remain volatile. Sales prices for these commodities are subject to wide fluctuations in response to relatively minor changes in supply and demand, market uncertainty, and a variety of additional factors beyond the Company's control. These factors include:

* international political conditions (including embargoes, wars and civil unrest, such as the recent unrest in the Middle East);
* the domestic and foreign supply of Hydrocarbons;
* consumer demand;
* weather conditions;
* domestic and foreign governmental regulations and other actions;
* actions taken by the Organization of the Petroleum Exporting Countries ("***OPEC***");
* technological advances affecting energy consumption;
* technology and knowledge advances' impact seismic, drilling, development and production;
* the price and availability of alternative fuels;
* epidemics, pandemics and government action that impedes the ability of companies to undertake their businesses; and
* general economic conditions.

Decreases in Hydrocarbon prices might not only decrease the Company's future revenues on a per unit basis, but could also reduce the volumes that the Company could produce economically. A sustained decline in sales prices could materially and adversely affect the Company's future business, financial condition, results of operations, liquidity and borrowing capacity, and may require a reduction in the carrying value of the Company's assets. While the Company's future revenues may increase if prevailing prices increase significantly, exploration and production costs and acquisition costs for additional properties and reserves could also increase. The Company might enter into hedging arrangements or use derivative financial instruments to hedge in whole or in part the risk associated with fluctuations in Hydrocarbon prices.

The Company does not expect to refine any of its production, although it may need to treat or process some of its production to meet the quality standards of purchasing or transportation companies. Therefore, the Company expects that all or nearly all of its production will be sold to a relatively small number of customers. Production from the Company's properties will be marketed in a manner consistent with industry practices. The Company does not currently have any long-term sales contracts for its future production, but it expects that it will generally sell any production that it develops pursuant to these types of contracts. The Company does not believe that it will have any difficulty in entering into long-term sales contracts for its production, although there can be no assurance in this regard.

The principal Hydrocarbon transportation hub for the Western Flank is located in the vicinity of Moomba. This processing and transportation center is approximately 37 miles due east of the Prospect's easternmost boundary and about 40 miles from the Company's expected initial drill sites. These sites are located about 20 miles from a privately-owned terminal for trucking oil in Lycium. The Lycium Hub is also the terminal point for a main Trunk Line with a capacity of 20,000 barrels per day, which delivers oil to the Moomba Processing Facility. Management believes that the Company has access to an infrastructure sufficient to transports its Hydrocarbon production to processing facilities or customer markets.

The availability of a ready market for the Company's production will depend on a number of factors beyond the Company's control, including the availability of other production in the Prospect's vicinity, the proximity and capacity of Hydrocarbon pipelines, and fluctuations in supply and demand. Although the effect of these factors cannot be accurately predicted or anticipated, the Company does not anticipate any unusual difficulty in contracting to sell its production of Hydrocarbons to purchasers at prevailing market prices and under arrangements that are usual and customary in the industry. However, there can be no assurance that market, economic and regulatory factors will not in the future materially and adversely affect the Company's ability to sell its production.

Sales prices for Hydrocarbon production are negotiated based on factors normally considered in the industry, such as the reported trading prices for Hydrocarbons on local or international commodity exchanges, distance from wells to pipelines, well pressure, estimated reserves, commodity quality and prevailing supply conditions. Historically, Hydrocarbon sales prices have experienced high volatility resulting from changing perceptions throughout the industry centered on supply and demand. The Company cannot predict the occurrence of events that may affect sales prices or the degree to which such prices will be affected. However, sales prices realized by the Company should be equivalent to the then current market prices in the geographic region of the Prospect. Typically, crude oil prices in Australia reflect or are "benchmarked" against European commodity market trading settlement prices, mainly Brent Crude.

The Company will strive to obtain the best sales prices in the area of its production. The Company's revenues, profitability and future growth will depend substantially on prevailing prices. Decreases in the sales prices would likely adversely affect the carrying value of any proved reserves the Company is successful in establishing and its prospects, revenues, profitability and cash flow.

Competition

The Company expects to operate in the highly competitive industry of Hydrocarbon exploration, development and production. The Company believes that the level of competition in these areas will continue and may even intensify. In the areas of Hydrocarbon exploration, development and production, competitive advantage is gained through superior capital investment decisions, technological innovation and cost management. The Company's competitors include major firms and a large number of independent companies. Because the Company expects to have control over acreage sufficient for its exploration and production efforts for the foreseeable future, the Company does not expect to compete for the acquisitions of properties for the exploration for Hydrocarbons. However, the Company will compete for the equipment, services and labor required to explore for, develop and produce its properties and to transport its production. Many of the Company's competitors have substantially larger operating staffs and greater financial and other resources. In addition, larger competitors may be able to absorb the burden of any changes in laws and regulations more easily than the Company can, which would adversely affect its competitive position. Moreover, most of the Company's competitors have been operating in the Western Flank for longer periods than the Company has and they have demonstrated the ability to operate through a number of industry cycles. The impact of this intense competition cannot currently be determined.

Regulation

The Company's operations in South Australia and within the Western Flank are subject to the laws and regulations of the State of South Australia and the Commonwealth of Australia. The License was granted under the Petroleum and Geothermal Energy Act 2000 (SA) and the Company's operations within and with respect to the License are governed by this Act and by the Petroleum and Geothermal Energy Regulations 2013 (SA). This legislation covers all phases of the Company's operations including exploration, appraisal, development and production of Hydrocarbons from the License area. Other legislation which the Company will be required to comply with at various stages of its operations include: Environment Protection Act 1993 (SA); Aboriginal Heritage Act 1988 (SA); Native Title Act 1994 (SA) and Native Title Act 1993 (Cth). As its Hydrocarbon exploration and production operations in South Australia proceed, the Company will provide more detailed information regarding the material features and effects of these laws and regulations and such other legislation with which the Company will be required to comply.

Employees

As of the date of this Report, the Company had three full-time employees. Fiscal 2021 was the first time that the Company had employees since it adopted its current business plan. However, the Company has used a number of consultants and part-time service providers in the past, including members of the Company's current management team. The Company's needs for additional personnel in the future are uncertain.

Item 1A. Risk Factors.

An investment in our common shares is highly speculative and involves a high degree of risk. You should carefully consider all of the risks discussed below, as well as the other information contained in this Annual Report. If any of the following risks develop into actual events, our business, financial condition or results of operations could be materially and adversely affected and the trading price of our common shares could decline.

RISKS RELATING TO OUR COMPANY

WE ARE AN EARLY-STAGE COMPANY WITH NO PROVED RESERVES, AND WE HAVE A NUMBER OF IMPORTANT MILESTONES THAT WE MUST ACHIEVE.

Our business plan is to explore, develop and produce crude oil, natural gas and/or natural gas liquid (collectively "***Hydrocarbons***") from a tract of land (the "***Prospect***") covered by Petroleum Exploration License ("PEL") 512 (the "***License***") in the State of South Australia. The Prospect is considered "undeveloped acreage," which the U.S. Securities and Exchange Commission (the "***Commission***") defines as "lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of Hydrocarbons regardless of whether such acreage contains proved reserves." We have no proved reserves. In view of our extremely limited history in the Hydrocarbon exploration business, an investor may have difficulty in evaluating us and our business, both current and future activities. An investor must consider our business and prospects in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. For our business plan to succeed, we must successfully undertake most of the following activities:

* Complete a financing or similar transaction that will provide us with sufficient funds;
* Drill successful exploratory test wells on the Prospect to determine the presence of Hydrocarbons in commercially viable quantities;
* Develop the Prospect to a stage at which Hydrocarbons are being produced in commercially viable quantities;
* Contract with purchasers of our commercial production of Hydrocarbons upon such commencement; and
* Identify and enter into binding agreements with suitable third parties (such as joint venture partners and contractors) for the Prospect.

There can be no assurance that we will be successful in undertaking such activities. Our failure to undertake successfully most of the activities described above could materially and adversely affect our business, financial condition and results of operations.

WE HAVE A HISTORY OF LOSSES, AND WE MAY NOT BECOME PROFITABLE.

We have incurred losses since our inception. For our fiscal year ended February 28, 2021, we incurred net losses of $6,083,713, of which interest expense, both non-cash and accrued, in the amount of $2,328,346 was a primary driver. As of February 28, 2021, we had an accumulated deficit of $31,661,738. We expect our losses to continue as we incur significant capital expenditures and operating expenses to explore for Hydrocarbons on the Prospect. These continuing losses will most likely be greater than current levels. If our revenues do not increase substantially or if our expenses exceed our expectations, we may never become profitable. There can be no assurance that our exploration and production activities will produce Hydrocarbons in commercially viable quantities, if any at all. Moreover, even if we succeed in producing Hydrocarbons, we expect to incur operating losses until such time (if ever) as we produce and sell a sufficient volume of our commercial production to cover direct production costs as well as corporate overhead. There can be no assurance that sales of our Hydrocarbon production will ever generate significant revenues, that we will ever generate positive cash flow from our operations or that (if ever attained) we will be able to sustain profitability in any future period.

WE ARE SIGNIFICANTLY LEVERAGED.

During a two-year period beginning in May 2016, we took on a significant amount of debt through the sale of Senior Secured Convertible Debentures due (each a "***Debenture***" and collectively the "***Debentures***"). The amount of this indebtedness (including principal and accrued interest) was approximately $9,699,000 compounded through March 31, 2021. Our Debentures are secured by all of our assets owned directly or indirectly but for the License. The use of secured indebtedness to finance our business is referred to as leveraging. Leveraging increases the risk of loss to us if and to the extent we have insufficient revenue to pay our debt obligations. In such event, cash from other sources will be required. Our Debentures must be repaid or converted by the holders thereof on or before December 31, 2023. Unless we generate such cash, we may not have sufficient funds to pay our Debentures and other indebtedness when due. In such event, we might be required to sell our assets and properties to meet our obligations, or to seek an extension to our Debentures, or alternative debt or equity financing. If sale, extension or refinancing is not obtained or consummated, we could default in our obligations.

THE EXERCISE OF SECURED CREDITOR RIGHTS COULD RESULT IN A SIGNIFICANT OR COMPLETE LOSS.

If we default on our Debentures, the remedy of our Debentures holders would be (among other things) to institute proceedings against our assets and properties to sell them to satisfy the amounts owed pursuant to our Debentures. This could result in the partial or total loss of our assets and properties. We have no assurance that, upon the exercise of our Debentures holders' secured creditor rights, we would receive a return of anything on our assets and properties. The loss of our assets and properties by the exercise of our Debentures holders' secured creditor rights would most likely materially and adversely affect our business, financial condition or assets, and could result in a total loss to our stockholders.

OUR DEBENTURES FEATURE CERTAIN OPERATING COVENANTS THAT COULD ADVERSELY AFFECT THE COMPANY.

Our Debentures contain operating covenants that prohibit us from certain actions (negative operating covenants) and that require us to continually undertake other actions (affirmative operating covenants). The negative operating covenants could preclude us from taking actions that we believe to be in the best interests of our stockholders. The affirmative operating covenants will require us to incur continuing costs and expense and could require us to take actions that we believe are not in our best interests. Moreover, our failure to comply with either negative operating covenants or affirmative operating covenants would most likely be a default under our Debentures, giving to our Debentures holders the rights described above.

PANDEMICS OR DISEASE OUTBREAKS (SUCH AS THE NOVEL CORONAVIRUS, ALSO KNOWN AS THE COVID-19 VIRUS) COULD MATERIALLY AND ADVERSELY AFFECT US IN A VAREITY OF WAYS.

Pandemics or disease outbreaks such as COVID-19 could materially and adversely affect us in a number of ways. First, the current pandemic resulted, and future pandemics and epidemics could result, in economic downturns that could affect the market for our proposed products. Transport restrictions related to quarantines or travel bans, or simply declines in customers desire and willingness to travel, due to pandemics and epidemics have caused, and can be expected to cause when they occur in the future, significant declines in demand for products derived from crude oil, such as gasoline and jet fuel. Such declines greatly reduce not only the amount of products that can be sold on an aggregate basis, but also the price received for such products. Such results can be expected to have the following effects:

* harm our financial results (especially revenues and profits) if and when we enter into commercial production.

* harm our ability to raise funds (if needed) due to a diminished interest in investing in Hydrocarbon exploration and production companies in general.

* depress our stock price, further harming our ability to raise funds.

Workforce limitations and travel restrictions resulting from pandemics or disease outbreaks and related government actions may impact many aspects of our business. We could experience interruptions or delays in receiving supplies of products and services from third parties due to staffing shortages, production slowdowns or stoppages, disruptions in delivery systems, travel limitations, mass transit disruptions, and the like. If a significant percentage of persons provided employment and other contractual services to us were unable to work, including because of illness or travel or government restrictions in connection with pandemics or disease outbreaks, our operations could be materially and adversely impacted.

Moreover, the spread of pandemics or disease outbreaks such as the COVID-19 virus may also disrupt logistics necessary to import, export, and deliver products to us or our customers. Ports and other channels of entry may be closed or operate at only a portion of capacity, as workers may be prohibited or otherwise unable to report to work, and means of transporting products within regions or countries may be limited for the same reason.

Currently, uncertainty exists relating to the potential effect of COVID-19 on our business. Infections may become more widespread, exacerbating an already challenging environment. The extent to which any pandemic or epidemic impacts our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and actions to contain the outbreak or treat its impact, such as social distancing and quarantines or lock-downs in the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

Also, the current pandemic, and future pandemics and epidemics could hamper our efforts to provide our investors with timely information and comply with our filing obligations with the Commission. Of major concern is loss of key staff and/or service providers due to life threatening health issues.

OUR OUTSTANDING OBLIGATIONS AND ABILITY TO ISSUE ADDITIONAL COMMON SHARES COULD RESULT IN SIGNIFICANT DILUTION TO STOCKHOLDERS.

Our Debentures outstanding as of the date of the filing of this Report are convertible into 59,043,869 common shares, and the number of shares into which these Debentures may be converted is expected to increase in the future. An aggregate of 27,877,058 common shares can be acquired upon the exercise of the outstanding Warrants. The conversion price of our Debentures and the exercise price of the Warrants may be less than the then current market price of the common shares at the time of conversion and exercise. Moreover, we have registered an aggregate of 6,000,000 common shares for issuance pursuant to an equity incentive plan to employees, officers, directors, and outside consultants to compensate them for services provided or to provide incentives to them. Of these common shares, 1,747,300 are still available for issuance in the future. Future issuance of additional shares pursuant to the Debentures, Warrants or the equity incentive plan or otherwise could cause immediate and substantial dilution to the net tangible book value of common shares issued and outstanding immediately before such transactions. Any future decrease in the net tangible book value of such issued and outstanding shares could materially and adversely affect the market value of the common shares. Moreover, any common shares issued as described above would further dilute the percentage ownership of existing stockholders. The terms on which we could obtain additional capital while our Debentures or the Warrants are outstanding may be adversely affected because of the potential dilution described in this risk factor.

WE NEED ADDITIONAL CAPITAL TO SATISFY OUR WORK COMMITMENT, TO PROVIDE WORKING CAPITAL AND TO DEVELOP THE PROSPECT, WHICH CAPITAL WE MAY NOT BE ABLE TO RAISE OR WHICH MAY BE AVAILABLE ONLY ON TERMS UNFAVORABLE TO US.

We have a work commitment with respect to the Prospect requiring us to expend significant stipulated amounts. We will need additional funds to satisfy the remainder of the work commitment, which includes the actual drilling of wells. Moreover, we will need working capital and further funds to explore and develop the Prospect in the manner that we prefer.

We are actively engaged in efforts to complete a capital raising transaction sufficient for us to complete the third year of the work commitment and provide additional funds to cover general and administrative costs. In the past, we have used the services of firms that specialize in capital procurement, but we are currently pursuing our own capital raising initiatives. If funds are not procured pursuant to this arrangement, we will be constrained to seek alternative financing. We have no assurance that we will be successful in completing a transaction that will provide us with required funds. Our failure to honor our work commitment could result in our loss of the Prospect. Moreover, our failure to procure funds needed to develop operations sufficient to generate enough cash to retire our Debentures as they become due could result in Debentures holders' eventual exercise of the rights of a secured creditor and the possible loss of all or a large part of our assets. If either of the preceding events were to occur, we could be forced to cease our current business plan, which could result in a complete loss to our stockholders. Our future liquidity will depend upon numerous factors, including the success of our business efforts and our capital raising activities. If we obtain funds through the issuance of equity securities, the following results will or may occur:

* the percentage ownership of our existing stockholders will be reduced.

* the new equity securities could have rights, preferences or privileges senior to those of the holders of our common shares.

We have no assurance of our ability to raise funds for any purpose.

THERE IS SUBSTANTIAL DOUBT AS TO WHETHER WE WILL CONTINUE OPERATIONS WITHOUT ADDITIONAL FINANCING.

Based on our assessment of the related risk factors (described further below), we believe there is substantial doubt about our ability to continue to operate as a going concern for the 12 months following the issuance of our February 28, 2021 financial statements. Our independent registered public accountant has added an emphasis paragraph to its report on our financial statements for the year ended February 28, 2021 regarding our ability to continue as a going concern. Key to this determination is our lack of any historical revenues and our accumulated deficit of $31,661,738 since inception through February 28, 2021. Since May 2016, we have placed Debentures having an aggregate original principal amount of $6,850,000. Proceeds from these placements largely financed our business for our fiscal years 2017 and 2018, and the first half of our fiscal year 2019. Since that time, we have financed our business through private common shares financings. Notwithstanding the preceding, we still need additional funds. There can be no assurance that we will be successful in securing funding, becoming profitable, or continuing our business without either a temporary interruption or a permanent cessation.

IF WE GROW OUR BUSINESS AS PLANNED, WE MAY NOT BE ABLE TO MANAGE PROPERLY OUR GROWTH, AND WE EXPECT OPERATING EXPENSES TO INCREASE, WHICH MAY IMPEDE OUR ABILITY TO ACHIEVE PROFITABILITY.

If we are successful in growing our business as we plan, our operations may expand rapidly and significantly. Any rapid growth could place a significant strain on our management, operational and financial resources. In order to manage the growth of our operations, we will be required to improve and expand existing operations; to implement new operational, financial and inventory systems, procedures and controls, including improvement of our financial and other internal management systems; and to train, manage and expand our staffing. If we are unable to manage growth effectively, our business, results of operations and financial condition will be materially and adversely affected. In addition, if we are successful in growing our business as we plan, we expect operating expenses to increase, and as a result, we will need to generate increased revenue to achieve and maintain profitability. These additional costs and expenses could delay our ability to achieve continuing profitability.

CONDUCTING BUSINESS INTERNATIONALLY MAY RESULT IN INCREASED COSTS AND OTHER RISKS.

We plan on operating our business in Australia. Operating internationally exposes us to a number of risks. Examples include a possible downturn in local economic conditions due to local policy decisions, increases in duties and taxes, and other adverse changes in laws, regulations and policies affecting our business, or governing the operations of foreign based companies. Additional risks include currency fluctuations, interest rate movements, imposition of trade barriers, and restrictions on repatriation of earnings. If we are unable to address these risks adequately, our financial position and results of operations could be adversely affected.

RISKS RELATING TO OUR INDUSTRY

OIL AND NATURAL GAS EXPLORATION AND PRODUCTION PRESENT MANY RISKS THAT ARE DIFFICULT TO MANAGE.

Our Hydrocarbon exploration, development and production activities are subject to many risks that may be unpredictable and are difficult to manage. In addition, the cost and timing of drilling, completing and operating wells is often uncertain. In conducting exploration and development activities, the presence of unanticipated pressure or irregularities in formations, miscalculations or accidents may cause exploration, development and production activities to be delayed or unsuccessful. This could result in a total loss of our investment in a particular drilling program. If exploration efforts are unsuccessful in establishing proved reserves in a timely manner and exploration activities cease, the amounts accumulated as unproved costs will be charged against earnings as impairments.

OUR FOCUS ON EXPLORATION ACTIVITIES EXPOSES US TO GREATER RISKS THAN ARE GENERALLY ENCOUNTERED IN LATER-STAGE HYDROCARBON PROPERTY DEVELOPMENT BUSINESSES.

If we are funded, most of our initial activity will involve drilling exploratory test wells on acreage with no proved Hydrocarbon reserves. While all drilling (whether developmental or exploratory) involves risks, exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of Hydrocarbons. The economic success of any drilling program will depend on numerous factors, including the ability to estimate the volumes of recoverable reserves relating to the drilling program, rates of future production, future commodity prices, investment and operating costs and possible environmental liabilities. All of these factors may impact whether a drilling program will generate cash flows sufficient to provide a suitable return on investment. If we experience a series of failed drilling projects, our business, results of operations and financial condition could be materially and adversely affected.

CERTAIN CURRENT TRENDS COULD MATERIALLY ADVERSELY AFFECT US AND OUR INDUSTRY.

Worldwide concern over the risks of climate change is growing. This has led to the following developments and could lead to further movement in the following directions:

* Laws are being adopted or considered to reduce greenhouse gas emissions, conserve fuel, use fewer Hydrocarbons, and utilize more alternative energy sources. These laws include cap and trade regimes, carbon taxes, trade tariffs, minimum renewable usage requirements, restrictive permitting, increased efficiency standards, and incentives or mandates for alternative or renewable energy. Government and other activist persons are also seeking to promote their climate change agendas indirectly, such as by seeking to reduce the availability of or increase the cost for, financing and investment in our industry and taking actions intended to promote changes in business strategy for companies in this industry.
* Consumer sentiment seems to be shifting against fuel sources that leave a large carbon footprint (such as Hydrocarbons) and in favor of products that use alternative energy sources. As an example, sales of electric vehicles increased rapidly for most of the second decade of the 21st century, and this could continue into the future. Even investors (including sovereign wealth, pension, and endowment funds) are increasingly sensitive to environmental, social, and governance (ESG) matters, opting to divest their holdings of (or not acquire investments in) companies in our industry. Organizations provide information to investors on corporate governance and related matters and have developed ratings processes for evaluating companies on their approach to ESG matters. Such ratings are used by some investors to inform their investment and voting decisions. All of this could have negative impacts on the stock prices and access to capital markets of companies in our industry.
* In response to the two points made above, research into new technologies to reduce the cost and increase the use of alternative energy sources is increasing. These technologies include advanced biofuels and hydrogen, carbon capture and storage, breakthrough energy efficiency processes, and advanced energy-saving materials.

The effect of the actions described above could have the potential to reduce demand for Hydrocarbons, to increase the costs of producing Hydrocarbons and products based on them (thereby increasing the prices, but reducing the quantity sold, of end-products), to affect adversely revenues, margins and investment returns or even render certain proposed projects economically unfeasible, and to increase regulatory compliance costs, as well as shift Hydrocarbon demand toward relatively lower-carbon sources such as natural gas. The full effects of the current trends (which are beyond our control) create a great deal of uncertainty as to their ultimate impact, and these effects may not be fully felt for many years to come. Nevertheless, these trends may materially adversely affect our business, financial condition, results of operations and cash flows.

WE WILL RELY ON INDEPENDENT EXPERTS AND TECHNICAL OR OPERATIONAL SERVICE PROVIDERS OVER WHOM WE MAY HAVE LIMITED CONTROL.

We are, and will continue to be, engaging independent contractors to provide us with technical assistance and services. These include the services of geologists, geophysicists, chemists, landmen, engineers and scientists. We also are and will be relying upon them to analyze the Prospect and any other future prospects to determine methods in which the Prospect may be developed in a cost-effective manner and to select drill sites. In addition, we intend to rely on the owners and operators of oil rigs and drilling equipment, and on providers of oilfield services, to drill and develop our prospects to production. Moreover, if our properties hold commercial quantities of Hydrocarbons, we would need to rely on third-party gathering, trucking and/or pipeline facilities to transport and purchase our production. Our limited control over the activities and business practices of these providers, any inability on our part to maintain satisfactory commercial relationships with them or their failure to provide quality services could materially and adversely affect our business, results of operations and financial condition.

SHORTAGES OF RIGS, EQUIPMENT, SUPPLIES AND PERSONNEL COULD DELAY OR OTHERWISE ADVERSELY AFFECT OUR COST OF OPERATIONS OR OUR ABILITY TO OPERATE ACCORDING TO OUR BUSINESS PLAN.

If drilling activity increases in the Western Flank, a general shortage of drilling and completion rigs, field equipment and qualified personnel could develop. As a result, the costs and delivery times of rigs, equipment and personnel could be substantially greater than in previous years. From time to time, these costs have sharply increased and could do so again. The demand for and wage rates of qualified drilling rig crews generally rise in response to the increasing number of active rigs in service and could increase sharply in the event of a shortage. Shortages of drilling and completion rigs, field equipment or qualified personnel could delay, restrict or curtail our exploration and development operations, which could in turn adversely affect our results of operations.

OUR REVIEW OF PROPERTIES CANNOT ASSURE THAT ALL DEFICIENCIES OR ENVIRONMENTAL RISKS MAY BE IDENTIFIED OR AVOIDED.

We plan on undertaking reviews that we believe are consistent with industry practice for our drilling programs. However, these reviews will often be limited in scope, and may not reveal all existing or potential problems, or permit us to become sufficiently familiar with the related properties to assess all potential problems. Moreover, we may not perform an inspection on every platform or well, and our inspections may not reveal all structural or environmental problems. Our license rights with respect to the Prospect contain no indemnification for environmental liabilities. Accordingly, we will pursue our drilling programs on an “as is” basis, which could require us to make substantial expenditures to remediate environmental contamination. If a property deficiency or environmental problem cannot be satisfactorily remedied to warrant commencing drilling operations on a property, we could lose our entire investment in the asset.

WE MAY NOT BE ABLE TO FULLY INSURE AGAINST ALL RISKS RELATED TO OUR PROPOSED OPERATIONS, WHICH COULD RESULT IN SUBSTANTIAL CLAIMS FOR WHICH WE ARE UNDERINSURED OR UNINSURED.

We currently do not have any insurance with regard to our proposed Hydrocarbon exploration and production activities. Prior to commencing these activities, we do intend to obtain insurance that we believe will be consistent with prevailing industry practices. We have no assurance that we will be able to obtain such insurance, or if obtained, we will be able to maintain it if costs become prohibitively expensive. Moreover, we have no assurance that such insurance will cover all risks. Losses and liabilities arising from uninsured and underinsured events, which could arise from even one catastrophic event, could materially and adversely affect our business, results of operations and financial condition. Our exploration, drilling and other activities are subject to risks such as:

* fires and explosions;
* environmental hazards, such as uncontrollable flows of natural gas, oil, brine, well fluids, toxic gas or other pollution into the environment, including groundwater contamination;
* abnormally pressured formations;
* mechanical failures of drilling equipment;
* personal injuries and death, including insufficient worker compensation coverage for third-party contractors who provide drilling services; and
* natural disasters, such as adverse weather conditions.

OUR BUSINESS COULD BE NEGATIVELY AFFECTED BY SECURITY THREATS, INCLUDING CYBERSECURITY THREATS, AND OTHER DISRUPTIONS.

We will depend to a meaningful extent on digital technologies to conduct our business. These technologies will relate to seismic, financial, operating and other data. Cyber incidents have recently increased, and have involved malicious software and attempts to gain unauthorized access to data and systems. Our technologies, systems, networks, and those of our business partners, may become the target of cyberattacks or information security breaches that could result in the unauthorized release, misuse, loss or destruction of proprietary and other information, or other disruption of our business operations. Our implementation of various procedures and controls to monitor and mitigate security threats and to increase security for our information, facilities and infrastructure may result in increased capital and operating costs. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. Any security breach could likely materially and adversely affect our business, financial condition or results of operation.

OPERATIONAL IMPEDIMENTS MAY HINDER OUR ACCESS TO HYDROCARBON MARKETS OR DELAY OUR PRODUCTION.

We expect to deliver Hydrocarbons through trucking systems, gathering systems and pipelines that we do not own. Existing facilities may not be available to us now or in the future. The marketability of our future production depends in part upon the availability, proximity and capacity of truck terminals, pipelines, natural gas gathering systems and processing facilities owned by others. Our failure to establish suitable contractual relationships with respect to our production would materially and adversely affect our business, results of operations and financial condition. In addition, any significant change in our arrangements with trucking firms, gathering system or pipeline owners and operators or other market factors affecting the overall infrastructure facilities servicing our properties could adversely impact our ability to deliver the Hydrocarbons we produce to markets in a satisfactory manner. In some cases, we may be required to shut in wells, at least temporarily, for lack of a market because of the inadequacy or unavailability of transportation facilities. If that were to occur, we would be unable to timely realize revenue from those wells until arrangements were made to deliver our production to market. Moreover, our ability to produce and market Hydrocarbons could be negatively impacted by:

* government regulations; and
* government transportation, tax and energy policies.

HYDROCARBON RESERVES DECLINE ONCE A PROPERTY BECOMES PRODUCTIVE, AND WE EXPECT TO NEED TO FIND ADDITIONAL RESERVES TO SUSTAIN REVENUE GROWTH.

Even if we add Hydrocarbon reserves through our exploration activities, our reserves will decline as they are produced. We will be constantly challenged to add additional reserves through further exploration or further development of our existing properties. There can be no assurance that our exploration and development activities will be successful in adding new reserves. If we fail to replace reserves, our level of production and cash flows will be adversely impacted.

WE EXPECT TO HAVE LIMITED CONTROL OVER ACTIVITIES ON PROPERTIES WE DO NOT OPERATE, WHICH COULD REDUCE OUR PRODUCTION AND REVENUES.

We expect that we will operate all of our initial wells. However, some of our business activities could be conducted through joint operating agreements under which we own partial interests in Hydrocarbon properties. In such situation, we may not operate the related properties and in some cases we may not have the ability to remove the operator in the event of poor performance. As a result, we may have a limited ability to exercise influence over normal operating procedures, expenditures or future development of underlying properties and their associated costs. The failure of an operator of our wells to adequately perform operations, or an operator's breach of the applicable agreements, could reduce our production and revenues. The success and timing of our drilling and development activities on properties operated by others therefore depend upon a number of factors outside of our and the operator's control, including:

* timing and amount of capital expenditures;
* expertise and financial resources; and
* inclusion of other participants.

HYDROCARBONS ARE COMMODITIES SUBJECT TO PRICE VOLATILITY BASED ON MULTIPLE FACTORS OUTSIDE THE CONTROL OF PRODUCERS, AND LOW PRICES MAY MAKE PROPERTIES UNECONOMIC.

Hydrocarbons are commodities, and, therefore, their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand. Historically, the markets for Hydrocarbons have been volatile. These markets will likely continue to be volatile in the future. The prices a producer may expect and its level of production depend on numerous factors beyond its control, such as those described in "Item 1. Business - Markets and Marketing." Lower Hydrocarbons prices may not only decrease revenues on a per unit basis, but also may reduce the volume of Hydrocarbons that can be economically produced. Lower prices will also negatively impact the value of proved reserves.

COMMODITY PRICE RISK MANAGEMENT DECISIONS MAY CAUSE US TO FOREGO ADDITIONAL FUTURE PROFITS OR RESULT IN MAKING ADDITIONAL CASH PAYMENTS.

To reduce our exposure to changes in the prices of Hydrocarbons, we may enter into commodity price risk management agreements for a portion of our Hydrocarbon production. The agreements that we could enter into generally would have the effect of providing us with a fixed price for a portion of the expected future Hydrocarbon production over a fixed period of time. Commodity price risk management agreements expose us to the risk of financial loss, including the following:

* production is less than expected;
* the counter-party to the commodity price risk management agreement may default on its contractual obligations to us;
* we could be required to post additional cash to cover margin requirements, which could materially and adversely affect liquidity;
* we could be unable to meet additional margin requirements, which could result in the closing of positions thereby leading to a financial loss as well as the possible loss of the anticipated benefits of the related hedging transactions;
* there may be a change in the expected differential between the underlying price in the commodity price risk management agreement and actual prices received; and
* market prices may exceed the prices for which we are contracted to receive, resulting in the need to make significant cash payments.

Furthermore, commodity price risk management arrangements may limit the benefit we would receive from increases in the prices for Hydrocarbons.

OUR PROPERTIES MAY BE SUBJECT TO SUBSTANTIAL IMPAIRMENT OF THEIR RECORDED VALUE.

The accounting rules for our properties, for which we establish proved reserves, will require us to review periodically their carrying value for possible impairment. If Hydrocarbon prices decrease or if the recoverable reserves on a property are revised downward, we may be required to record impairment write-downs, which would result in a negative impact to our financial position. We also may be required to record impairment write-downs for properties lacking economic access to markets and must record impairment write-downs for our Prospect as the license for it expires or when we expect such license to expire without an extension, both of which could also negatively impact our financial position.

OUR COMPETITORS INCLUDE LARGER, BETTER-FINANCED AND MORE EXPERIENCED COMPANIES.

The Hydrocarbon industry is intensely competitive. As an early-stage company, we must compete against larger companies that may have greater financial and technical resources than we have and substantially more experience in our industry. These competitive advantages may better enable our competitors to sustain the impact of higher exploration and production costs, Hydrocarbon price volatility, productivity variances among properties, overall industry cycles and other factors related to our industry. The advantages of our competitors may also negatively impact our ability to acquire prospective properties, develop reserves, attract and retain quality personnel and raise capital.

CONDUCTING OPERATIONS IN THE HYDROCARBON INDUSTRY SUBJECTS US TO COMPLEX LAWS AND REGULATIONS, INCLUDING ENVIRONMENTAL REGULATIONS THAT CAN HAVE A MATERIAL ADVERSE EFFECT ON THE COST, MANNER OR FEASIBILITY OF DOING BUSINESS.

Companies that explore for and develop, produce and sell Hydrocarbons in Australia are subject to extensive government laws and regulations, including complex tax laws and environmental laws and regulations, and are required to obtain various permits and approvals from government agencies. If these permits are not issued or unfavorable restrictions or conditions are imposed on our drilling activities, we may not be able to conduct our operations as planned. Alternatively, failure to comply with these laws and regulations, including the requirements to obtain any permits, may result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Compliance costs can be significant. Further, these laws and regulations could change in ways that substantially increase our costs and associated liabilities. We cannot be certain that existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations will not harm our business, results of operations and financial condition. For example, matters subject to regulation and the types of permits required include:

* water discharge and disposal permits for drilling operations;
* drilling permits;
* reclamation;
* spacing of wells;
* occupational safety and health;
* air quality, noise levels and related permits;
* rights-of-way and easements;
* calculation and payment of royalties;
* gathering, transportation and marketing of Hydrocarbons;
* taxation;
* waste disposal; and
* flaring on-site of unsold natural gas.

Under these laws and regulations, we could be liable for:

* personal injuries;
* property damage;
* oil spills;
* discharge of hazardous materials;
* remediation and clean-up costs;
* fines and penalties; and
* natural resource damages.

RISKS RELATING TO OUR MANAGEMENT

WE DEPEND ON CERTAIN KEY PERSONNEL.

We rely upon the efforts and skills of our current and expected future management. The loss of the services of any member of management, including the lack of sufficient time to devote to our operations, could materially and adversely affect our operations. The employment agreements and consulting agreements that we have entered into with members of management contain no non-competition agreement with us, and therefore allow the related member of management to terminate his agreement upon 60-days' notice. As a result, any member of management may discontinue providing his services to us at any time and for any reason, and even thereafter commence competition with us. Moreover, we do not currently maintain key man life insurance on any member of management.

OUR CURRENT MANAGEMENT RESOURCES MAY NOT BE SUFFICIENT FOR THE FUTURE, AND WE HAVE NO ASSURANCE THAT WE WILL BE ABLE TO ATTRACT ADDITIONAL QUALIFIED PERSONNEL.

There can be no assurance that the current level of management is sufficient to perform all responsibilities necessary or beneficial for management to perform. Our future success also depends on our continuing ability to attract, assimilate and retain highly qualified sales, technical and managerial personnel. Competition for these individuals is intense, and there can be no assurance that we can attract, assimilate or retain necessary personnel in the future.

OUR MANAGEMENT OWNS A LARGE PERCENTAGE OF OUR OUTSTANDING SHARES, AND CUMULATIVE VOTING IS NOT AVAILABLE TO STOCKHOLDERS.

Our current senior management owns approximately 65.05% of our outstanding common shares as of the date of the filing of this Report. Cumulative voting in the election of directors is not authorized in our First Amended and Restated Articles of Incorporation. Accordingly, it is not permitted as a matter of law. As a result, the holder or holders of a majority of our outstanding common shares may elect all of our directors. Management's large percentage ownership of our outstanding common shares will enable them to maintain their positions as such and thus their control of our business and affairs.

OUR OBLIGATION TO INDEMNIFY MEMBERS OF MANAGEMENT COULD REQUIRE US TO PAY THEM FOR LOSSES CAUSED BY THEM, AND LIMITATIONS ON CLAIMS AGAINST STOCKHOLDERS COULD PREVENT OUR RECOVERY OF SUCH LOSSES FROM THEM.

The corporation law of Nevada allows a Nevada corporation to indemnify its directors and each of its officers, agents, contractors and/or employees to the extent that certain standards are met, and our First Amended and Restated Articles of Incorporation permit indemnification of our directors, and our Bylaws require indemnification of our directors and officers to the maximum extent permitted by law. If the required standards are met, we could be required to indemnify management for losses caused by them. Further, we may purchase and maintain insurance on behalf of any such persons whether or not we have the power to indemnify such person against the liability insured against. Moreover, the corporation law of Nevada allows a Nevada corporation to limit the liability of its directors to the corporation and its stockholders to a certain extent, and our First Amended and Restated Articles of Incorporation and Bylaws have eliminated the director's liability to the maximum extent permitted by law. Consequently, because of the actions or omissions of our management, we could incur substantial losses and be prevented from recovering such losses from such persons. Further, the U.S. Securities and Exchange Commission maintains that indemnification for liabilities arising under the Securities Act is against the public policy expressed in the Securities Act, and is therefore unenforceable.

WE MAY NOT HAVE ADEQUATE INTERNAL CONTROLS OVER FINANCIAL REPORTING.

While we are constantly striving to improve our internal controls over financial reporting, our management has determined that our disclosure controls, procedures and controls over financial reporting are not sufficiently effective to ensure that information required to be disclosed by us in the reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Commission. Our Board of Directors has not designated an Audit Committee and we do not have any outside directors. We have implemented a number of disbursing, accounting and financial statement preparation and review processes, and as a result the financial controls of the Company have been improved. If we do not have adequate internal accounting controls, we may also be unable to prepare accurate accounts on a timely basis to meet our continuing financial reporting obligations and we may not be able to satisfy our obligations under applicable securities laws.

THERE MAY BE LIMITATIONS ON THE EFFECTIVENESS OF OUR INTERNAL CONTROLS, AND A FAILURE OF OUR CONTROL SYSTEMS TO PREVENT ERROR OR FRAUD MAY MATERIALLY HARM US.

We do not expect that internal control over financing reporting, even if timely and well established, will prevent all errors and fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be 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, have been detected. Failure of our control systems to prevent error or fraud could materially and adversely affect our business.

WE HAVE NOT VOLUNTARILY IMPLEMENTED VARIOUS CORPORATE GOVERNANCE MEASURES, IN THE ABSENCE OF WHICH, STOCKHOLDERS MAY HAVE MORE LIMITED PROTECTIONS AGAINST INTERESTED DIRECTOR TRANSACTIONS, CONFLICTS OF INTEREST AND SIMILAR MATTERS.

Certain Federal legislation, including the Sarbanes Oxley Act of 2002, has resulted in the adoption of various corporate governance measures designed to promote the integrity of corporate management and securities markets. Some of these measures have been adopted in response to legal requirements. Others have been adopted by companies in response to the requirements of national securities exchanges, such as the NYSE or the NASDAQ Stock Market, on which their securities are listed. Among the corporate governance measures that are required under the rules of national securities exchanges are those that address board of directors' independence, audit committee oversight, and the adoption of a code of ethics. Although we have adopted a Code of Ethics, we have not yet adopted any of these other corporate governance measures and, since our securities are not yet listed on a national securities exchange, we are not required to do so. We have not adopted certain corporate governance measures such as an audit or other independent committees of our Board of Directors because we do not have sufficient funds available to do so. Possibly if we were to adopt some or all of these corporate governance measures, stockholders would benefit from somewhat greater assurances that internal corporate decisions were being made by disinterested directors and that policies had been implemented to define responsible conduct. For example, in the absence of audit, nominating and compensation committees comprised of at least a majority of independent directors, decisions concerning matters such as compensation packages to our senior officers and recommendations for director nominees may be made by a majority of directors who have an interest in the outcome of the matters being decided. Although we intend to bolster our corporate governance capabilities as funds become available for this purpose, prospective investors should bear in mind our current lack of corporate governance measures in formulating their investment decisions.

RISKS RELATING TO OUR COMMON SHARES

OUR COMMON SHARES HAVE EXPERIENCED LIMITED TRADING.

Our common shares are quoted on the over-the-counter markets under the name "Discovery Energy Corp." and the symbol "DENR". The volume of trading of our common shares has been extremely limited. There can be no assurance as to the prices at which our common shares will trade in the future. Until our common shares become more broadly held and orderly markets develop and even thereafter, the prices of our common shares may fluctuate significantly. Prices for our common shares will be determined in the marketplace and may be influenced by many factors, including the following:

* The depth and liquidity of the markets for our common shares;
* Investor perception of us and the industry in which we participate;
* General economic and market conditions;
* Responses to quarter to quarter variations in operating results;
* Failure to meet securities analysts' estimates;
* Changes in financial estimates by securities analysts;
* Changes in laws, regulations and policies;
* Conditions, trends or announcements in the Hydrocarbon industry;
* Announcements of significant acquisitions, strategic alliances, joint ventures or capital commitments by us or our competitors;
* Additions or departures of key personnel;
* Sales of our common shares;
* Accounting pronouncements or changes in accounting rules that affect our financial statements; and
* Other factors and events beyond our control.

The market price of our common shares could experience significant fluctuations unrelated to our operating performance. As a result, a stockholder (due to personal circumstances) may be required to sell such stockholder's common shares at a time when our stock price is depressed due to random fluctuations, which are possibly based on factors beyond our control.

INCREASES IN THE SALES VOLUME OF OUR SHARES COULD ADVERSELY AFFECT US.

We have a very thinly traded market for our shares. Future sales of a large number of our shares may have a depressive effect on the price of our common shares, and might also adversely affect our ability to raise additional capital.

THE TRADING PRICE OF OUR COMMON SHARES MAY ENTAIL ADDITIONAL REGULATORY REQUIREMENTS, WHICH COULD NEGATIVELY AFFECT SUCH TRADING PRICE.

The trading price of our common shares historically has been below $5.00 per share. As a result of this price level, trading in our common shares is subject to the requirements of certain rules promulgated under the Exchange Act. These rules require additional disclosure by broker dealers in connection with any trades generally involving any non-NASDAQ equity security that has a market price of less than $5.00 per share, subject to certain exceptions. Such rules require the delivery, before any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker dealers who sell penny stocks to persons other than established customers and accredited investors (generally institutions). For these types of transactions, the broker dealer must determine the suitability of the penny stock for the purchaser and receive the purchaser's written consent to the transaction before sale. The additional burdens imposed upon broker dealers by such requirements may discourage broker dealers from effecting transactions in our common shares. As a consequence, the market liquidity of our common shares could be severely affected or limited by these regulatory requirements.

PROVISIONS OF OUR ARTICLES OF INCORPORATION AND BYLAWS MAY DELAY OR PREVENT A TAKEOVER, WHICH MAY NOT BE IN THE BEST INTERESTS OF OUR STOCKHOLDERS.

Provisions of our First Amended and Restated Articles of Incorporation and Bylaws may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt. In addition, our First Amended and Restated Articles of Incorporation authorizes the issuance of up to 10,000,000 shares of preferred stock with such rights and preferences, as may be determined by our Board of Directors. Of this authorized preferred stock, no shares are currently issued and outstanding. Our Board of Directors may, without stockholder approval, issue up to 10,000,000 preferred stock with dividends, liquidation, conversion or voting rights that could adversely affect the voting power or other rights of our common stockholders.

STOCKHOLDERS HAVE NO GUARANTEE OF DIVIDENDS AND MAY BE CONSTRAINED TO SELL THEIR SHARES TO REALIZE A RETURN ON THEIR INVESTMENT.

The holders of our common shares are entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available therefore. To date, we have paid no cash dividends. Currently, our outstanding Debentures prohibit us from paying dividends without the consent of our Debentures holders. Even if such a prohibition did not exist, the Board of Directors will most likely not declare any dividends in the foreseeable future, but will instead retain all earnings, if any, for use in our business operations. As a result, an investor will probably need to sell some or all of their shares to realize a return on an investment in them, and investors may not be able to sell such shares at or above the price they paid for them.

Item 1B. Unresolved Staff Comments.

Not applicable.

ITEM 2. PROPERTIES.

We maintain our principal executive offices at One Riverway Drive, Suite 1700, Houston, Texas 77056 through an office rental package on essentially a month-to-month basis. Management believes that any needed additional or alternative office space can be readily obtained.

For information about our Hydrocarbon property, see “Item 1. Business” above.

ITEM 3. LEGAL PROCEEDINGS.

We are not presently a party to any pending legal proceeding.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Trading Prices. Our common shares are quoted in the over-the-counter market under the name "Discovery Energy Corp." and the symbol "DENR".

Outstanding Shares and Record Holders. As of June 8, 2021, we had 112 common stockholders of record and 154,365,396 common shares outstanding.

Dividends. We have not paid any cash dividends on our common shares, and we do not expect to pay any dividends for the foreseeable future. Currently, our outstanding Debentures prohibit us from paying dividends without the consent of the Debentures holders.

Equity Compensation Plans. We have one equity compensation plan for our directors, officers, employees and consultants pursuant to which options, rights or shares may be granted or issued. This plan is named the "Discovery Energy Corp. 2012 Equity Incentive Plan" (the "***Plan***"). The following table provides information as of February 28, 2021 with respect to our compensation plans (including individual compensation arrangements), under which securities are authorized for issuance aggregated as to (i) compensation plans previously approved by stockholders, and (ii) compensation plans not previously approved by stockholders:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (c)
Equity compensation plans approved by security holders	-	-	-
Equity compensation plans not approved by security holders	-	-	1,747,300
Total	-	-	1,747,300

The following is a description of the material features of the Plan:

General. On July 30, 2012, our Board of Directors approved the Plan. The Plan provides for various equity awards to our directors, officers, employees and certain of our consultants, to attract them, to reward them for their service, and to encourage them to continue to provide services for us.

Administration. Our Board of Directors administers the Plan, but it has the right to delegate the administration of the Plan to any compensation or other committee that it hereafter creates for such purpose. For purposes of the remainder of this section, the person administering the Plan at any time is referred to as the "***Administrator***."

Eligibility. The Administrator has substantial discretion pursuant to the Plan to determine the persons to whom awards under the Plan will be made, and the amounts and restrictions imposed in connection therewith; provided, however, that generally a recipient of an award must be one of our directors or officers (whether or not also an employee), employees, or eligible consultants.

Shares Subject to the Plan. Six million (6,000,000) common shares are authorized to be awarded pursuant to the Plan, all of which were or are registered with the Securities and Exchange Commission. Any shares awarded and later forfeited or reacquired by us are again available for award or sale under the Plan. Awards may be made pursuant to the Plan until no further shares are available for issuance or until July 30, 2022, whichever occurs first.

Types of Awards. The following types of awards may be granted under the Plan. All of the awards described below are subject to the conditions, limitations, restrictions, vesting and forfeiture provisions determined by the Administrator, in its sole discretion, subject to such limitations as are provided in the Plan. The Administrator, in its discretion, shall also determine the number of shares subject to any award. At the discretion of the Administrator, awards may be made subject to or may vest on an accelerated basis upon the achievement of performance related criteria, which may be established on a Company-wide basis or with respect to one or more business units or divisions or subsidiaries and may be based upon the attainment of criteria as may be determined by the Administrator and set forth in the participant's award agreement. None of the awards available under the Plan may be granted to any participant who is not subject to U.S. Federal income tax, unless such grant would not constitute deferred compensation within the meaning of Section 409A of the Internal Revenue Code of 1986 (the "***Code***").

* *Stock Grants*. A stock grant is an award of common shares, which may be granted outright, or (in certain cases) may not vest until after a specified period of time, or upon the satisfaction of other vesting conditions as determined by the Administrator, and which may be forfeited if conditions to vesting are not met. Participants generally receive dividend payments on the shares subject to a restricted stock grant award during the vesting period, and are also generally entitled to vote the shares underlying their awards.

* *Non-Qualified Stock Options*. An award of a non-qualified stock option under the Plan grants a participant the right to purchase a certain number of common shares during a specified term in the future, possibly after a vesting period, at an exercise price equal to at least 100% of the fair market value of the common shares on the grant date. The term of a non-qualified stock option may not exceed 10 years from the date of grant. Payment of the exercise price of a non-qualified stock option may be made in cash or, if permitted by the Administrator, by tendering common shares owned by the participant and acquired at least six (6) months prior to exercise, having a fair market value equal to the exercise price, by a combination of cash and common shares or by authorizing the sale of shares otherwise issuable upon exercise, with the sale proceeds applied towards the exercise price. Additionally, the Administrator may provide that stock options can be net exercised – that is exercised by issuing shares having a value approximately equal to the difference between the aggregate value of the shares as to which the option is being exercised and the aggregate exercise price for such number of shares. A non-qualified stock option is an option that does not qualify under Section 422 of the Code.

* *Stock-Based Awards*. A stock-based award is a grant by us under the Plan of an equity award or an equity-based award that is not a non-qualified stock option, an incentive stock option, or a stock grant. The Administrator has the right to grant stock-based awards having such terms and conditions as the Administrator may determine, including, without limitation, the grants of shares based upon certain conditions, the grant of securities convertible into shares and the grant of stock appreciation rights, phantom stock awards or stock units. The principal terms of each stock-based award will be set forth in the participant's award agreement, in a form approved by the Administrator and shall contain terms and conditions which the Administrator determines to be appropriate and in our best interests.

Previous Awards. We had awarded 4,252,700 common shares in outright grants pursuant to the Plan as of February 28, 2021.

Anti-dilution. The Plan carries certain anti-dilution provisions concerning stock dividends, stock splits, consolidations, mergers, re-capitalizations and reorganizations.

Term. The Plan will expire on July 30, 2022 unless sooner terminated except as to awards outstanding on that date.

Amendment and Earlier Termination. Our Board of Directors or our stockholders may terminate the Plan prior to its scheduled termination. Our stockholders may amend the Plan in any respect at any time, except no amendment may, without the consent of a participant, alter or impair such participant's rights under any award previously granted. The administrator of the Plan has the ability to amend the Plan in certain technical ways.

Federal Income Tax Consequences. The following brief summary of the principal Federal income tax consequences of awards under the Plan is based on current Federal income tax laws. This summary is not intended to constitute tax advice and, among other things, does not address possible state or local tax consequences. Accordingly, a participant in the Plan should consult a tax advisor with respect to the tax aspects of transactions under the Plan.

* *Stock Grants*. A participant who receives an outright stock grant generally will be taxed at the time a stock grant is awarded, and the amount of taxable income recognized will equal the fair market value of the shares subject to the award. A participant who receives a restricted stock grant generally will not be taxed at the time a stock grant is awarded but will recognize taxable income when the award vests or otherwise is no longer subject to a substantial risk of forfeiture. The amount of taxable income recognized will equal the fair market value of the shares subject to the award (or the portion of the award that is then vesting) at that time. Participants may elect to be taxed based on the fair market value of the shares at the time of grant by making an election under Section 83(b) of the Code within 30 days of the award date. If an award with respect to which a participant has made such an election under Section 83(b) is subsequently canceled, no deduction or tax refund will be allowed for the amount previously recognized as income. Unless a participant makes a Section 83(b) election, dividends paid to a participant on shares of an unvested restricted stock grant will be taxable to the participant as ordinary income. If the participant made a Section 83(b) election, the dividends will be taxable to the participant as dividend income, which generally is subject to the same rate as capital gains income. Except as provided under "Certain Limitations on Deductibility of Executive Compensation" below, we will ordinarily be entitled to a deduction at the same time and in the same amounts as the ordinary income recognized by the participant with respect to a stock grant award. Unless a participant has made a Section 83(b) election, we will also be entitled to a deduction, for federal income tax purposes, for dividends paid on awards of unvested restricted stock grants when the restrictions lapse.

* *Non-Qualified Stock Options*. Generally, a participant will not recognize taxable income on the grant of a non-qualified stock option, provided the exercise price of the option is equal to the fair market value of the underlying stock at the time of grant. Upon the exercise of a non-qualified stock option, a participant will recognize ordinary income in an amount equal to the difference between the fair market value of the common shares received on the date of exercise and the option cost (number of shares purchased multiplied by the exercise price per share). The participant will recognize ordinary income upon the exercise of the option even though the shares acquired may be subject to further restrictions on sale or transferability. Except as provided under "Certain Limitations on Deductibility of Executive Compensation" below, we will ordinarily be entitled to a deduction on the exercise date equal to the ordinary income recognized by the participant upon exercise. Generally, upon a subsequent sale of shares acquired in an option exercise, the difference between the sale proceeds and the cost basis of the shares sold will be taxable as a capital gain or loss.

* *Other Stock-Based Awards*. These awards could include stock appreciation rights, phantom stock awards or stock units, as examples. The tax rules that apply to these awards vary. However, if one of these awards is settled by the payment of cash, the full amount of the cash will generally be taxable to the participant as ordinary income. If one of these awards is settled by the issuance of shares, a participant will recognize taxable income in an amount equal to the fair market value of the shares on the grant date. Except as provided under "Certain Limitations on Deductibility of Executive Compensation" below, we will ordinarily be entitled to a deduction at the same time and in the same amounts as the ordinary income recognized by the participant with respect to such a stock award.

* *Withholding*. We retain the right to deduct or withhold, or require the participant to remit to his or her employer, an amount sufficient to satisfy federal, state and local and foreign taxes, required by law or regulation to be withheld with respect to any taxable event as a result of the Plan.

* *Certain Limitations on Deductibility of Executive Compensation*. With certain exceptions, Section 162(m) of the Code limits the deduction to us for compensation paid to certain executive officers to $1 million per executive per taxable year unless such compensation is considered "qualified performance - based compensation" within the meaning of Section 162(m) or is otherwise exempt from Section 162(m). The Plan is designed so that options and SAR's qualify for this exemption, and it permits the Administrator to grant other awards designed to qualify for this exemption.

* *Treatment of "Excess Parachute Payments*." The accelerated vesting of awards under the Plan upon a change of control of our company could result in a participant being considered to receive "excess parachute payments" (as defined in Section 280G of the Code), which payments are subject to a 20% excise tax imposed on the participant. We would not be able to deduct the excess parachute payments made to a participant.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General

Discovery Energy Corp. (the "***Company***") was incorporated under the laws of the state of Nevada on May 24, 2006 under the name "Santos Resource Corp." Its current business plan is to explore for and produce Hydrocarbons from a tract of land (the "***Prospect***") covered by Petroleum Exploration License (PEL) 512 (the "***License***") in the State of South Australia. The business plan was adopted near the end of fiscal 2012. In May 2012, the Company incorporated a wholly owned Australian subsidiary, Discovery Energy SA Ltd. **(**"***Subsidiary***"), for the purpose of acquiring a 100% working interest in the License. In May 2016, the Subsidiary's legal entity status changed from public to private and its name changed to Discovery Energy SA Pty Ltd. The Company is in the initial exploration phase of determining whether or not the Prospect contains economically recoverable volumes of crude oil, natural gas and/or natural gas liquid (collectively "***Hydrocarbons***"). For information about the milestones that the Company has achieved to date, see "Item 1. Business." Although the Company's current focus is primarily on the Prospect, management from time-to-time exchanges information with other industry participants regarding additional investment opportunities in Australia.

The Company has experienced losses and negative cash flows since inception, and it expects to incur such losses and negative cash flows for the foreseeable future. The Company has an accumulated deficit of $31,661,738 since inception through February 28, 2021. As of June 1, 2021, the Company had approximately $15,000 in cash available to meet its operating cash requirements. The Company's losses (coupled with a limited amount of cash) cause doubt about the Company's ability to continue as a going concern, and our independent registered public accountant has added an emphasis paragraph to its report on our financial statements for the year ended February 28, 2021 regarding our ability to continue as a going concern. The Company is maintaining an on-going effort to locate sources of additional funding, without which the Company will not be able to remain a viable entity. Information about the Company's liquidity situation and its on-going capital raising activities is given in the section captioned "Liquidity and Capital Resources" below.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations as of February 28, 2021 are based upon its independently audited financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires that management make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions provide a basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and these differences may be material. The footnotes to the financial statements contain critical accounting policies that significantly impact the judgments and estimates used in the preparation of these financial statements. These policies should be reviewed to better understand the financial condition and results of operations of the Company.

Results of Operations

Results of operations for the fiscal years ended February 28, 2021 and February 29, 2020 are summarized in the table below:

	Fiscal Year Ended February 28, 2021	Fiscal Year Ended February 29, 2020
Revenue	$ -	$ -
Operating expenses	(3,755,298)	(3,661,874)
Other expenses	(2,328,415)	(2,241,259)
Net loss	$ (6,083,713)	$ (5,903,133)

Operating expenses for the fiscal years ended February 28, 2021 and February 29, 2020 are summarized in the table below:

	Fiscal Year Ended February 28, 2021	Fiscal Year Ended February 29, 2020
Stock-based compensation	$ -	$ 802,500
General and administrative	1,008,532	1,627,008
Warrant modification expense	2,710,166	1,184,366
Exploration costs	36,600	48,000
Total operating expenses	$ 3,755,298	$ 3,661,874

Comparison of Fiscal Year Ended February 28, 2021 to Fiscal Year Ended February 29, 2020

Revenues. The Company did not earn any revenues in either of the comparative fiscal years. Sales revenues are not anticipated until such time as the Prospect has commenced commercial production of Hydrocarbons. As the Company is presently in the exploration stage of its operations, no assurance can be provided that commercially exploitable levels of hydrocarbons on the Prospect will be discovered, or if such resources are discovered, that the Prospect will commence commercial production.

Operating Expenses. Total operating expenses incurred during the fiscal year ended February 28, 2021 increased by $93,424 (2.6%), compared to those incurred during the fiscal year ended February 29, 2020. The Company had stock-based compensation expense of $802,500 for the fiscal year ended February 29, 2020, compared to none for the fiscal year ended February 28, 2021. The decrease of general and administrative expense is primarily due to the pandemic impact on travel and lower third-party professional service fees. Moreover, third party professional service fees were higher during the fiscal year ended February 29, 2020 due to certain non-recurring matters during that period, including a farmout agreement and the corporate approval of a reverse stock split that the Company ultimately decided not to pursue. The increase in warrant modification expense is primarily due to the extension of the maturity date of outstanding warrants to December 31, 2023. As a result of this modification, the Company recorded additional expense of approximately $2,710,166.

Net Loss. The Company had a net loss of $6,083,713 for the fiscal year ended February 28, 2021, compared to a net loss of $5,903,133 for the fiscal year ended February 29, 2020. Loss per common share was $0.04 for the fiscal year ended February 28, 2021, and $0.04 for the fiscal year ended February 29, 2020.

Cash Flows for the Fiscal Years Ended February 28, 2021 and February 29, 2020

Cash Used in Operating Activities: Operating activities for the fiscal year February 28, 2021 used cash of $202,674, compared to $882,037 to the fiscal year ended February 29, 2020 primarily due to lower travel and third party professional service fees during the fiscal year ended February 28, 2021, and timing differences on payables.

Cash Used in Investing Activities: No cash was used for investing activities during the fiscal year ended February 28, 2021 and February 29, 2020.

Cash Provided by Financing Activities: Financing activities totaled $218,750 during the fiscal year ended February 28, 2021, resulting from the private placement of 500,000 common shares at $0.20 per common share for gross proceeds of $100,000, and proceeds from a Paycheck Protection Program loan in the amount of $118,750. Financing activities totaled $406,250 during the fiscal year ended February 29, 2020 resulting from the private placement of 1,425,000 common shares at $0.25 per common share and 250,000 common shares at $0.20 per common share

Liquidity and Capital Resources

Financing History and Immediate, Short-Term Capital Needs

Early Financings. From January 2012 through May 27, 2016, business activities were financed primarily through private placements of common shares. During that period, several rounds of equity financing were conducted which raised total "seed" capital in the amount of $2,723,750 resulting in the issuance of 19,657,501 common shares. Moreover, from time to time, officers and directors of the Company provided short-term bridge funding. These advances were repaid out of proceeds from the Debentures financings described below.

Debentures Financing. Beginning in May 2016 and continuing through August 2018, the Company relied on a series of placements of Debentures (debt instruments convertible into common shares). The 14 Debentures comprising this series were issued pursuant to a Securities Purchase Agreement executed on May 27, 2016. Debentures having an aggregate original principal amount of $6,850,000 have been placed. In conjunction with certain Debentures and the extension of the maturity date of the Debentures, Warrants were issued that give the holder the right to purchase up to a maximum of 27,877,058 common shares at an initial per-share exercise price of $0.20.

Each of the Debentures includes the following features:

* The Debentures bear interest at the rate of eight percent (8%) per annum, compounded quarterly. However, upon the occurrence and during the continuance of a stipulated event of default, the Debentures will bear interest at the rate of twelve percent (12%) per annum.
* Interest need not be paid on the Debentures until the principal amount of the Debentures becomes due and payable. Instead, accrued interest is added to the outstanding principal amount of the Debentures quarterly. Nevertheless, the Company may elect to pay accrued interest in cash at the time that such interest would otherwise be added to the outstanding principal amount of the Debentures.
* The principal amount of and accrued interest on the Debentures are due and payable in a single balloon payment on or before December 31, 2023.
* We are not entitled to prepay the Debentures.
* The Debentures are convertible, in whole or in part, into Common Shares at the option of holders, at any time and from time to time. The conversion price for Debentures having an aggregate original principal amount of $5,887,500 is $0.16, while the conversion price for a Debenture with an original principal amount of $962,500 is $0.20. All conversion prices are subject to certain adjustments that are believed to be customary in transactions of this nature, including so-called "down round" financing adjustments. The Company is subject to certain liabilities and liquidated damages for its failure to honor timely a conversion of the Debentures, and these liabilities and liquidated damages are believed to be customary in transactions of this nature.

* The holders of the Debentures are entitled to have them redeemed completely or partially upon certain events (such as a change of control transaction involving the Company or the sale of a material portion of the Company's assets) at a redemption price equal to 120% of the then outstanding principal amount of the Debenture and 100% of accrued and unpaid interest on the outstanding principal amount of this Debenture, *plus* all liquidated damages and other amounts due thereunder in respect of the Debenture.

* The Debentures feature negative operating covenants, events of defaults and remedies upon such events of defaults that are believed to be customary in transactions of this nature. One of the remedies upon an event of default is the Debentures holders' ability to accelerate the maturity of the Debentures such that all amounts owing under the Debentures would become immediately due and payable. The Debentures holders would then be able to resort to the collateral securing the Debentures, if the Company did not pay the amount outstanding, which is likely to be the case.

* The Debentures are secured by virtually all of the Company's assets owned directly or indirectly but for the License, which is held by the Company's Australian subsidiary, Discovery Energy SA Pty Limited (the "***Subsidiary***"). Moreover, the Company has separately guaranteed the Debentures and has pledged all of its stock in the Subsidiary to secure such guarantee. The essential effect of these security arrangements is that, if the Company defaults on or experiences an event of default with respect to the Debentures, the holders of the Debentures could exercise the rights of a secured creditor, which could result in the partial or total loss of nearly all of the Company's assets, in which case its business could cease and all or substantially all stockholders' equity could be lost. For more information about this, see the Risk Factors captioned "THE EXERCISE OF SECURED CREDITOR RIGHTS COULD RESULT IN A SIGNIFICANT OR COMPLETE LOSS" herein.

Each of the Warrants includes the following features:

* The initial per-share exercise price of the Warrants is $0.20 and is subject to certain adjustments that are generally believed to be customary in transactions of this nature. Subject to certain exceptions, the exercise price of the Warrants involves possible adjustments downward to the price of any common shares or their equivalents sold by the Company during the term of the Warrants for less than the then applicable exercise price of the Warrants. Upon the adjustment of the exercise price, the number of shares issuable upon exercise of the Warrants is proportionately adjusted so the aggregate exercise price of the Warrants remains unchanged.

* All of the Warrants are currently exercisable and will remain so until their expiration date of December 31, 2023.

* The Company is subject to certain liabilities and liquidated damages for failure to honor timely an exercise of the Warrants, and these liabilities and liquidated damages are believed to be customary in transactions of this nature.

The largest holder of the Debentures has the right to have elected to the Company's Board of Directors one nominee. To date, the holder has not exercised this right.

Moreover, the holders of the Debentures have the right to require the Company to register with the SEC the resale of the common shares into which Debentures can be converted, the common shares that can be acquired upon the exercise of the Warrants and possibly other Common Shares. This preceding right is generally referred to as "demand" registration rights. The Company has the obligation to file a registration statement to effect the registration within certain periods of time, and the obligation to cause such registration statement to become effective within certain other periods of time. It will be liable for stipulated monetary damages if it fails in these obligations. The size of these damages is significant, although they are believed to be customary. Once a registration statement is declared effective, the Company must maintain it as effective and current until such time as the registered common shares are sold or become eligible to be sold pursuant to an exemption under certain circumstances, which it believes will never occur. In addition to the Debentures holders' "demand" registration rights, the Debentures holders have "piggyback" registration rights whereby they can participate (without a demand) in most registrations that the Company might proposes.

The proceeds from the Debentures placements were generally used to fund the acquisition, processing and interpretation of the Nike Survey data and payment of the Company's and the Debentures holders' expenses associated with the placements. A portion of these proceeds were used to retire all of the then outstanding indebtedness (including the amounts owed to Liberty Petroleum for allowing us to be issued the License in its place, and loans made by management), and to acquire a 5.0% overriding royalty interest relating to the Prospect. Funds were also used for payment of general and administrative expenses. In addition to the preceding, a portion of the proceeds was used to pay Rincon Energy, LLC pursuant to a geophysical consulting agreement.

COVID-19. The Company initially experienced no material impacts from the COVID-19 pandemic with respect to liquidity and capital. However, the negative reaction in financial markets was significant. Initially, the pandemic resulted in a severe decrease in demand for Hydrocarbons, in particular transportation fuels. This decrease resulted in a major drop in the price of crude oil and its resulting impact on financial markets in general and in particular, the energy industry. Demand has now recovered substantially, crude oil prices have increased to above $60 per barrel for the next three years based on the forward curve. Exploration and production operations are recovering and funding is becoming more widely available. However, the recent increase in infection rates is concerning though there has, to date, been no negative Hydrocarbon sector activity impact. For further risk discussion, see the risk factor captioned "PANDEMICS OR DISEASE OUTBREAKS (SUCH AS THE NOVEL CORONAVIRUS, ALSO KNOWN AS THE COVID-19 VIRUS) COULD MATERIALLY AND ADVERSELY AFFECT US IN A VAREITY OF WAYS."

Equity Placements. Subsequent to the start of the Debentures placements, the Company continued certain private capital raising transactions involving its common shares. Beginning in November 2016 and concluding in July 2020, the Company closed on a series of private placements in which an aggregate of 9,075,000 shares were issued for an aggregate purchase price of $1,886,250.

Paycheck Protection Program Loan. In connection with the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act, the Company borrowed an initial loan during fiscal year 2021 in the amount of $118,750 and a second loan during fiscal year 2022 in the amount of $120,000. The Company is in the process of applying for the forgiveness of the first draw to the maximum extent permitted by applicable law. The Company is also planning on applying for forgiveness of the second draw to the maximum extent permitted.

Available Cash. As of June 1, 2021, the Company had cash of approximately $15,000, and had negative working capital of approximately $1,926,000. Management believes that the cash on hand, as of the preceding date, will be sufficient to finance general and administrative expenses through July 31, 2021 although no assurance of this can be provided. However, this amount of cash will be insufficient to allow the Company to fulfill work commitment obligations in a timely manner. A plan for financing these obligations is discussed below. Management intends to finance all of the general and administrative expenses beyond available cash on hand by undertaking to raise up to $10.0 million through a private placement of common shares. If successful in raising $10.0 million in the private placement, it is estimated that the related net proceeds will be sufficient to finance both general and administrative expenses, and a number of work commitment obligations through December 2022. However, no assurance can be given that the amounts will be adequate. Moreover, no assurance can be provided of successfully raising any additional funds for this purpose.

Long-Term Capital Needs

The five-year work commitment relating to the License imposes certain obligations on the Company. The work requirements of the first two years, which included geotechnical studies and the Nike Survey, have been completed and reports and certain work materials have been submitted as required by the South Australian government. Going forward, additional funds will be required to meet the seismic and drilling obligations of License Years 3, 4 and 5. Working capital will also be needed to satisfy general and administrative expenses. Between May 2021 and October 2023 (the month in which the Company's work commitments are currently required to be completed), the Company estimates that it will need to raise an additional $20 million to have sufficient capital to meet the remaining work commitments specified in the License and to fund operations. Net revenues produced from successful oil wells could provide some of the funds required to meet these capital needs. However, no assurance can be given that this or any other amount of financing will be obtained or that any oil revenue will be earned.

If successful with the early wells, work will continue with a full development plan, the scope of which is now uncertain but will be based on technical analysis of seismic data, field drilling and log reports, production history, costs estimates and sales prices. However, all of the preceding plans are subject to the availability of sufficient funding and the receipt of all governmental approvals. Without sufficient available funds to undertake these tasks, additional financings or a joint venture partner will be required.

Failure to procure a joint venture partner or raise additional funds will preclude the Company from pursuing its business plan, as well as exposing the Company to the loss of the License, as discussed below. Moreover, if the business plan proceeds as just described, but the initial wells do not prove to hold producible reserves, the Company could be forced to cease its initial exploration efforts on the Prospect.

Major Financing Efforts and Other Sources of Capital

The Company's capital strategy has been, and continues to be, to attempt to engage in a single major capital raising transaction to provide sufficient funds to satisfy its capital needs for a number of years to come. While management has not completely abandon this strategy, the Company did shift its emphasis in an effort to engage in one or more smaller capital raising transactions to provide sufficient funds to satisfy ongoing and future capital needs. During a two-year period beginning in May 2016, the Company completed a series of placements of its Debentures having an aggregate original principal amount of $6,850,000. The Company's plan for financing its general and administrative expenses is described in the section captioned "Financing History and Immediate, Short-Term Capital Needs" above. The Company's plan for financing its work commitments is described in the following paragraph.

The interpretation and analysis of the Nike Survey resulted in an inventory of more than 30 leads judged to be potential areas of crude oil accumulations. These initial prospective locations were prioritized and the results are being presented to prospective investors with a view to securing the capital to commence the Company's initial drilling program. The Company needs to complete a major capital raising transaction to continue moving its business plan forward. In the interim, the Company is continuing efforts to raise comparably smaller amounts to cover general and administrative expenses. The Company has no assurance that it will be able to raise any required funds. The Company has also re-commenced efforts to secure one or more joint venture partners.

Sales from production as a result of successful exploration and drilling efforts would provide the Company with incoming cash flow. The proved reserves associated with production would most likely increase the value of the Company's rights in the Prospect. This, in turn, should enable the Company to obtain bank financing (after the wells have produced for a period of time to satisfy the lenders requirements). Both of these results would enable the Company to continue with its development activities. Positive cash flow is a critical success factor for the Company's plan of operation in the long run. Management believes that, if the Company's plan of operation successfully progresses (and production is realized) as planned, sufficient cash flow and debt financing will be available for purposes of properly pursuing its plan of operation, although the Company can make no assurances in this regard.

Finally, to reduce its cash requirements, the Company might attempt to satisfy some of its obligations by issuing shares of its common shares, which would result in dilution in the percentage ownership interests of the Company's existing stockholders and could result in dilution of the net asset value per share of the Company's existing stockholders.

Consequences of a Financing Failure

If required financing is not available on acceptable terms, the Company could be prevented from satisfying its work commitment obligations or developing the Prospect to the point that the Company is able to repay the Debentures, which become due in December 2023. Failure to satisfy work commitment obligations could result in the eventual loss of the License and the total loss of the Company's assets and properties. Failure to timely pay the Debentures could result in the eventual exercise of the rights of a secured creditor and the possible partial or total loss of the Company's assets and properties. Failure to procure required financing on acceptable terms could prevent the Company from developing the Prospect. If any of the preceding events were to occur, the Company could be forced to cease its operations, which could result in a complete loss of stockholders' equity. If additional financing is not obtained through an equity or debt offering, the Company could find it necessary to sell all or some portion of the Prospect under unfavorable circumstances and at an undesirable price. However, no assurance can be provided that the Company will be able to find interested buyers or that the funds received from any such partial sale would be adequate to fund additional activities. Future liquidity will depend upon numerous factors, including the success of the Company's exploration and development program, satisfactory achievement of License commitments and capital raising activities.

Known Trends

Management believes that it has discerned the following trends relevant to the Company:

* Oil consumption in 2020 declined by 6.7% to 93 million barrels a day. This was the largest historical decline in volume terms, and the first recorded decline since 2009. Consumption fell in most countries, as COVID-19 containment measures impacted road and air travel and industrial production.

* Oil consumption is forecast to increase by 1.8% in 2021, reaching 95 million barrels a day. A large proportion of this recovery is due to higher transport related demand.

* In 2022, consumption is forecast to rise by 3.7% to 99 million barrels a day (Figure 8.1). Consumption is projected to reach 102 million barrels a day in 2024, before declining marginally to 101 million barrels in 2026.

* Oil prices are forecast to average $61 per barrel in 2021, significantly higher than 2020, when prices were severely affected by COVID-19. Over the medium term, prices are projected to remain around $60 a barrel, prices are projected to average $65 a barrel in 2024, before falling to $62 a barrel in 2025

* Australian oil consumption is forecast to recover to 2018–19 levels in 2021–22. For the rest of the outlook period, Australian oil consumption is projected to increase marginally, reaching 1.1 million barrels a day by 2025–26.

* The forecast for Australia's crude and condensate export earnings has been revised up by around $120 million in 2020–21 and $260 million in 2021–22 (nominal terms), due to higher oil price forecasts.

* Australian export earnings (in real terms) are projected to increase from A$7.7 billion in 2020–21 to A$10 billion in 2025–26, as prices recover.

(Sources: BREE - Resources and Energy Quarterly – March, 2021)

Off-Balance Sheet Arrangements

During the year ended February 28, 2021, the Company had no off-balance sheet arrangements.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The report of the Company's independent auditors appears at page F-1 hereof, and the Company's financial statements appear starting at page F-2 through F-15 hereof.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, the evaluation of the effectiveness of the design and operation of 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 Annual Report was completed. Based on this evaluation, the principal executive officer and principal financial officer have determined that the lack of segregation of accounting duties as a result of limited personnel resources is a material weakness and an ineffective element of the Company's financial procedures. Therefore, the principal executive officer and principal financial officer believe that disclosure controls and procedures are not effective to ensure that information required to be disclosed by the Company in the reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC and that disclosure and controls designed to ensure that information required to be disclosed in Company filings or submitted under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. With the recent implementation of a number of revised accounting and financial statement preparation and review processes, the financial controls of the Company have been improved. However, additional improvements in internal controls will be necessary to fully address remaining deficiencies and material weaknesses.

Limitations on Effectiveness of Controls and Procedures

Company management, including the Chief Executive Officer and Chief Financial Officer do not expect that disclosure control procedures and/or internal controls will prevent all potential errors and/or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but 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 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 the 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 errors or mistakes. Additionally, controls can be circumvented by the actions or inactions of one or more individuals and/or by management override of various controls. The design of any system of controls 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 stated goals under all potential future conditions. Over time, controls could become inadequate due to changes in internal and/or external conditions, or a deterioration in the degree of staff and/or systems compliance with the standards, policies and procedures of the Company.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act) is a process designed by, or under the supervision of, the Company's principal executive officer and principal financial officer and effected by the Company's Board of Directors, management and other personnel 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 ("***GAAP***"). Internal control over financial reporting includes those policies and procedures that:

* pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;

* provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of management and the Company's Board of Directors; and

* provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitations, a system of internal controls over financial reporting can provide only reasonable, but not absolute, assurance that the objectives of the control system are met and may not prevent or detect misstatements. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process, and process designs can incorporate safeguards to reduce, though not eliminate, this risk. Furthermore, over time controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of February 28, 2021. In making its assessment, management used the criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("***COSO***"). In performing the assessment, management noted the following:

* There are an insufficient number of independent directors.

* Lack of an independent audit committee.

* Limited staffing and supervision within the bookkeeping and reporting activities precludes completely segregating duties within the Company's internal control system.

Based on its assessment, management has concluded that the Company had certain control deficiencies described below that constituted material weaknesses in its internal control over financial reporting. As a result, the Company's internal control over financial reporting was not effective as of February 28, 2021. A "material weakness" is defined under SEC rules as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis by the Company's internal controls.

Management does not believe that the material weaknesses described above caused any meaningful or significant misreporting of its financial condition and results of operations for the fiscal year ended February 28, 2021. However, management does believe that the lack of independent directors, an independent audit committee and complete segregation of accounting duties results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in the Company's financial statements in future periods.

Management Plan to Remediate Material Weaknesses

Management is continuing to pursue additional corrective measures to address the material weaknesses described above. In an effort to remediate the identified material weaknesses and other deficiencies and enhance its internal controls, the Company has initiated, or plans to initiate, the following series of measures:

* The Company will create a position to further segregate duties consistent with control objectives within the accounting function when funds are available.

* The Company plans to add independent directors and an independent audit committee when funding is available for remuneration to induce experienced professionals to serve as such, thereby creating oversight over executive management.

* Each professional engaged to fill one of these additional positions will have the necessary knowledge and experience to properly prepare, review and/or approve the Company's Financial Statements.

The Company believes the measures described above will remediate the material weaknesses the Company has identified and strengthen its internal control over financial reporting. The Company is committed to continuing to improve its internal control processes and will continue to diligently and vigorously review its financial reporting controls and procedures.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) during the most recent fiscal year that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The COVID-19 pandemic has had no impact on the Company's internal controls over financial reporting. The Company had and continues to have the same staff, same service providers and same processes as was the case prior to the pandemic.

Attestation Report

As permitted by SEC rules applicable to the Company, this Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE.

General

The authorized number of our directors is presently fixed at three. Each director serves for a term of one year that expires at the following annual stockholders' meeting. Each officer serves at the pleasure of the Board of Directors and until a successor has been qualified and appointed.

There are no family relationships, or other arrangements or understandings between or among any of the directors, executive officers or other person pursuant to which such person was selected to serve as a director or officer.

Current Management

Our directors and executive officers are as follows:

Name	Age	Positions
Keith D. Spickelmier	59	Chairman of the Board
Keith J. McKenzie	57	Director & Chief Executive Officer
William E. Begley	67	Director, President, Chief Operating Officer & Chief Financial Officer

The following is the background of current directors and executive officers of ours:

Keith D. Spickelmier - Mr. Spickelmier has been a Director and our Chairman of the Board since May 2012. He is the Executive Chairman of Sintana Energy Inc. (SEI: TSX-V), a public company with Hydrocarbon operations in Columbia. He was a founding partner of Northbrook Energy LLC, which subsequently completed a business combination with Sintana Energy (previously Drift Lake Resources). He was the founder and Chairman of Westside Energy, a company he grew from a start up in May 2002 to sale in 2008. Prior to joining Westside Energy, he was a partner with the law firm Verner, Liipfert, Bernhard, McPherson and Hand. From April 2001 through July 2003, Mr. Spickelmier was of counsel with the law firm Haynes and Boone, LLP. Mr. Spickelmier holds a B.A. from the University of Nebraska at Kearney and a J.D. from the University of Houston.

Keith J. McKenzie - Mr. McKenzie has been a Director and our Chief Executive Officer since January 2012. He has over 30 years of experience working with public companies in the Industrial and Resource sectors. Over the past 22 years in the Oil & Gas sector, Mr. McKenzie has been engaged in various executive, finance, start up, and consulting capacities. He was the CEO of Star Oil Company, a private start up Hydrocarbon Exploration Company he founded, in September 2009 to acquire Hydrocarbon resources in the United States. In 2004, he was a founding principal and later served as the Chief Operating Officer of Paxton Energy, Inc., with responsibility for the company's development and operations at the Cooke Ranch project located in La Salle County, Texas. Mr. McKenzie has consulted to numerous public and private Oil & Gas, Mining and industrial companies with both domestic and international operations.

William E. Begley - Mr. Begley has been our Chief Financial Officer since January 2012. He assumed the office of President and Chief Operating Officer in August 2018, initially on an interim basis. He has been a Director since May 2012. Mr. Begley has more than 30 years of energy industry and finance experience, beginning his career with British Petroleum ("BP"). He's held senior positions in energy banking including Solomon, Inc. and was President of Stone & Webster Management Consulting, specializing in the design and development of major energy projects. As a leading energy advisor in Australia, Mr. Begley was instrumental in the development of the liberalized natural gas markets in Australia and Victoria specifically, with Gas & Fuel Victoria, and in the development of VENCorp, the natural gas trading and scheduling exchange in Australia. Mr. Begley also has a strong background in leading major capital energy projects including LNG, Methanol, and related petro-chemical and gas monetization projects, which will complement ongoing Company initiatives. In addition, he has also been involved in over $100 billion in energy related mergers and acquisitions, initially with Solomon, Inc. and more recently on an independent basis through WEBGruppe GmbH. Mr. Begley served as Chief Financial Officer and Treasurer for Magellan Petroleum Corporation. His graduate JD/MBA studies are in international business and energy law. Mr. Begley graduated in 1976 with a B.A. from St. Michaels' College in Vermont.

Qualifications of Directors

A description of the specific experience, qualifications, attributes, or skills that led to the conclusion that each of the incumbent directors listed above should serve as one of our directors is presented below.

Keith D. Spickelmier – Since 2004, Mr. Spickelmier has served as Chairman of two publicly traded Hydrocarbon exploration and production companies, one of which he continues to serve as such. Moreover, he has an extensive transactional, legal and regulatory compliance background, which augments his actual experience as a Chairman. As a result, we believe that Mr. Spickelmier is amply qualified to serve as one of our directors.

Keith J. McKenzie – Mr. McKenzie has extensive experience with Hydrocarbon exploration and production companies, and with publicly traded companies in a variety of capacities, including as an executive officer and a consultant. He is extremely knowledgeable about transactional matters involving Hydrocarbon exploration and production companies, and the regulatory compliance relating to publicly traded companies. As a result, we believe that Mr. McKenzie is amply qualified to serve as one of our directors.

William E. Begley – Mr. Begley has extensive experience with Hydrocarbon exploration and production companies, and with a number of publicly traded companies. His extensive experience with Hydrocarbon matters in Australian and other international activities is particularly significant to us. Moreover, Mr. Begley has an extensive background in finance, including service as the Chief Financial Officer of a junior, publicly traded Hydrocarbon exploration and production company. Furthermore, he has extensive experience with merger and acquisition transactions. As a result, we believe that Mr. Begley is amply qualified to serve as one of our directors.

Board Leadership Structure and Role in Risk Oversight

In early May 2012, our Board of Directors elected Keith D. Spickelmier as the Chairman of the Board. Initially, Mr. Spickelmier did act in an executive capacity. During the remainder of fiscal 2013, Mr. Spickelmier emerged as a driving force behind our company's business, and he is now serving as our Executive Chairman. In such capacity, Mr. Spickelmier continues to have typical board chair duties, such as serving as a liaison between the other board members and management, reviewing and approving materials to be presented to the board, working with management and other directors to develop agendas for board meetings, helping build consensus on proposed board actions, and serving as the chair of board and stockholder meetings. However, as executive chairman, Mr. Spickelmier's duties will be broader, and he will continue to have an active role in developing and implementing business strategy, and he is expected to continue to provide hand on assistance in our high-level pursuits, especially pertaining to financing and other extraordinary corporate transactions.

Keith J. McKenzie remains our Chief Executive Officer. While Messrs. Spickelmier and McKenzie's duties may overlap on occasion, Mr. McKenzie will be more responsible for our operations. We believe a board leadership structure involving one person serving as executive chairman and another as chief executive officer is best for our company and our stockholders. We believe this structure achieves a greater degree of independence in the leadership of the Board without losing the benefit of Mr. Spickelmier's business skills and leadership capabilities. Further, we believe this separation improves the Board's oversight of management, provides greater accountability of management to stockholders, and allows the chief executive officer to focus on managing our business operations, while allowing the executive chairman to focus on more effectively leading the Board and overseeing our general strategic direction and extraordinary transactions.

The Board of Directors is legally responsible for managing our business and affairs, including the oversight of risks that could affect us. The full Board has not delegated the oversight of risks to any committees. Because of its current size and composition, the Board is not able to have executive sessions during which executive management is not present and management's performance can be discussed and evaluated openly by independent Directors. The Board believes that, as it adds independent directors in the future, it will adopt the practice of holding executive sessions. However, the timing of the expansion of the Board to include independent directors is currently uncertain.

Committees and Director Selection

Until the change in our business focus in January 2012, we had been a "shell company" as defined in the Rule 405 of the Securities Act of 1933, as amended, and Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"). As a result, we did not need and did not implement extensive corporate governance procedures. Our current management intends to adopt such procedures in due course whenever funds are available therefor.

Our Board of Directors has not established any standing committees, including an Audit Committee, Compensation Committee or a Nominating Committee. The Board of Directors as a whole undertakes the functions of those committees. Our Board of Directors believes that its decision not to establish any standing committees has been appropriate due to our prior status as a "shell company" and our limited operational activities to date. The Board of Directors expects to establish one or more of the preceding committees whenever it believes that doing so would benefit us.

Our full Board of Directors now serves as the Audit Committee, which consists of our three directors. Our Board of Directors has determined that each of Keith D. Spickelmier and William E. Begley qualifies as an "audit committee financial expert," as such term is defined by rules of the U.S. Securities and Exchange Commission. Neither of Messrs. Spickelmier or Begley is "independent," as is discussed below.

Because we do not have a standing nominating committee, our full Board of Directors is responsible for identifying new candidates for nomination to the Board. We have not adopted a policy that permits stockholders to recommend candidates for election as directors or a process for stockholders to send communications to the Board of Directors. Our Board of Directors believes that its decision not to establish the preceding policy and process has been appropriate due to our prior status as a "shell company" and our limited operational activities to date. The Board of Directors expects to establish such a policy and such a process whenever it believes that doing so would benefit us.

Because we do not have a standing compensation committee, our full Board of Directors will undertake the functions of a compensation committee if any executive officer and director compensation is considered in the immediate future. We do not now have any processes and procedures for the consideration and determination of executive and director compensation.

Code of Ethics

We have adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, Treasurer, Controller and persons performing similar functions within our company. A copy of the code of ethics is filed with the SEC as an exhibit to our Form S-1 filed on July 14, 2008. A copy of the code of ethics can be obtained from us by a written request sent to Discovery Energy Corp., One Riverway Drive, Suite 1700, Houston, Texas 77056, and Attention: Corporate Secretary. If we make any substantive amendments to the Code of Ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Ethics to our directors, officers and employees, we will disclose the nature of such amendment or waiver in a report on Form 8-K.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires that our officers and directors, and persons who beneficially own more than ten percent of a registered class of our equity securities, file reports of ownership and changes in ownership with the U.S. Securities and Exchange Commission and furnish us with copies of all such Section 16(a) forms. To the best of our knowledge based solely on information available to us, no person required to file such reports failed to file any such reports or filed any such reports late.

ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the compensation during the fiscal years ended February 28, 2021 and February 29, 2020 for our chief executive officer and other officers whose total compensation exceeded $100,000. The executive officers listed in the table below are referred to as the "Named Executive Officers."

Summary Compensation Table (1)

Name and principal position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	All other Compensation ($)	Total ($)
Keith D. Spickelmier,	2021	$ 137,500(2)	$ -0-	$ -0-	$ 27,500 (3)	$ 165,000
Chairman of the Board	2020	-0-	$ 30,000	$ 250,000(4)	$ 217,000 (5)	$ 497,000
Keith J. McKenzie,	2021	-0-	-0-	$ -0-	$ 150,000 (6)	$ 150,000
Chief Executive Officer	2020	-0-	-0-	$ 100,000(7)	$ 150,000 (8)	$ 250,000
William E. Begley	2021	$ 150,000(9)	-0-	$ -0-	-0-	$ 150,000
President, Chief Financial, Officer and Chief Operating Officer	2020	$ 150,000(10)	-0-	$ 150,000(11)	-0-	$ 300,000

(1) The Columns designated by the Securities and Exchange Commission for the reporting of certain option awards, non-equity incentive plan compensation, and nonqualified deferred compensation earnings have been eliminated as no such awards or compensation were made to, earned by, or paid to or with respect to any person named in the table during any fiscal year covered by the table.
(2) Of this amount, $35,734 was actually paid, and the remaining $101,766 was accrued.
(3) Represents consulting fees, all of which were accrued. For a portion of fiscal 2021, Mr. Spickelmier became an employee of ours.
(4) Represents 1,250,000 shares valued at $0.20 per share based on the closing price of our stock on the date of grant, all of which are fully vested.
(5) Of this amount, $165,000 is compensation pursuant to a consulting agreement discussed in the section captioned "Compensation Agreements with Key Personnel - Fiscal 2021" below. This entire $165,000 amount was accrued. The remaining $52,000 represents a tax gross-up payment.
(6) Represents consulting fees, all of which were accrued.
(7) Represents 500,000 shares valued at $0.20 per share based on the closing price of our stock on the date of grant, all of which are fully vested.
(8) All of this is compensation pursuant to a consulting agreement discussed in the section captioned "Compensation Agreements with Key Personnel - Fiscal 2021" below. Of the amount indicated in the table, $55,000 was actually paid, and $95,000 was accrued.
(9) Of this amount, $5,873 was actually paid, and the remaining $144,127 was accrued.
(10) All of this amount was accrued.
(11) Represents 750,000 shares valued at $0.20 per share based on the closing price of our stock on the date of grant, all of which are fully vested.

Compensation Agreements with Key Personnel

We entered into two consulting agreements and one employment agreement (singly, a "***Remuneration Agreement,***" and collectively, the "***Remuneration Agreements***") with several persons serving as our directors and officers. These persons include the individuals named in the following table, who will be receiving the annual remuneration set forth in this table:

Name	Position	**Amount of Annual Remuneration**	**Type of Remuneration**
Keith D. Spickelmier	Chairman of the Board	$ 165,000	(1)
Keith J. McKenzie	Director & Chief Executive Officer	$ 150,000	Consulting Fees
William E. Begley	Director, President, Chief Operating Officer & Chief Financial Officer	$ 150,000	Salary

(1) $90,000 as a base retainer for services as director and Chairman of the Board, and $75,000 as an annual additional services retainer for expected additional duties and responsibilities to be requested

Each Remuneration Agreement contains the following terms, provisions and conditions, whether it be a consulting agreement or an employment agreement:

* An indefinite term that lasts until the Remuneration Agreement is terminated as follows:

  ** By us, for events customarily designated as "good cause"

  ** By us, without "good cause," provided that we pay to the related director or officer a lump sum payment comprised essentially of all earned or accrued (but unpaid) remuneration to the date of termination, *plus* an additional year of remuneration, including the annual remuneration amount and a bonus computed on the basis of the highest declared bonus in the past three fiscal years

** By the related director or officer, for events customarily designated as “good reason”

** By the related director or officer, without “good reason” upon a minimum of 60-days advance written notice

** Upon the death of the related director or officer

Moreover, if after a “change of control” of our company, the employment or engagement of the related director or officer is terminated within certain time periods thereafter either by such director or officer, or by us without “good cause,” then such director or officer will be entitled to a “termination fee” equal essentially to two additional years of remuneration, including the annual remuneration amount and a bonus computed on the basis of the highest declared bonus in the past three fiscal years.

* Each Remuneration Agreement is effective retroactively to March 1, 2019, and we began to accrue as of such date the annual remuneration amount provided for in each Remuneration Agreement, provided, however, we did make actual cash payments of a portion of the consulting fees of Keith J. McKenzie, a Director and our Chief Executive Officer, under his Remuneration Agreement.

* The related director or officer shall be (or may become) entitled to:

** receive a cash or equity discretionary bonus
** participate in all benefits plans provided to employees
** participate in any equity incentive plan that we have established or in the future establish

* Each director or officer who is a party to a Remuneration Agreement shall be prohibited, for a period of six months after the termination thereof, from soliciting or inducing any person employed by or under contract with us at the date of such termination to terminate his, her or its employment or contractual relationship with us

* Each Remuneration Agreement for a U.S. citizen contains provisions requiring us to “make whole” any director or officer who is a party thereto with respect to any “excise tax” resulting from any payment upon a “change of control” of our company that is deemed to be a “parachute payment” within the meaning of Section 280G of the U.S. Internal Revenue Code of 1986, as amended (the “***Code***”). Moreover, each Remuneration Agreement for a U.S. citizen contains provisions relating to any payment of any compensation or benefit thereunder that would be subject to additional taxes and interest under Section 409A of the Code.

* Other terms, provisions and conditions believed to be customary, such as those pertaining to expense reimbursement, return of company property, confidentiality and developed inventions

Other Compensation Matters

We have not adopted any retirement, pension, profit sharing, or insurance programs or other similar programs for the benefit of our management or employees. We have adopted an equity incentive plan in which our management or employees could participate. In the first quarter of fiscal 2020, pursuant to this equity incentive plan, we made awards of an aggregate of 3.3 million unrestricted shares to a total of five Company or Subsidiary officers, having an aggregate determined value of $660,000.

Director Compensation

Since we adopted our current business plan in 2012, we have not had any standard compensation arrangements for our directors as a group. However, we have paid fees and bonuses to certain of our directors for providing consulting services to us, and we have paid salaries and bonuses to certain of our directors who also serve as employees. Moreover, beginning with fiscal 2020, we have paid to Keith D. Spickelmier the annual sum of $90,000 as a base retainer for services as director and Chairman of the Board.

Expense Reimbursement

Our officers’ and directors’ out-of-pocket expenses were accrued and reimbursed in connection with activities on our behalf during the past two fiscal years. No limit was placed on the amount of these out-of-pocket expenses, and no review was conducted of the reasonableness of the expenses by anyone other than by our Board of Directors, which included persons entitled to reimbursement. We did not have the benefit of independent directors examining the propriety of expenses incurred on our behalf and subject to reimbursement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership of Certain Beneficial Owners and Management

The table set forth below contains certain information as of June 1, 2021 concerning the beneficial ownership of common shares (i) by each person who is known by the Company to own beneficially more than 5% of the outstanding common shares; (ii) by each director and executive officer; and (iii) by all directors and executive officers as a group. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their shares, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares. Shares not outstanding but deemed beneficially owned by virtue of the right of a person or member of a group to acquire them within 60 days of June 1, 2021 are treated as outstanding only for determination of the number and percent owned by such group or person. Unless otherwise indicated, the address for all persons listed in the table is One Riverway Drive, Suite 1700, Houston, Texas 77056.

	Beneficial Ownership (1)	
Name of Beneficial Owner	**Number**	**Percent**
5% non-management stockholders:		
DEC Funding LLC (2)	73,765,526	32.28%
Steven Webster (3)	79,106,109	34.12%
Directors and executive officers:		
Keith D. Spickelmier	49,500,000	32.07%
Keith J. McKenzie	36,430,460	23.60%
William E. Begley	11,389,274	7.38%
All directors and executive officers as a group (three persons)	**97,319,734**	63.05%

(1) Includes shares beneficially owned pursuant to options, warrants and convertible securities exercisable or convertible within 60 days.

(2) Includes 45,888,468 shares that may be acquired upon the conversion of currently outstanding Debentures and the Payment In Kind (PIK) interest earned thereupon, and 27,877,058 shares that may be acquired upon the exercise of currently exercisable warrants. The percentage ownership figure for this stockholder assumes all of the Debentures are converted and all of the warrants are exercised: the percentage ownership figures for management do not assume these matters, and such figures would be reduced to the extent that such Debentures are converted and such warrants are exercised. Steven Webster is a manager of DEC Funding LLC ("***DECF***"). In such capacity, Mr. Webster has shared voting and shared dispositive power of the shares included in the table, and as a result, he may be deemed to beneficially own these shares. Consequently, all of these shares are also included in the table for Mr. Webster. The address for DECF is 3200 Southwest Fwy, Suite 1490, Houston, Texas 77027. The information contained in this footnote is based on information known to us and other information contained in certain filings made by DECF with the U.S. Securities and Exchange Commission indicating that DECF owns no shares of which we are not aware.

(3) Includes 5,340,583 shares owned outright with respect to which Mr. Webster has sole voting and sole dispositive power. Also includes the 73,765,526 included in the table for DECF because (as a manager of DECF) Mr. Webster may be deemed to beneficially own these shares. The percentage ownership figure for this stockholder assumes all of DECF's Debentures are converted and all of DECF's warrants are exercised: the percentage ownership figures for management do not assume these matters, and such figures would be reduced to the extent that such Debentures are converted and such warrants are exercised. The address for Mr. Webster is 3200 Southwest Fwy, Suite 1490, Houston, Texas 77027. The information contained in this footnote is based on information known to us and other information contained in certain filings made by Mr. Webster with the U.S. Securities and Exchange Commission indicating that Mr. Webster owns no shares of which we are not aware.

Potential Change in Control Situation

The Company believes that its outstanding Debentures have created a situation, whereby, a change in control of the Company in favor of the largest holder of the Debentures (the "***Largest Debentures Holder***") could (but would not necessarily) occur under the following circumstances:

* the Largest Debentures Holder fully converts all of its Debentures, and the Largest Debentures Holder fully exercises all of the Warrants that have been issued in its favor; and

* The Company does not issue a significant number of equity securities prior to the two preceding events.

Under the circumstance listed above and assuming that the Company does not elect to pay any interest on any Debentures in cash, but allow all such interest to be added to principal, an aggregate of 84,948,917 of its common shares would be issued to the Largest Debentures Holder, representing approximately 35.50% of the Company's outstanding common shares after the issuance based on the number of shares currently outstanding and assuming the Largest Debentures Holder acquires no additional common shares of the Company. Moreover, an affiliate of the Largest Debentures Holder also owns 5,340,583 of the Company's common shares. Combining these shares with those that the Largest Debentures Holder may acquire per the conversion of its Debentures and the exercise of its Warrants, the Largest Debentures Holder and such affiliate would own approximately 90,289,500 or 37.73% of the outstanding Common Shares after the Largest Debentures Holder fully converts of all of its Debentures and fully exercises all of its Warrants. In such event, the Largest Debentures Holder would become the Company's largest stockholder, assuming no significant purchases of its common shares by other persons. This development in itself will not give control of the Company to the Largest Debentures Holder, as the current members of management collectively own a greater number of shares than this. However, this number of common shares would allow the Largest Debentures Holder to have substantial sway with respect to the Company's affairs and would give to the Largest Debentures Holder shared control of the Company if the Largest Debentures Holder and one or more large stockholders were to agree to act as a group. Whether or not this would ever occur cannot be known at this time.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Related Party Transactions Policies

We have not adopted any policies and procedures for the review, approval, or ratification of any related party transactions. Our current management intends to adopt such procedures in due course whenever funds are available therefor.

Independence of Directors

Nasdaq Marketplace Rule 4200(a)(15) sets forth the standards regarding director independence for companies with securities included for trading in the NASDAQ Stock Market (the "***NASDAQ***"). Although our securities are not included for trading in the NASDAQ, we use the standards set forth in Rule 4200(a)(15) for determining whether or not each of our directors is "independent." We have determined that, as of the date of this Annual Report, none of our directors is "independent" in accordance with the Rule 4200(a)(15) independence standards.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents fees for professional audit services performed by Marcum LLP for the audit of our annual financial statements for the fiscal years ended February 28, 2021 and February 29, 2020:

	Year Ended Last Day of February	
	2021	2020
Audit Fees (1)	$ 70,420	$ 63,000
Audit-Related Fees	N/A	N/A
Tax Fees	N/A	N/A
All Other Fees	N/A	N/A

(1) Fees for audit services include fees associated with the annual audit and the review of our quarterly reports on Form 10-Q.

Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm.

The Company does not have an audit committee, but our entire Board of Directors functions as such. Our Board of Directors pre-approves all audit and permissible non-audit services provided by our independent registered public accounting firm. These services may include audit services, audit-related services and tax services, as well as specifically designated non-audit services that, in the opinion of the Board of Directors, will not impair the independence of the independent registered public accounting firm. Our Board of Directors annually reviews the audit and permissible non-audit services performed by our independent registered public accounting firm, and reviews and approves the fees charged by it. Our Board of Directors has considered the role of our independent registered public accounting firm in providing tax and audit services and other permissible non-audit services to us and has concluded that the provision of such services was compatible with the maintenance of the independence of our independent registered public accounting firm in the conduct of its auditing functions.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)(1) The following Financial Statements are filed as part of this Report.

(a)(3) The following Exhibits are filed as part of this Report.

Exhibit No.	Description
3.1	First Amended and Restated Articles of Incorporation are incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on May 11, 2012, Exhibit 3.1.
3.2	By-laws are incorporated herein by reference to our Registration Statement on Form S-1 (SEC File No. 333-152324) filed with the SEC on July 14, 2008, Exhibit 3.2.

4.1	Specimen stock certificate is incorporated herein by reference to our Annual Report on Form 10-K for fiscal 2020 (SEC File No. 000-53520) filed with the SEC on July 17, 2020, Exhibit 4.1.
10.1	Novation Deed dated May 15, 2012 by and between Liberty Petroleum Corporation and Registrant in respect of Option to Purchase and Sale and Purchase Agreement dated January 31, 2012 is incorporated herein by reference to our Annual Report on Form 10-K for fiscal 2012 (SEC File No. 000-53520) filed with the SEC on June 12, 2012 Exhibit 10.7
10.2	Deed (Pursuant to Section 31 of the Native Title Act 1993) among (a) Honorable Tom Koutstantonis, Minister for Mineral Resources and Energy, for and on behalf of the State of South Australia, (b) Discovery Energy SA Ltd, (c) Edward Lander, Rhonda Gepp-Kennedy, one signatory whose name was withheld for cultural reasons, Sylvia Stuart, Irene Kemp and David Mungerannie, for and on behalf of the Dieri Native Title Holders, and (d) the Dieri Aboriginal Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on September 7, 2012, Exhibit 10.1
10.3	Securities Purchase Agreement dated May 27, 2016 between us and DEC Funding LLC ***("Original Investor")*** is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.01
10.4	Form of Debenture dated May 27, 2016 and executed by us in favor of Original is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.02
10.5	Form of Warrant Agreement dated May 27, 2016 and executed by us in favor of Original Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.03
10.6	Security Agreement dated May 27, 2016 and executed by us in favor of Original Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.04
10.7	Australian Specific Security Agreement (Shares) dated May 27, 2016 and executed by us in favor of Original Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.05
10.8	Australian General Security Agreement dated May 27, 2016 and executed by Discovery Energy SA Limited in favor of Original Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.06
10.9	Australian Deed of Guarantee and Indemnity dated May 27, 2016 and executed by Discovery Energy SA Limited in favor of Original Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.07
10.10	Registration Rights Agreement dated May 27, 2016 and executed by us in favor of Original Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.08
10.11	First Amendment to Securities Purchase Agreement among us, Original Investor and Texican Energy Corporation ("***New Investor***") is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on August 22, 2016, Exhibit 10.01
10.12	Form of Debenture executed by us in favor of Original Investor and the New Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on August 22, 2016, Exhibit 10.02
10.13	Form of Warrant Agreement dated August 16, 2016 and executed by us in favor of Original Investor and the New Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on August 22, 2016, Exhibit 10.03
10.14	Australian Specific Security Agreement (Shares) dated August 16, 2016 and executed by us in favor of Original Investor and the New Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on August 22, 2016, Exhibit 10.04
10.15	Australian Security Agreement dated August 16, 2016 and executed by us in favor of Original Investor and the New Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on August 22, 2016, Exhibit 10.05
10.16	Australian Deed of Guarantee and Indemnity dated August 16, 2016 and executed by Discovery Energy SA Limited in favor of New Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on August 22, 2016, Exhibit 10.06

10.17	Form of Debenture executed by us in favor of New Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on January 5, 2017, Exhibit 10.01
10.18	Second Amendment to Securities Purchase Agreement among us, Original Investor and New Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on February 17, 2017, Exhibit 10.01
10.19	Third Amendment to Securities Purchase Agreement, Amendment to Debentures and Affirmation of Security Documents among us, Discovery Energy SA Pty Ltd, Original Investor and New Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on September 25, 2017, Exhibit 10.01
10.20	First Amendment to Senior Secured Convertible Debenture is incorporated herein by reference to our Annual Report on Form 10-K for fiscal 2019 (SEC File No. 000-53520) filed with the SEC on May 15, 2019, Exhibit 10.21.
10.21	Fourth Amendment to Securities Purchase Agreement and Amendment to Debentures among Discovery, Discovery Energy SA Ltd., DEC Funding LLC and Texican Energy Corporation is incorporated herein by reference to our Quarterly Report on Form 10-Q for quarter ended November 30, 2019 (SEC File No. 000-53520) filed with the SEC on January 21, 2020, Exhibit 10.3.
10.22	Consulting letter agreement dated January 10, 2020, but fully executed on February 23, 2020 and effective as of March 1, 2019 by and between Keith D. Spickelmier and the Company is incorporated herein by reference to our Annual Report on Form 10-K for fiscal 2020 (SEC File No. 000-53520) filed with the SEC on July 17, 2020, Exhibit 10.22.
10.23	Consulting letter agreement dated January 10, 2020, but fully executed on March 26, 2020 and effective as of March 1, 2019 by and between Keith J. McKenzie and the Company is incorporated herein by reference to our Annual Report on Form 10-K for fiscal 2020 (SEC File No. 000-53520) filed with the SEC on July 17, 2020, Exhibit 10.23.
10.24	Employment letter agreement dated January 10, 2020, but fully executed on February 23, 2020 and effective as of March 1, 2019 by and between William E. Begley and the Company is incorporated herein by reference to our Annual Report on Form 10-K for fiscal 2020 (SEC File No. 000-53520) filed with the SEC on July 17, 2020, Exhibit 10.24.
10.25	Second Amendment to Debentures and Amendment to Warrants among Discovery, Discovery Energy SA Ltd., DEC Funding LLC and Texican Energy Corporation – filed herewith
14.1	Code of Ethics is incorporated herein by reference to our Registration Statement on Form S-1 (SEC File No. 333-152324) filed with the SEC on July 14, 2008, Exhibit 14.1.
21.1	Subsidiaries – filed herewith.
31.01	Sarbanes Oxley Section 302 Certifications - filed herewith.
31.02	Sarbanes Oxley Section 302 Certifications - filed herewith.
32.01	Sarbanes Oxley Section 906 Certifications - filed herewith.
99.1	Our 2012 Equity Incentive Plan (filed as Exhibit 4.1 to our Registration Statement on Form S-8 (SEC File No. 333-183025) filed August 2, 2012).
101.INS	XBRL Instance Document – filed herewith.
101.SCH	XBRL Taxonomy Extension Schema – filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase – filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase – filed herewith.
101.LAB	XBRL Taxonomy Extension Labels Linkbase – filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase – filed herewith.

ITEM 16. FORM 10-K SUMMARY

None.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Discovery Energy Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Discovery Energy Corp. (the "Company") as of February 28, 2021 and February 29, 2020, the related consolidated statements of operations and comprehensive income (loss), stockholders' deficit and cash flows for each of the years ended February 28, 2021 and February 29, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2021 and February 29, 2020, and the results of its operations and its cash flows for each of the years ended February 28, 2021 and February 29, 2020, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 3, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of unproved oil and gas properties

At February 28, 2021, the net carrying value of the Company's unproved oil and gas properties was $2.9 million. As described in Notes 2 and 4 to the consolidated financial statements, the Company performs impairment tests with respect to its unproved oil and gas properties whenever events or circumstances indicate that the carrying value of the property may not be recoverable. The Company periodically reviews unproved properties for impairments; numerous factors are considered, including but not limited to, current exploration and development plans, favorable or unfavorable exploration activity, geologists' evaluation of the property, the current and projected political and regulatory climate, and the remaining lease term for the property.

We identified the evaluation of the fair value of certain unproved oil and gas properties as a critical audit matter. A high degree of subjectivity is involved in evaluating the results of the Company's analysis.

The following are the primary procedures we performed to address this critical audit matter. We obtained an understanding of the Company's controls over its unproved oil and gas impairment process, including controls related to the key assumptions used in the Company's analysis. We evaluated the reasonableness of the Company's assessment including a review of the lease agreements, lease term, exploration and development plans, exploration activity, evaluations from geologists engaged by the Company, and the related political climate.

Valuation and accounting for stock-based awards

As described in Note 10 to the consolidated financial statements, during fiscal year 2021 the Company granted 8.8 million warrants to nonemployees and incurred $2.7 million of additional stock-based compensation expense related to the modification of its previously granted warrants. Auditing management's valuation and accounting for stock-based compensation required subjective judgment to analyze the terms within the related agreements to determine that we concurred with management's valuation and calculations.

Our audit procedures included, among others:

- We tested the warrant agreements to determine whether management appropriately evaluated such agreements on the date of grant and date of modification;
- We reviewed the vesting terms of the warrant agreements to determine the stock-based compensation is recorded in the proper period;
- We reviewed the terms of the modification agreements to determine that any modifications thereto were appropriately recorded;
- We tested the underlying expenses and other information that served as the basis for the valuation and tested the inputs and terms used in the valuation to determine completeness and accuracy; and
- We evaluated the reasonableness of the valuation method and assumptions used by management to calculate the values on the grant date by developing an independent estimate of the volatility by utilizing third party historical data of closing prices.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2016.

Houston, Texas
June 16, 2021

Discovery Energy Corp.
Consolidated Balance Sheets

	February 28, 2021	February 29, 2020
Assets		
Current Assets		
Cash	$ 9,752	$ 8,115
Prepaid expenses	7,909	34,480
Tax receivable	14	624
Total Current Assets	17,675	43,219
Oil and gas property – not subject to amortization (successful efforts method)	2,883,915	2,883,915
Other assets	39,145	32,620
Total Assets	$ 2,940,735	$ 2,959,754
Liabilities and Shareholders' Deficit		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,322,321	$ 2,223,339
Accounts payable – related parties, net	1,273,030	814,399
Total Current Liabilities	4,595,351	3,037,738
Notes Payable	118,750	-
Convertible debentures payable, net of debt discount	5,394,596	4,744,804
Total Liabilities	10,108,697	7,782,542
Commitments and Contingencies		
Shareholders' Deficit		
Preferred stock – 10,000,000 shares authorized, zero issued and outstanding	-	-
Common stock – 500,000,000 shares authorized, $0.001 par value – 154,365,396 and 153,840,396 shares issued and outstanding, respectively	154,365	153,840
Additional paid-in capital	24,199,651	20,447,198
Accumulated other comprehensive income	139,760	154,199
Accumulated deficit	(31,661,738)	(25,578,025)
Total Shareholders' Deficit	(7,167,962)	(4,822,788)
Total Liabilities and Shareholders' Deficit	$ 2,940,735	$ 2,959,754

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

Discovery Energy Corp.
Consolidated Statements of Operations and Comprehensive Loss
For the Years Ended February 28, 2021 and February 29, 2020

	Year Ended February 28, 2021	Year Ended February 29, 2020
Operating Expenses		
General and administrative	$ 3,718,698	$ 3,613,874
Exploration costs	36,600	48,000
Total operating expenses	3,755,298	3,661,874
Operating loss	(3,755,298)	(3,661,874)
Other Income (Expense)		
Interest expense	(2,328,346)	(2,243,062)
Miscellaneous income	8	1,229
Gain on foreign currency transactions	(77)	574
Other expenses	(2,328,415)	(2,241,259)
Net loss	$ (6,083,713)	$ (5,903,133)
Loss per common share – basic and diluted	$ (0.04)	$ (0.04)
Weighted average number of common shares outstanding – basic and diluted	154,239,780	152,316,216
Comprehensive Income (Loss)		
Net loss	$ (6,083,713)	$ (5,903,133)
Other comprehensive income (loss) – gain on foreign currency translation	14,439	77,994
Total comprehensive loss	$ (6,098,152)	$ (5,825,139)

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

Discovery Energy Corp.
Consolidated Statements of Shareholders' Deficit
For the Year Ended February 28, 2021 and February 29, 2020

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Shareholders'Equity (Deficit)
	Number	Par Value				
Balance, February 28, 2019	148,240,396	$ 148,240	$ 18,059,682	$ (19,674,892)	$ 76,205	$ (1,390,765)
Share-based compensation	3,950,000	3,950	798,550	-	-	802,500
Warrant modification expense	-	-	1,184,366	-	-	1,184,366
Sale of common stock	1,650,000	1,650	404,600	-	-	406,250
Net loss for the year	-	-	-	(5,903,133)	-	(5,903,133)
Gain on foreign currency translation					77,994	77,994
Balance, February 29, 2020	153,840,396	$ 153,840	$ 20,447,198	$ (25,578,025)	$ 154,199	$ (4,822,788)
Debt discount from warrants			942,812	-	-	942,812
Warrant modification expense	-		2,710,166	-	-	2,710,166
Sale of common stock	525,000	525	99,475	-	-	100,000
Net loss for the year	-	-		(6,083,713)	-	(6,083,713)
Gain on foreign currency translation	-		-	-	(14,439)	(14,439)
Balance, February 28, 2021	154,365,396	$ 154,365	$ 24,199,651	$ (31,661,738)	$ 139,760	$ (7,167,962)

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

Discovery Energy Corp.
Consolidated Statements of Cash Flows
For the Years Ended February 28, 2021 and February 29, 2020

	Year Ended February 28, 2021	Year Ended February 29, 2020
Cash flows from operating activities		
Net loss	$ (6,083,713)	$ (5,903,133)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	1,592,604	1,562,777
Stock-based compensation	-	802,500
Warrant modification expense	2,710,166	1,184,366
Foreign currency transaction (gain) loss	77	(574)
Changes in operating assets and liabilities:		
Prepaid expenses	26,571	(11,234)
Tax receivable	610	687
Accounts payable and accrued liabilities	1,092,380	817,365
Accounts payable – related party, net	458,631	665,209
Net cash used in operating activities	(202,674)	(882,037)
Cash flows from financing activities		
Proceeds from borrowings on notes payable	118,750	-
Proceeds from sale of common stock	100,000	406,250
Net cash flows provided by financing activities	218,750	406,250
Effect of foreign currency translation on cash	(14,439)	77,994
Change in cash during the period	1,637	(397,793
Cash, beginning of the year	8,115	405,908
Cash, end of the year	$ 9,752	$ 8,115
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
Noncash investing and financing activities:		
Warrants granted from debt modification	$ 942,812	$ -

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

1. Nature of Operations

The principal business of Discovery Energy Corp. ("Company") is the exploration and development of the 584,651 gross acres (914 sq. miles) in South Australia ("Prospect") covered by Petroleum Exploration License PEL 512 ("License"). In May 2012, the Company incorporated a wholly-owned Australian subsidiary, Discovery Energy SA Ltd., for the purpose of acquiring a 100% working interest in the License. On May 25, 2016, its status changed from a public to a private legal entity and its name changed to Discovery Energy SA Pty Ltd. ("Subsidiary"). To date, the Company has not determined whether or not the Prospect, which overlies portions of the Cooper and Eromanga basins, contains any crude oil and/or natural gas reserves that are economically recoverable. While the Company's present focus is on the Prospect, it may consider pursuing other attractive crude oil and/or natural gas exploration opportunities.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying audited interim consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and the rules of the U.S. Securities and Exchange Commission ("SEC").

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and the Subsidiary. Inter-company transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of these financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of acquisition to be cash equivalents. The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits as guaranteed by the Federal Deposit Insurance Corporation. As of February 28, 2021, approximately $2,500 of the Company's cash balances were uninsured, related to the Company's Australian subsidiary. The Company has not experienced any losses on such accounts.

Oil and Gas Property and Exploration Costs

The Company is in the exploration stage of evaluating the Prospect and has not yet realized any revenues from its operations. It applies the successful efforts method of accounting for crude oil and natural gas properties. Under this method, exploration costs such as exploratory geological and geophysical costs, delay rentals and exploratory overhead are expensed as incurred. Costs to acquire mineral interests in crude oil and/or natural gas properties, drill and equip exploratory wells that find proved reserves and drill and equip development wells are capitalized. Acquisition costs of unproved leaseholds are assessed for impairment during the holding period and transferred to proven crude oil and/or natural gas properties to the extent associated with successful exploration activities. Significant undeveloped leases are assessed individually for impairment, based on the Company's current exploration plans, and a valuation allowance is provided if impairment is indicated. Capitalized costs from successful exploration and development activities associated with producing crude oil and/or natural gas leases, along with capitalized costs for support equipment and facilities, are amortized to expense using the unit-of-production method based on proved crude oil and/or natural gas reserves on a field-by-field basis, as estimated by qualified petroleum engineers.

Long-lived Assets

The carrying values of long-lived assets are reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Income Taxes

Deferred income taxes are reported for timing differences between items of income or expense reported in these financial statements and those reported for income tax purposes. The Company uses the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides a valuation allowance for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is not more likely than not.

The Company accounts for uncertain income tax positions by recognizing in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on examination by taxation authorities, based on the technical merits of the position. The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. Once it is determined that the position meets the recognition threshold, the second step requires us to estimate and measure the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement. The difference between the amount of recognizable tax benefit and the total amount of tax benefit from positions filed or to be filed with the tax authorities is recorded as a liability for uncertain tax benefits. It is inherently difficult and subjective to estimate such amounts, as the Company has to determine the probability of various possible outcomes. The Company reevaluates uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Such a change in recognition or measurement could result in the recognition of a tax benefit or an additional charge to the tax provision.

Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates prevailing at the balance sheet date. Non-monetary assets are translated at historical exchange rates, and revenue and expense items at average rates of exchange prevailing during the period. Differences resulting from translation are presented in equity as accumulated other comprehensive income (loss). Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Canadian and Australian dollars. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

Fair Value Considerations

Historically, the Company followed Accounting Standards Codification ("ASC") 820, "*Fair Value Measurements and Disclosures*," as amended by FASB Financial Staff Position ("FSP") No. 157 and related guidance. These provisions relate to the Company's financial assets and liabilities carried at fair value and the fair value disclosures related to financial assets and liabilities. ASC 820 defines fair value, expands related disclosure requirements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, assuming the transaction occurs in the principal or most advantageous market for that asset or liability.

There are three levels of inputs to fair value measurements - Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs. The Company uses Level 1 inputs for its fair value measurements whenever there is an active market, with actual quotes, market prices, and observable inputs on the measurement date. The Company uses Level 2 inputs for fair value measurements whenever there are quoted prices for similar securities in an active market or quoted prices for identical securities in an inactive market. The Company uses observable market data whenever available.

In accordance with ASC 815-40-25 and ASC 815-10-15 *"Derivatives and Hedging"* and ASC 480-10-25 "*Liabilities-Distinguishing Liabilities from Equity"*, the embedded derivative associated with the convertible note payable and warrant were accounted for as liabilities during the term of the related note payable and warrant as of February 28, 2018.

In July 2017, the FASB issued Accounting Standards Update ("ASU") 2017-11, *Earnings Per Share* (Topic 260); *Distinguishing Liabilities from Equity* (Topic 480); *Derivatives and Hedging* (Topic 815): (Part I) *Accounting for Certain Financial Instruments with Down Round Features*. These amendments simplify the accounting for certain financial instruments with down round features. The amendments require companies to disregard the down round feature when assessing whether the instrument is indexed to its own stock, for purposes of determining liability or equity classification. The standard was adopted as of March 1, 2018.

Loss Per Share

Basic Earnings Per Share ("EPS") is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used to determine the number of shares assumed to be purchased from the exercise of stock options and/or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

For the years ended February 28, 2021 and February 29, 2020, the following share equivalents related to convertible debt and warrants to purchase shares of common stock were excluded from the computation of diluted net loss per share, as the inclusion of such shares would be anti-dilutive.

Common Shares Issuable for:	**Year Ended February 28, 2021**	**Year Ended February 29, 2020**
Convertible debt	58,650,448	54,183,862
Stock warrants	27,877,058	19,125,000
	86,527,506	73,308,862

Comprehensive Income (Loss)

The Company recognizes currency translation adjustments as a component of comprehensive income (loss).

Recent Accounting Pronouncements

On March 1, 2019, the Company adopted Topic 842 and elected practical expedients provided by the new standard whereby, the Company has elected to not reassess its prior conclusions about lease identification, lease classification, and initial direct costs and to retain off-balance sheet treatment of short-term leases (i.e., 12 months or less and does not contain a purchase option that the Company is reasonably certain to exercise). As a result of the short-term expedient election, the Company has no leases that require the recording of a net lease asset and lease liability on the Company's consolidated balance sheet or have a material impact on consolidated earnings or cash flows as of March 1, 2019. Moving forward, the Company will evaluate any new lease commitments for application of Topic 842.

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. ASU 2019-12 is intended to simplify accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. The Company is currently evaluating and assessing the impact this guidance will have on its consolidated financial statements

The Company does not anticipate that the adoption of other recently issued accounting pronouncements will have a significant impact on its financial statements.

3. Going Concern

These financial statements were prepared on a going concern basis, which implies that 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 is unlikely to 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, successfully develop the Prospect and/or obtain producing properties, with a goal of attaining profitable operations. The Company is currently attempting to complete a significant financing, and in this connection might (a) place a significant amount of additional debentures similar to those described below, (b) secure an alternative financing arrangement, possibly involving the Company's equity securities, or (c) some combination of (a) and (b). The Company has no assurance that it will be able to raise significant additional funds to develop the Prospect or the additional funds needed for general corporate purposes.

As of February 28, 2021, the Company had not generated any revenues and had an accumulated loss of $31,661,738 since inception. The cash balance of the Company was $9,752 as of February 28, 2021. These factors raise substantial doubt regarding the Company's ability to continue as a going concern for the 12 months following the issuance of these financial statements. These financial statements do not include any adjustments related 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.

The current COVID-19 pandemic could continue to, and future similar epidemics or pandemics could also, materially and adversely impact our ability to finance and conduct the Company's business once it becomes operational and could materially and adversely impact its operations, funding, and/or financial performance. The COVID-19 pandemic has had no material impact on the Company's current business activities which are primarily focused on compliance and fund raising tasks. The Company has had and continues to have the same staff, same service providers and same processes as was the case prior to the pandemic.

4. Oil and Gas Properties

The License covers 584,651 gross acres (914 sq. miles) in the State of South Australia. The License grants a 100% working interest in the Prospect, which overlies portions of the Cooper and Eromanga basins.

On October 26, 2012, a 100% interest in the License was officially issued to the Subsidiary.

On May 19, 2014, the Company received notice from the Government of South Australia that it had issued certain modifications to the License and had suspended the License for a period of six months. Such a suspension functions like an extension. Under the amended License, the Company is required to drill 7 exploratory wells rather than 12, as originally required. The 7 required wells must be drilled in years 3, 4, and 5 (2, 2, and 3 wells, respectively). The amount of required 2D seismic was also reduced to 62 miles (100 km.) in year 3 from 155 miles (250 km.) in year 2 but the total 3D seismic work guarantee increased to 193 sq. miles (500 sq. km.) from 154 sq. miles (400 sq. km.). However, the 3D seismic survey requirement is spread over three years with 39 sq. miles (100 sq. km.) in year 2, 77 sq. miles (200 sq. km.) in year 3 and 77 sq. miles (200 sq. km.) in year 4. Subsequent to this modification and suspension, the Company received two additional six-month suspensions, one in February 2015 and one in July 2015 (this additional suspension commenced upon the conclusion of the suspension received in February 2015). In February 2016, the Company received a third additional suspension, which was for one year and which commenced upon the conclusion of the suspension received in July 2015. Combined, these three additional suspensions amount to an accumulated total suspension of two years.

On June 22, 2016, the Company terminated the February 2016 License suspension in preparation for a 3D seismic survey (the "*Nike Survey*") that was comprised of approximately 69 sq. miles (179 sq. km.) on the southwest portion of the Prospect. After archaeological and environmental reviews of the survey area, fieldwork by the seismic contractor began on July 26, 2016. The Nike Survey and field work were completed on October 30, 2016 and the License was suspended again on November 1, 2016.

In July 2017, the License suspension was lifted in order to conduct a Work Area Clearance Survey ("*WAC*") of several potential drill sites located in the southern portion of the License. After completing the Nike Survey, the Company requested and received five additional six-month suspensions in each of July 2017, June 2018, February 2019, July 2019 and January 2020 and one additional twelve-month suspension in August 2020 resulting in a new expiration date of October 29, 2023.

As a result of the activities, modifications and suspensions described above, the remaining work commitments are now as follows:

* Year 3 ending October 28, 2021 - Shoot 2D seismic data totaling at least approximately 62 miles (100 km.) and shoot 3D seismic data totaling at a minimum approximately 77 sq. miles (200 sq. km.) and drill two wells.

* Year 4 ending October 29, 2022 - Shoot 3D seismic data totaling at a minimum approximately 77 sq. miles (200 sq. km.) and drill two wells.

* Year 5 ending October 29, 2023 - Drill three wells.

In four transactions, the Company acquired portions of the royalty interest associated with the PEL 512 License so that the Company now owns an aggregate 5.0% royalty interest, while the previous holders of the original 7.0% royalty interest continue to hold a 2.0% royalty interest. While the Company has to date been successful in obtaining such extensions, it has no assurance that any further extensions will be obtained.

5. Related Party Transactions

As of February 28, 2021 and February 29, 2020, the Company owed $1,273,030 and $814,399, respectively, to certain Company directors for accrued compensation and reimbursement of expenses paid on behalf of the Company.

During the year ended February 29, 2020, the Board of Directors of the Company approved an award of shares of the Company's common stock to several of the Company's officers, each of whom was also a director of the Company on April 15, 2019. In approving these awards, each director abstained from participating in the consideration and approval of such director's own award. The shares were awarded for services provided to the Company as officers over the past seven years, and were made pursuant to the Company's 2012 Equity Incentive Plan. The awarded shares were fully vested at the time of the award and could be immediately sold, subject to applicable federal securities law restrictions on such sales. The following table provides information about the officers receiving an award and the number of shares awarded:

Name of Officer	Offices Held	Number of Award Shares
Keith D. Spickelmier	Chairman of the Board	1,250,000
Keith J. McKenzie	Chief Executive Officer	500,000
William E. Begley	President, Chief Financial Officer and Chief Operating Officer	750,000

The fair value of these shares was $500,000 based on the market price of $0.20 per share on the grant date.

6. Notes Payable

In connection with the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act, on April 27, 2020 the Company borrowed $118,750 at an annual interest rate of 1 percent. The loan matures on April 27, 2022. The Company applied for the forgiveness of this indebtedness to the maximum extent permitted by applicable law. Accrued interest for the twelve months ended February 28, 2021 was $1,002 at a rate of 1% per annum.

7. Convertible Debentures Payable

From May 27, 2016 through May 16, 2018, the Company issued eleven rounds (I thru XI) of senior secured convertible debentures, the proceeds of which have funded the initial Nike Survey with respect to the Prospect, the interpretation of seismic data acquired, expenses associated with the Nike Survey, costs associated with the debenture issuances, and general and administrative expenses. The debentures are secured by virtually all of the Company's assets owned, directly or indirectly, but for the License. As discussed elsewhere, the Company may in the future sell additional senior secured convertible debentures having the same terms as those currently outstanding. The Maturity Date of the Debentures was extended to December 31, 2023. Due to the extension, a debt modification was determined and the amortization of discount for the twelve months ended February 28, 2021 was recorded accordingly to the new Maturity Date of December 31, 2023. Table below provides a summary of the senior secured convertible debentures issued through February 28, 2021 and related debt discount and amortization details.

Round	Issue Date	Maturity Date	Interest Rate	Conversion Price	Principal Amount	Debt Discount	Debentures, net of Debt Discount
Outstanding as of February 29, 2020:							
I	May 27, 2016	December 31, 2023	8%	$ 0.16	$ 3,500,000	$ 3,500,000	
II	Aug 16, 2016	December 31, 2023	8%	$ 0.16	200,000	199,999	
	Aug 16, 2016	December 31, 2023	8%	$ 0.16	250,000	250,000	
III	Dec 30, 2016	December 31, 2023	8%	$ 0.16	287,500	237,587	
IV	Feb 15, 2017	December 31, 2023	8%	$ 0.16	1,000,000	1,000,000	
V	Mar 31,2017	December 31, 2023	8%	$ 0.20	200,000	200,000	
VI	Jul 5, 2017	December 31, 2023	8%	$ 0.20	137,500	137,500	
	Jul 5, 2017	December 31, 2023	8%	$ 0.16	150,000	150,000	
VII	Sept 19, 2017	December 31, 2023	8%	$ 0.16	400,000	400,000	
	Sept 19, 2017	December 31, 2023	8%	$ 0.16	100,000	82,125	
VIII	Oct 10, 2017	December 31, 2023	8%	$ 0.20	137,500	72,806	
IX	Jan 3, 2018	December 31, 2023	8%	$ 0.20	137,500	137,500	
X	April 2, 2018	December 31, 2023	8%	$ 0.20	137,500	137,500	
XI	May 16, 2018	December 31, 2023	8%	$ 0.20	212,500	212,500	
Amortized discount as of February 29, 2020						(4,612,321)	
Balance as of February 29, 2020					**6,850,000**	**2,105,196**	**$ 4,744,804**

Activity for the twelve months ended February 28, 2021:			
Debt discount from warrant grant from debt modification		942,812	
Amortization of discount for the twelve months ended February 28, 2021		(1,592,604)	
Balance as of February 28, 2021	**$ 6,850,000**	**$ 1,455,404**	**$ 5,394,596**

The Company recognized $1,592,604 and $1,562,777 of debt discount amortization during the years ended February 28, 2021 and February 29, 2020, respectively. During the years ended February 28, 2021 and February 29, 2020, the Company incurred interest expense directly related to the Convertible Debentures of $733,681 and $680,284, respectively, at a rate of 8% per year, compounded quarterly.

8. Commitments and Contingencies

Office Lease

Change in Accounting Policy.

The Company leases virtual office space in Houston, Texas, on a month to month basis for $193 per month and has a remaining obligation as of February 28, 2021 of $193. The Subsidiary leases virtual office space in Melbourne, Australia, on a month-to-month basis for AU$175. The Company's server is located in the personal office of Keith McKenzie, an officer and director of the Company. The office space is leased on a month-to-month basis for CA$500.

During the year ended February 28, 2021 and February 29, 2020, the Company incurred office lease expense of $8,602 and $9,442, respectively.

9. Income Taxes

The following table reconciles the U.S. federal statutory income tax rate in effect for the years ended February 28, 2021 February 29, 2020, and the Company's effective tax rate:

	Year Ended February 28, 2021	Year Ended February 29, 2020
U.S. federal statutory income tax	$ (1,240,198)	$ (1,184,603)
Meals & Entertainment	3,947	8,190
Stock expense related to warrant modifications	569,135	-
True-up of prior year permanent items	417,242	-
Change in valuation allowance	249,874	1,176,413
Effective income tax rate	$ -	$ -

The significant components of deferred income tax assets and (liabilities) at February 28, 2021 and February 29, 2020 are as follows:

	February 28, 2021	February 29, 2020
Capitalized geological/geophysical & other intangibles	$ 8,285	$ 20,402
Debt discount & related amortization	486,060	16,562
Federal net operating loss	1,709,147	1,916,654
Less: valuation allowance	(2,203,492)	(1,953,618)
Net deferred tax asset	$ -	$ -

The amount taken into income as deferred income tax assets must reflect that portion that is more likely-than-not to be realized from future operations. The Company has chosen to provide a full valuation allowance against net deferred tax assets. The Company has recognized a valuation allowance for the net deferred income tax asset since the Company cannot be assured that it is more likely than not that such benefit will be utilized in future years. The valuation allowance is reviewed annually. When circumstances change and which cause a change in management's judgment about the realize-ability of deferred income tax assets, the impact of the change on the valuation allowance is generally reflected in current income.

The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. Management has considered the likelihood and significance of possible penalties associated with its current and intended filing positions and has determined, based on their assessment, that such penalties, if any, would not be expected to be material.

No provision for income taxes has been provided in these financial statements due to the net loss for the years ended February 28, 2021 and February 29, 2020. An NOL carryforward of $8,138,797 has accumulated as of February 28, 2021 with portions beginning to expire in 2032, of which under the CARES Act a portion can be carried back up to five years but also, can be carried forward indefinitely, limited to 80% of a given year's taxable income. NOLs may be limited for future use to the extent there has been a Section 382 limitation resulting from a certain percentage ownership change in a year or years. At this time, Management has not determined whether the threshold ownership change has occurred for any year, or whether a Section 382 limitation applies.

The Company currently has tax returns open for examination by the Internal Revenue Service for all years since fiscal year 2018.

10. Shareholders' Deficit

The Company received gross proceeds of $100,000 from the private placement of 500,000 shares of common stock during the twelve months ended February 28, 2021 at a price of $0.20 per common share. On February 2, 2020, the Company received proceeds of $6,250 in a private placement for 25,000 shares of common stock at $0.25 per share. On December 30, 2020, the 25,000 shares were issued.

For the year ended February 29, 2020, the Company issued 3,700,000 and 250,000 shares of its common stock, respectively, for services at a fair value of $0.20 and $0.25 per share, respectively, to certain officers, board members, employees and professional service providers, based on the stock price on the date of grant with a total grant date fair value of $802,500 (of which 2,500,000 shares were issued to the certain related parties as discussed in Note 5). Additionally, the Company received gross proceeds of $356,250 from the private placement of 1,425,000 shares of common stock during the year ended February 29, 2020 at a price of $0.25 per common share. Additionally, the Company received gross proceeds of $50,000 from the private placement of 250,000 shares of common stock during the year ended February 29, 2020 at a price of $0.20 per common share.

Warrants

Pursuant to debenture agreements dated May 27, 2016 and August 16, 2016, warrants to purchase 13,875,000 shares of the Company's common stock had an original expiration date of May 27, 2019. On May 27, 2019, the Company entered into agreements to extend the related expiration dates to July 27, 2019. As a result of the modification, the Company recorded additional expense of approximately $365,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 2.35% based on the applicable US Treasury bill rate, (2) expected life of 2 months, (3) expected volatility of 80% based on the trading history of the Company, and (4) zero expected dividends. On July 27, 2019, the Company entered into agreements to further extend the related expiration dates to December 31, 2019. As a result of this extension, the Company recorded additional expense of approximately $371,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 2.1% based on the applicable US Treasury bill rate, (2) expected life of 5 months, (3) expected volatility of 80% based on the trading history of the Company, and (4) zero expected dividends. On December 31, 2019, the Company entered into agreements to further extend the related expiration dates to February 29, 2020. As a result of the modification, the Company recorded additional expense of approximately $26,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 1.48% based on the applicable US Treasury bill rate, (2) expected life of 2 months, (3) expected volatility of 80% based on the trading history of the Company, and (4) zero expected dividends. On February 29, 2020, the Company entered into agreements to further extend the related expiration dates to August 31, 2020. As a result of this extension, the Company recorded additional expense of approximately $340,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 1.11% based on the applicable US Treasury bill rate, (2) expected life of 6 months, (3) expected volatility of 100% based on the trading history of the Company, and (4) zero expected dividends. The expense related to these modifications was included in general and administrative expense on the statement of operations. On August 31, 2020 the Company entered into agreements to further extend the related expiration dates to February 28, 2021. As a result of this extension, the Company recorded additional expense of approximately $559,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 0.105% based on the applicable US Treasury bill rate, (2) expected life of 6 months, (3) expected volatility of 76% based on the trading history of the Company, and (4) zero expected dividends. The expense related to these modifications was included in general and administrative expense on the statement of operations.

Pursuant to debenture agreements dated February 15, 2017, warrants to purchase 3,750,000 shares of the Company's common stock had an original expiration date of February 15, 2020. On February 15, 2020, the Company entered into agreements to extend the related expiration dates to August 31, 2020. As a result of this extension, the Company recorded additional expense of approximately $82,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 1.55% based on the applicable US Treasury bill rate, (2) expected life of 6.5 months, (3) expected volatility of 101% based on the trading history of the Company, and (4) zero expected dividends. The expense related to these modifications was included in general and administrative expense on the statement of operations. On August 31, 2020, the Company entered into agreements to further extend the related expiration dates to February 28, 2021. As a result of this extension, the Company recorded additional expense of approximately $151,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 0.105% based on the applicable US Treasury bill rate, (2) expected life of 6 months, (3) expected volatility of 76% based on the trading history of the Company, and (4) zero expected dividends. The expense related to these modifications was included in general and administrative expense on the statement of operations.

Pursuant to a debenture agreement dated September 19, 2017, warrants to purchase 1,500,000 shares of the Company's common stock had an original expiration date of September 19, 2020. On August 31, 2020, the Company entered into an agreement to extend the related expiration date to February 28, 2021. As a result of this extension, the Company recorded additional expense of approximately $60,000 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 0.105% based on the applicable US Treasury bill rate, (2) expected life of 6 months, (3) expected volatility of 76% based on the trading history of the Company, and (4) zero expected dividends. The expense related to this modification was included in general and administrative expense on the statement of operations.

Pursuant to debenture agreements dated May 27, 2016, August 16, 2016, February 10, 2017, and September 19, 2017, warrants to purchase 19,125,000 shares of the Company's common stock had an expiration date of May 27, 2021. On February 4, 2021, the Company entered into an agreement to extend the related expiration date to December 31, 2023. As a result of this extension, the Company recorded additional expense of approximately $1,940,278 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 0.17% based on the applicable US Treasury bill rate, (2) expected life of 35 months, (3) expected volatility of 152% based on the trading history of the Company, and (4) zero expected dividends. The expense related to this modification was included in general and administrative expense on the statement of operations.

On February 4, 2021, the Termination Date of the then outstanding Warrants was also extended to December 31, 2023. In connection with this extension, the Company agreed to issue to the Original Purchaser 8,752,058 additional common shares at an initial per-share exercise price of $0.20, subject to adjustment upon the occurrence of certain customary events. The additional warrants were issued on May 28, 2021, and have an expiration date of December 31, 2023. As a result of this agreement, the Company capitalized as debt discount $942,812 for the incremental fair value of the warrants, calculated using the Black-Scholes option-pricing model. Variables used in the Black-Scholes option-pricing model include: (1) risk free interest rate of 0.17% based on the applicable US Treasury bill rate, (2) expected life of 35 months, (3) expected volatility of 152% based on the trading history of the Company, and (4) zero expected dividends.

No expense was recorded by the Company for the incremental fair value of the warrants due to the early adoption of ASU 2017-11 as noted in Footnote 2.

Warrant activity during the year ended February 28, 2021 and February 29, 2020 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Term (Years)
Outstanding at February 29, 2020	19,125,000	$ 0.20	0.51
Warrants awarded	8,752,058		
Expired/Cancelled	-		
Outstanding and exercisable as of February 28, 2021	27,877,058	$ 0.20	2.84

The intrinsic value of warrants outstanding at February 28, 2021 and February 29, 2020 was $-0- and $2,639,250 respectively.

11. Subsequent Events

On March 3, 2021, the Company received loan proceeds of $120,000 at an annual interest rate of 1 percent pursuant to the U.S. Small Business Administration under sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security Act and specifically Section 1102 of the Act titled the "Paycheck Protection Program". The loan matures on March 3, 2026.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DISCOVERY ENERGY CORP.

By: */s/ William E. Begley*
William E. Begley
President
Date: June 16, 2021

In accordance with the Exchange Act, this report had been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

/s/ Keith J. McKenzie
Keith J. McKenzie
Director, Chief Executive Officer
(Principal executive officer)
Date: June 16, 2021

/s/ Keith D. Spickelmier
Keith D. Spickelmier
Chairman
Date: June 16, 2021

/s/ William E. Begley
William E. Begley
Director, Chief Financial Officer (Principal financial and accounting officer)
Date: June 16, 2021

Exhibit 10.25

SECOND AMENDMENT TO DEBENTURES AND AMENDMENT TO WARRANTS

This SECOND AMENDMENT TO DEBENTURES AND AMENDMENT TO WARRANTS (this "Amendment") is dated as of February 4, 2021, and is by and among DISCOVERY ENERGY CORP., a Nevada corporation (the "Company"), DEC FUNDING LLC, a Texas limited liability company ("Original Purchaser"). TEXICAN ENERGY CORPORATION, a Texas corporation ("New Purchaser") and, for purposes of Section **4,** DISCOVERY ENERGY SA PTY LTD, a company formed under the Jaws of Australia ("Australian Subsidiary"). The Company, Original Purchaser, New Purchaser and, for purposes of Section 4, the Australian Subsidiary are hereinafter sometimes collectively referred to as the "Parties" and each individually as a "Party".

WHEREAS, the Company, Original Purchaser and New Purchaser are party to (i) that certain Securities Purchase Agreement dated May 27, 2016, as amended by the First Amendment to Securities Purchase Agreement dated August 16, 2016, the Second Amendment to Securities Purchase Agreement dated February 15, 2017, the Third Amendment to Securities Purchase Agreement, Amendment to Debentures and Reaffirmation of Security Docwnents dated September 19, 2017 and the Fourth Amendment to Securities Purchase Agreement and Amendment to Debentures dated October 18, 2019 (the "SPA") and (ii) certain Debentures issued by the Company pursuant to the SPA, as amended prior to the date hereof;

WHEREAS, in connection with the SPA and the Debentures, the Company issued in favor of Original Purchaser certain Warrants (as defined in the SPA);

WHEREAS, each of the Parties hereto hereby desires to amend the Debentures to, among other agreements set forth herein, extend the "Maturity Date" (as defined in the Debentures) and the Company and Original Purchaser desire to amend the Warrants, to extend the" Termination Date" (as defined in the Warrants), as set forth more fully herein;

WHEREAS, subject to the satisfaction of the conditions precedent set forth herein, the Parties desire to amend the Debentures and the Warrant.

NOW, THEREFORE, IN CONS!DERATION of the mutual covenants contained in this Amendment, and for other good and valuable considerationt,he receipt and adequacy of which are hereby acknowledged, the Company, Original Purchaser and New Purchaser agree as follows:

1. Definitions. Capitalized terms used in this Amendment but not otherwise defined herein have the meanings given such terms in the SPA. The SPA, after giving effect to this Amendment, is hereinafter referred to as the "Agreement".

2. Amendments to Debentures. Subject to the satisfaction of the conditions precedent set forth in Section 6, each of the Company, Original Purchaser and New Purchaser agree to amend the Debentures as follows:

(a) The definition of "Maturity Date" in the Debentures is hereby amended by replacing the reference therein to "May 27, 2021" with a reference to December 31, 2023".

(b) Section 2(a)(i) of the Debentures *(Interest)* is hereby amended by inserting the phrase "and on May 27, 2021" immediately succeeding the reference therein to "on the last day of each calendar quarter", with the Parties' intention to pay in kind and add to the then principal balance interest accrued and unpaid through May 27, 2021.

3. Amendments to Warrants. Subject to the satisfaction of the conditions precedent set forth in Section 6, each of the Company and Original Purchaser agree to amend the Warrants by redefining the "Termination Date" as set forth in each of the Warrants to mean "December 31, 2023". From and after the date of this Amendment, each of the Parties hereto hereby agrees that the "Warrants" referenced in the SPA shall mean and be a reference to the Warrants as amended hereby.

4. Issuance of Warrants to Original Purchaser. Promptly following May 27, 2021, the Company shall deliver to Original Purchaser a Warrant registered in the name of Original Purchaser to purchase a number shares of Common Stock equal to the product of (a) the amount of interest capitalized and added to the principal balance of the Debentures owing to the Original Purchaser on May 27, 2021 and (b) 3.75, with an exercise price equal to $0.20 per share of Common Stock, subject to adjustment as set forth therein, and an expiration date of December 31, 2023.

5. Reaffirmation of Security Documents. Nothing contained herein or done pursuant hereto shall affect or be construed to affect the security interest, lien, charge or encumbrance heretofore granted and/or any guaranty provided by the Company and/or the Australian Subsidiary to the Purchasers (including to the Original Purchaser, in its capacity as agent), or the priority thereof over other liens and security interests, or to release or affect the liability of the Company and/or the Australian Subsidiary pursuant to the Security Documents. The Company and Australian Subsidiary hereby (a) reaffirm all of the Security Documents and all security interests, liens, charges, encumbrances or guaranties provided therein and (b) confirm that all such security interests, liens, charges, encumbrances or guaranties shall secure and guaranty the Company's obligations under the Debentures purchased by Original Purchaser and New Purchaser pursuant to the SPA.

6. Conditions Precedent. This Amendment and the agreements of the Parties hereunder are subject to the satisfaction of the following condition precedent:

(a) Each Party shall have delivered an executed counterpart of its signature page to this Amendment to each other Party.

7. Representations and Warranties.

(a) As of the date of the effectiveness of this Amendment, and after giving effect to the amendments in Section 2, the Company hereby represents and warrants to New Purchaser and Original Purchaser that the representations and warranties of the Company and its Subsidiaries contained in the Agreement and in each other Transaction Document are true and correct on and as of such date (unless as of a specific date therein in which case they shall be accurate as of such date).

(b) As of the date of the effectiveness of this Amendment, New Purchaser hereby represents and warrants to the Company that the representations and warranties applicable to New Purchaser contained in the Agreement are true and correct on and as of such date.

8. Miscellaneous.

(a) Each of the Parties acknowledges and agrees that from and after the date of the effectiveness of this Amendment, (i) each reference in the SPA to "this Agreement", "herein", "hereof'', "hereunder" or other words of like import shall mean and be a reference to the Agreement and (ii) each reference in the Debentures to "this Debenture", "herein", "hereof, "hereunder" or other words of like import shall mean and be a reference to such Debenture, as amended hereby. Each Debenture hereafter issued shall contain the amended provisions contained herein rather than those related provisions contained in any previously approved form of Debenture.

(b) This Amendment, the Agreement and the other Transaction Documents (as amended hereby), together with the exhibits and schedules thereto, contain the entire understanding of the Parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

(c) ***SECTIONS 5.6 (HEADINGS), 5.9 (GOVERNING LAW), 5.11 (EXECUTION), 5.15 (REMEDIES), 5.18 (INDEPENDENT NATURE, ETC.), 5.21 (CONSTRUCTION)*** **AND** ***5.22 (WAIVER OF JURY TRIAL)*** **OF THE SPA ARE HEREBY INCORPORATED INTO THIS AMENDMENT,** ***MUTATIS MUTANDTS,*** **AS A PART HEREOF FOR ALL PURPOSES.**

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have caused this Amendment to be executed by their respective officers or representatives thereunto duly authorized.

COMPANY:

DISCOVERY ENERGY CORP.

By: */s/ Keith D. Spickelmier*
Keith D. Spickelmier, Chairman

ORIGINAL PURCHASER:

DEC FUNDING LLC

By: */s/ Steven Webster*
Steven Webster, Manager

NEW PURCHASER:

TEXICAN ENERGY CORPORATION

By: */s/ Robert Blevin*
Name: Robert Blevin
Title: CEO

For purposes of Sections 4 and 5 only:

DISCOVERY ENERGY SA PTY LTD

By: */s/ William E. Begley*
Name: William E. Begley
Title: Directeor

Signature Page to Second Amendment to Debentures and Amendment to Warrants

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

	Jurisdiction of Organization	Percent of voting securities owned by Registrant
1. Discovery Energy SA Pty Ltd.	Victoria, Australia	100%

Exhibit 31.01

CERTIFICATIONS

I, Keith J. McKenzie, certify that:

1. I have reviewed this Annual Report on Form 10-K of Discovery Energy Corp.;

2. Based on my knowledge, this Annual 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 Annual Report;

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

4. The registrant'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)) for the registrant 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 registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report was 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls, to the registrant's auditors and the audit committee of registrant's Board of Directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect registrant'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 registrant's internal controls.

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

Date: June 16, 2021

Exhibit 31.02

CERTIFICATIONS

I, William E. Begley, certify that:

1. I have reviewed this Annual Report on Form 10-K of Discovery Energy Corp.;

2. Based on my knowledge, this Annual 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 Annual Report;

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

4. The registrant'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)) for the registrant 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 registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report was 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 registrant'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 registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal controls, to the registrant's auditors and the audit committee of registrant's Board of Directors:

a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect registrant'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 registrant's internal controls.

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

Date: June 16, 2021

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 Annual Report of Discovery Energy Corp. (the "***Company***") on Form 10-K for the period ended February 28, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

(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: June 16, 2021

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 Annual Report of Discovery Energy Corp. (the "***Company***") on Form 10-K for the period ended February 28, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "***Report***"), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

(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: June 16, 2021

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

HEAD OFFICE (USA)

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Email: info@discoveryenergy.com

DIRECTORS

Keith Spickelmier, Chairman
Keith McKenzie
William Begley

OFFICERS

Keith McKenzie, Chief Executive Officer
William Begley, President, CFO and COO
Sean Austin, Secretary/Treasurer

AUDITORS

Marcum LLP
Certified Public Accountants
Suite 300, 6002 Rogerdale Road
Houston, Texas USA 77072

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 (AUS)

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DIRECTORS/OFFICERS

Andrew Adams, Managing Director
Keith McKenzie
William Begley
Melanie Leydin, Secretary/Treasurer

LEGAL COUNSEL - USA

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Two Riverway, Suite 1080
Houston, Texas USA 77056

LEGAL COUNSEL - AUSTRALIA

Graeme K. Alexander
PO Box 739, Rangiora 7440
North Canterbury, New Zealand

SHARE CAPITAL AUTHORIZED AND ISSUED AS AT JUNE 14, 2021

Authorized: 500,000,000 common shares without par value Issued and Outstanding: 154,365,396

TRANSFER AGENT

Computershare Trust Company
8742 Lucent Blvd., Suite 225
Highlands Ranch, CO 80129
Website: www.computershare.com

For more information, visit us at DiscoveryEnergy.com