SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 27, 2016

DISCOVERY ENERGY CORP.
f/k/a "Santos Resource Corp."
(Exact name of registrant as specified in its Charter)

Nevada	000-53520	98-0507846
(State or other jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)

One Riverway Drive, Suite 1700
Houston, Texas 77056
713-840-6495
(Address and telephone number of principal executive offices, including zip code)

(Former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of Registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT.

General

Effective May 27, 2016, Discovery Energy Corp. (the " ***Company*** ") entered into a securities purchase agreement (the " ***Agreement*** ") and related documentation with a certain investor (the " ***Investor"***) pursuant to which the Company sold the following securities:

* a Senior Secured Convertible Debenture due May 27, 2021 having an original principal amount of $3,500,000 (singly a " ***Debenture*** " and collectively with any similar securities issued in the future, the " ***Debentures*** "), and

* warrants (the " ***Warrants*** ") to purchase up to a maximum of 13,125,000 shares (prior to any required adjustment) of the Company's common stock (singly a " ***Common Share*** " and collectively the " ***Common Shares*** ") at an initial per-share exercise price of $0.20.

The Company received proceeds from the sale of these securities in the amount of $3,500,000, after the payment of legal costs. The use of these proceeds is limited to the payment of the Company's and the Investor's costs of the transaction (including legal fees), the funding of the Company's 3D seismic survey with respect to its 584,651 gross acre oil and gas prospect in the State of South Australia and the interpretation of such seismic survey, and the payment of Company's expenses associated with the seismic survey **.** The remainder of these proceeds may be used for general and administrative expenses with the Investor's consent. The Company believes that these proceeds will be sufficient to finance the Company's seismic survey required for the Company's second year license work commitment of 100 km^2 . Moreover, the Company believes that the remainder of these proceeds will be sufficient (provided the Investor's consent is obtained) to finance all of the Company's other business expenses for the next 5 months, although the Company has no assurance of this. In the view of the preceding, the Company will need to raise more funds, and as discussed below, the Company is continuing efforts to sell more Debentures. Moreover, in the future the Company will need significant additional funds to undertake the development of its oil and gas prospect in Australia, and the Company will need to raise these funds to do this. The Company has no assurance that it will be able to raise these significant additional funds or the additional funds needed for the general operation of the Company.

Under the terms of the Agreement, the Company may sell additional Debentures having an original principal amount of up to $1,500,000. Any net proceeds from these additional Debentures will be used for the following purposes:

* The payment of the debt that the Company owes to Liberty Petroleum Corporation

* The payment of the debt that the Company owes to members of management

* General and administrative expenses

If the full $1,500,000 of these additional Debentures is raised, the Company believes that the related net proceeds will be sufficient to pay the debts noted above and finance all of the Company's business for the next year, although it has no assurance of this.

Per Rule 135c under the Securities Act of 1933, nothing contained herein shall be construed to be an offer to sell, or a solicitation of an offer to buy, any securities.

Description of the Debentures

The material terms, provisions and conditions of the Debentures are as follows (the following description is qualified in its entirety by reference to the form of Debenture, which is attached as Exhibit 10.02 hereto and is incorporated herein by reference for all purposes hereof):

* The aggregate original principal amount of the Debentures is $5,000,000. As of the date of this Report, $3,500,000 of the Debentures has been sold.

* 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 May 27, 2021.

* The Company is not entitled to prepay the Debentures prior to their maturity.

* The Debentures are convertible, in whole or in part, into Common Shares at the option of Holder, at any time and from time to time. The conversion price for the Debentures is $0.16, subject to certain adjustments that are believed to be customary in transactions of this nature. If all of the Debentures were converted at this conversion price, 21,875,000 shares of Common Shares would be issued, which would constitute approximately 13.5% of the outstanding Common Shares after the conversion, considered on a fully diluted basis. 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 hereunder 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 Debenture holder's ability to accelerate the maturity of the Debenture such that all amounts owing under the Debenture would become immediately due and payable. The Debenture holder 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 Petroleum Exploration License (PEL) 512 in the State of South Australia (the " ***License*** ") held by the Company's Australian subsidiary, Discovery Energy SA Pty Limited (the " ***Subsidiary*** ").

Material Terms and Provisions of the Security Documents

The security documents relating to the Debenture (the " ***Security Documents*** ") include the following (the following description is qualified in its entirety by reference to the copies of the Security Documents attached as Exhibits 10.04, 10.05 and 10.06 hereto and are incorporated herein by reference for all purposes hereof):

* a Specific Security Agreement (Shares) executed by the Company in favor of Investor pursuant to which the Company pledged all of its shares in the Subsidiary, to secure the Debentures

* a Security Agreement executed by the Subsidiary in favor of Investor pursuant to which the Subsidiary pledged all of its assets (other than the License) to secure the foregoing Deed of Guarantee and Indemnity

* a Deed of Guarantee and Indemnity executed by the Subsidiary in favor of Investor pursuant to which the Subsidiary guarantees the Debentures

In addition to the Security Documents listed above, the Company has agreed to enter into Deposit Account Control Agreements within 30 days in favor of Investor to perfect Investor's security interests in the Company's cash on deposit.

The Security Documents contain agreements, representations, warranties, events of default and remedies that are believed to be customary in transactions of this nature. The essential effect of the Security Documents 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 the Company's business could cease and all or substantially all of stockholders' equity could be lost. For more information about this, see the section captioned "Additional Risk Factors" below.

Description of the Warrants

The material terms, provisions and conditions of the Warrants are as follows (the following description is qualified in its entirety by reference to the form of warrant agreement, which is attached as Exhibit 10.03 hereto and is incorporated herein by reference for all purposes hereof):

* The aggregate number of Common Shares to be purchased pursuant to exercises of the Warrants is 13,125,000.

* 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. If all of the Warrants were exercised, 13,125,000 shares of Common Shares would be issued, which would constitute approximately 8.56% of the outstanding Common Shares after the exercise, considered on a fully diluted basis.

* The Warrants are currently exercisable and remain so until their expiration date of May 27, 2019 .

* The Company is subject to certain liabilities and liquidated damages for its 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.

Other Material Terms and Provisions of the Agreement

Certain material terms, provisions and conditions of the Agreement that are not described elsewhere herein are as follows (the following description is qualified in its entirety by reference to copy of the Agreement, which is attached as Exhibit 10.01 hereto and is incorporated herein by reference for all purposes hereof):

* The Agreement contains representations, warranties, indemnities, events of default and remedies that are believed to be customary in transactions of this nature.

* Subject to certain exceptions, the Agreement provides for a right of first offer in favor of the holders of the Debentures to purchase any proposed new debt or equity to be issued by the Company up to an aggregate amount of $20,000,000 at an issuance price or a conversion price of $0.20 per Common Share. This right of first offer must be made to the holders of the Debentures before the proposed securities are offered to other persons. Exceptions to this right of first offer include (a) raises of capital not exceeding $2,000,000 at offering prices not less than the conversion price of the Debenture in certain cases or the exercise price of the Warrants in all other cases, (b) issuances meeting certain specifications pursuant to employee incentive plans, (c) issuances meeting certain specifications in connection with mergers and acquisitions transactions and (d) issuances of up to 1,400,000 Common Shares to employees or vendors as permitted under the terms of the Debentures.

* The Agreement provides that the Investor may have elected to the Company's Board of Directors one nominee, and once the Investor has provided an aggregate amount of $20,000,000 of additional funds pursuant to right of first offer described above, the Investor may have elected to the Company's Board of Directors an additional two nominees. The Investor has not exercised the right to nominate or have one director elected.

* The Agreement contains the following material agreements that are believed to be customary in transactions of this nature:

    * Agreements regarding the transferability and transfer of the Debentures, the Common Shares into which they can be converted, the Warrants, and the Common Shares that can be acquired upon their exercise.

    * Agreements regarding the Company's obligation to make filings with the U.S. Securities and Exchange Commission (the " ***SEC*** ") so that the securities described immediately above can be legally resold.

    * Agreements regarding the use of the proceeds from the Company's sale of the Debentures. See the section captioned "General" above for a discussion of the use of these proceeds.

* Agreements regarding the reservation of Common Shares to be issued upon conversions of the Debenture and exercises of the Warrants.

* Agreements prohibiting the sale of Company securities having conversion prices, exercise prices or exchange rates tied to the trading prices of the Common Shares.

Material Terms and Provisions of Other Related Agreements

Registration Rights Agreement . The Company entered into a Registration Rights Agreement in favor of Investor pursuant to which the Company agreed to register with the SEC the resale of the Common Shares into which the Debentures can be converted and the Common Shares that can be acquired upon the exercise of the Warrants. Certain material terms, provisions and conditions of the Registration Rights Agreement are as follows (the following description is qualified in its entirety by reference to copy of the Registration Rights Agreement, which is attached as Exhibit 10.08 hereto and is incorporated herein by reference for all purposes hereof):

* The Investor has the right, at any time six months after the issuance of the Debentures, 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, which should be minimal if any. 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. The Company 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 effective and current until the registered Common Shares are sold or become eligible to be sold pursuant to pursuant to an exemption under certain circumstances, which the Company believes will never occur. Thus, the Company believes that it will be required to maintain the registration statement effective and current indefinitely after it becomes effective.

* In addition to the Investor's "demand" registration rights, the Investor has "piggyback" registration rights whereby it can participate (without a demand) in any registration that the Company proposes with certain exceptions.

* The Registration Rights Agreement contains other agreements and indemnities that are believed to be customary in transactions of this nature.

Additional Risk Factors

The completion of the transactions described herein imposes certain additional risks on the Company, which include the following:

WE ARE SIGNIFICANTLY LEVERAGED.

We have recently taken on additional indebtedness through the sale of the Debentures. Prior to this additional indebtedness, we already owed a significant amount to Liberty Petroleum Corporation and a lesser amount to members of our management. The 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. Unless we generate such cash, we may not have sufficient funds to pay the Debentures and other indebtedness. In such event, we might be required to sell or refinance our assets and properties to meet our obligations. If refinancing is not obtained or a sale is not consummated, we could default in our obligations.

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

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

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

The currently outstanding Debentures can be converted into 21,875,000 Common Shares, and we have the ability to issue more convertible Debentures. An aggregate of 13,125,000 Common Shares can be acquired upon the exercise of the Warrants. The conversion price of the Debenture 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 to employees, officers, directors, and outside consultants to compensate them for services provided or to provide incentives to them. Of these Common Shares, 5,697,300 are still available for issuance in the future. Furthermore, we recently modified our indebtedness owed to Liberty Petroleum Corporation (the " ***Liberty Indebtedness*** ") so that it can be partially satisfied by the issuance of 1,150,895 Common Shares. Future issuances of additional shares in the preceding connections or otherwise could cause immediate and substantial dilution to the net tangible book value of Common Shares issued and outstanding immediately before such transaction. 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 the Debentures, the Warrants or the Liberty Indebtedness are outstanding may be adversely affected because of the potential dilution described in this risk factor.

ITEM 2.03 CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT OF A REGISTRANT.

The information included in Item 1.01 of this Report is also incorporated by reference into this Item 2.03 of this Report to the extent necessary.

ITEM 3.02 UNREGISTERED SALES OF EQUITY SECURITIES

The information included in Item 1.01 of this Report is also incorporated by reference into this Item 3.02 of this Report.

The issuances of the Debentures and Warrants described in Item 2.03 of this Report are, and the issuances of Common Shares upon the conversion of the Debentures and upon the exercises of the Warrants will be, claimed to be exempt pursuant to Section 4(2) of the Securities Act of 1933 (the " ***Act*** ") and Rule 506 of Regulation D under the Act. No advertising or general solicitation was employed in offering these securities. The offering and sale was made only to accredited investors, and subsequent transfers were restricted in accordance with the requirements of the Act.

None of the securities the issuances of which are described in Item 2.03 of this Report were registered under the Act, as amended, and may not be offered or sold in the United States in the absence of an effective registration statement or exemption from registration requirements.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits.

Exhibit Number	Exhibit Title
10.01	Securities Purchase Agreement between the Company and Investor
10.02	Form of Debenture executed by the Company in favor of Investor
10.03	Form of Warrant Agreement executed by the Company in favor of a certain investor
10.04	Security Agreement executed by the Company in favor of Investor
10.05	Australian Specific Security Agreement (Shares) executed by the Company in favor of Investor
10.06	Australian General Security Agreement executed by Discovery Energy SA Limited in favor of Investor
10.07	Australian Deed of Guarantee and Indemnity executed by Discovery Energy SA Limited in favor of Investor
10.08	Registration Rights Agreement executed by the Company in favor of Investor

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

DISCOVERY ENERGY CORP.,
f/k/a "Santos Resource Corp."
(Registrant)

Date: June 2, 2016

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

Exhibit 10.01

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this " Agreement ") is dated as of May 27, 2016, between DISCOVERY ENERGY CORP., a Nevada corporation (the " Company "), DEC FUNDING LLC, a Texas limited liability company (" Original Purchaser ") and each other purchaser from time to time signatory hereto (together with Original Purchaser, each, including its successors and assigns, a " Purchaser " and collectively the " Purchasers ").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the " Securities Act "), and Rule 506 promulgated thereunder, Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from Company, securities of Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Company and each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions . In addition to the terms defined elsewhere in this Agreement: (a) capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Debentures (as defined herein), and (b) the following terms have the meanings set forth in this Section 1.1:

" Acquiring Person " shall have the meaning ascribed to such term in Section 4.7.

" Action " shall have the meaning ascribed to such term in Section 3.1(j).

" Affiliate " means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

" Agent " shall have the meaning ascribed to such term in the Security Agreement.

" Australian Pledge Agreement " means the Specific Security Agreement (Shares), dated the date hereof between Company and Original Purchaser, as may be amended, restated or otherwise modified from time to time.

" Australian Security Agreement " means the General Security Agreement, dated the date hereof, between the Australian Subsidiary and Original Purchaser, as may be amended, restated or otherwise modified from time to time.

" Australian Subsidiary " means Discovery Energy SA Pty Ltd, a company formed under the laws of Australia.

" Board of Directors " means the board of directors of Company.

" Business Day " means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

" Capital Raise " shall have the meaning assigned to such term in Section 2.1(c).

" Closing " means the closing of the purchase and sale of the Closing Securities pursuant to Section 2.1.

" Closing Date " means the first Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) each Purchaser's obligations to pay the Principal Amount and (ii) Company's obligations to deliver the Debentures, in each case, have been satisfied or waived, but in no event later than the third Trading Day following the date hereof.

" Closing Securities " means the Debentures and the Warrants.

" Commission " means the United States Securities and Exchange Commission.

" Common Stock " means the common stock of Company, par value $0.001 per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

" Common Stock Equivalents " means any securities of Company or its Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

" Company Counsel " means Haynes and Boone, LLP, with offices located at 1221 McKinney Street, Suite 2100, Houston, Texas 77010.

" Contingent Obligation " shall have the meaning ascribed to such term in Section 3.1(aa).

" Conversion Price " shall have the meaning ascribed to such term in the Debentures.

" Debentures " means the Senior Secured Convertible Debentures due, subject to the terms therein, five years from the Closing Date, issued by Company to Purchasers hereunder, in the form of Exhibit A attached hereto.

" Deposit Account Control Agreement " means the deposit account control agreement, dated the date hereof, among Company, Agent and Wells Fargo Bank, N.A., together with any other deposit account control agreements executed in favor of Agent, each as may be amended, restated or otherwise modified from time to time.

" Designated Jurisdiction " means any country or territory to the extent that such country or territory is the subject of any Sanction.

" Disclosure Schedule " means the disclosure schedule referred to in the first paragraph of Section 3.1 hereof.

" Evaluation Date " shall have the meaning ascribed to such term in Section 3.1(r).

" Exchange Act " means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

" Exempt Capital Raise " means (a) one or more Capital Raises constituting issuances of Common Stock of up to an aggregate issuance price of $2,000,000 (i) at an issuance price equal to not less than the Conversion Price until such time as Company has raised $20,000,000 in Capital Raises other than Exempt Capital Raises and (ii) thereafter, at an issuance price equal to not less than $0.20 per share of Common Stock or (b) an Exempt Issuance (as defined in the Debentures).

" FCPA " means the Foreign Corrupt Practices Act of 1977, as amended.

" GAAP " shall have the meaning ascribed to such term in Section 3.1(h).

" Indebtedness " shall have the meaning ascribed to such term in Section 3.1(aa).

" Intellectual Property Rights " shall have the meaning ascribed to such term in Section 3.1(o).

" Legend Removal Date " shall have the meaning ascribed to such term in Section 4.1(c).

" Legend Removal Qualification Event " shall have the meaning ascribed to such term in Section 4.1(c).

" Liberty " means Liberty Petroleum Corporation, an Arizona corporation, together with any other holders of the Liberty Debt.

" Liberty Debt " means that certain Indebtedness in the current principal amount of $587,724 payable by Company to Liberty, as evidenced by the Liberty Loan Documents.

" Liberty Loan Documents " means that certain Promissory Note dated as of September 26, 2013 made by Company in favor of Liberty in the original principal amount of $542,294, as amended by the Thirteenth Amendment to Consolidated Promissory Note dated as of May 5, 2016 fixing the outstanding principal amount at $587,724, extending the maturity date to July 20, 2016 and providing for payment in cash and shares of Common Stock, as amended, restated or otherwise modified from time to time, together with any other documents evidencing, describing or securing the Liberty Debt, each as may be amended, restated or otherwise modified from time to time.

" Lien " means a lien, charge, pledge (fixed or floating), security interest, encumbrance, right of first refusal, preemptive right or other restriction.

" Majority Purchasers " means, at any time, one or more Purchasers holding over fifty percent (50%) in outstanding principal amount of the Debentures at such time.

" Material Adverse Effect " shall have the meaning assigned to such term in Section 3.1(b).

" Material Permits " shall have the meaning ascribed to such term in Section 3.1(m) and shall include, without limitation, the Petroleum Exploration License.

" Maximum Rate " shall have the meaning ascribed to such term in Section 5.17.

" PEL 512 Area " means the real property located in the State of South Australia more particularly described in and covered by the Petroleum Exploration License.

" Person " means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

" Petroleum Exploration License " means that certain Petroleum Exploration License issued to Australian Subsidiary by the Energy Resource Division of the Department for Manufacturing, Innovation, Trade, Resources and Energy on October 26, 2012, otherwise referred to as PEL 512.

" Principal Amount " means, (a) with respect to the Debentures issued to Original Purchaser on the Closing Date, $3,500,000 and (b) with respect to any Debentures issued on any Supplemental Closing Date, the principal amount of such Debentures in an aggregate amount not to exceed $1,500,000.

" Proceeding " means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

" Public Information Failure " shall have the meaning ascribed to such term in Section 4.3(b).

" Public Information Failure Payments " shall have the meaning ascribed to such term in Section 4.3(b).

" Purchaser Designees " shall have the meaning ascribed to such term in Section 4.17.

" Purchaser Party " shall have the meaning ascribed to such term in Section 4.10.

" Registration Rights Agreement " means the Registration Rights Agreement, dated the date hereof, among Company and Purchasers, as may be amended, restated or otherwise modified from time to time.

" Registration Statement " means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale of the Underlying Shares by each Purchaser as provided for in the Registration Rights Agreement.

" Required Approvals " shall have the meaning ascribed to such term in Section 3.1(e).

" Required Minimum " means, as of any date, the maximum aggregate number of shares of Common Stock then issued or potentially issuable in the future pursuant to the Transaction Documents, including any Underlying Shares issuable upon exercise in full of all Warrants or conversion in full of all Debentures, ignoring any conversion or exercise limits set forth therein, and assuming that the Conversion Price is at all times on and after the date of determination 75% of the then Conversion Price on the Trading Day immediately prior to the date of determination.

" Right of First Offer " shall have the meaning ascribed to such term in Section 2.1(c).

" Right of First Offer Termination Date " means the later to occur of (a) June 30, 2017 and (b) that date which is six (6) months after the date on which Original Purchaser first receives a written certification from the Chief Executive Officer or the Chief Financial Officer of Company that the seismic data financed with the Debentures issued on the Closing Date with respect to the PEL 512 Area has been interpreted and that Company has generated a first prospect for drilling.

" Rule 144 " means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

" Rule 424 " means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

" Sanction(s) " means any sanction administered or enforced by the United States Government (including, without limitation, OFAC), the United Nations Security Council, the European Union, Her Majesty's Treasury (" HMT "), the Government of the Commonwealth of Australia or other relevant sanctions authority.

" SEC Reports " shall have the meaning ascribed to such term in Section 3.1(h).

" Securities " means the Debentures, the Warrants, the Warrant Shares and the Underlying Shares.

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Security Agreement " means the Security Agreement, dated the date hereof, between Company and Agent, as may be amended, restated or otherwise modified from time to time.

" Security Documents " shall mean the Security Agreement, the Subsidiary Guarantees, the Australian Security Agreement, the Australian Pledge Agreement, the Deposit Account Control Agreements and any other documents and filing required thereunder in order to grant Agent a first priority security interest in the assets of Company and the Subsidiaries as provided in the Security Agreement, including all UCC-1 filing receipts and evidence of all mortgage or other required filings necessary to perfect the first priority security interest in Company's Intellectual Property Rights (such filings, the " US IP Filings ") and fixed and floating pledges in the assets of the Australian Subsidiary as provided in the Australian Security Agreement, including all filing receipts and evidence of all required filings necessary to perfect the fixed pledge over the Australian Subsidiary's Intellectual Property Rights (such filings, the " Australian IP Filings " and, together with the US IP Filings, the " IP Filings ").

" Subsidiary " means any subsidiary of Company as set forth on the Disclosure Schedule (including the Australian Subsidiary) and shall, where applicable, also include any direct or indirect subsidiary of Company formed or acquired after the date hereof.

" Subsidiary Guarantee " means the Deed of Guarantee and Indemnitee, dated the date hereof, by Australian Subsidiary in favor of Original Purchaser, as may be amended, restated or otherwise modified from time to time.

" Trading Day " means a day on which the principal Trading Market is open for trading.

" Trading Market " means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, the OTC Bulletin Board or the OTCQB over-the-counter bulletin board service maintained by OTC Markets Group Inc. (or any successors to any of the foregoing).

" Transaction Documents " means this Agreement, the Debentures, the Warrants, the Registration Rights Agreement, the Security Agreement, the Australian Security Agreement, the Australian Pledge Agreement, the Subsidiary Guarantee, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

" Transfer Agent " means Transfer Online, Inc., the current transfer agent of Company, with a mailing address of 512 SE Salmon St., Portland, OR 97214 and a facsimile number of (503) 227-6874, and any successor transfer agent of Company.

" Underlying Shares " means the shares of Common Stock issued and issuable upon conversion or redemption of the Debentures and upon exercise of the Warrants and issued and issuable in lieu of the cash payment of interest and other amounts on the Debentures in accordance with the terms of the Debentures.

" Variable Rate Transaction " shall have the meaning ascribed to such term in Section 4.13.

" VWAP " means, for any date, when the price determined by the first of the following clauses that applies: (a) if the Common Stock is listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)) or (b) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by Majority Purchasers and reasonably acceptable to Company, the fees and expenses of which shall be paid by Company.

" Warrants " means the Common Stock purchase warrant delivered to Original Purchaser at the Closing in accordance with Section 2.2(a) hereof, which Warrant shall be exercisable immediately and have a term of exercise equal to two years from the Closing Date, in the form of Exhibit B attached hereto.

" Warrant Shares " means the shares of Common Stock issuable upon exercise of the Warrants.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing; Supplemental Closing Dates; Right of First Offer .

(a) On the Closing Date, upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, Company agrees to sell, and Original Purchaser agrees to purchase $3,500,000 in principal amount of the Debentures. Original Purchaser shall deliver to Company or at Company's written direction, via wire transfer of immediately available funds equal to the Principal Amount, and Company shall deliver to Original Purchaser the Debenture and Warrant, and Company and Original Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of Company Counsel or such other location as the parties shall mutually agree.

(b) After the Closing Date through and including December 31, 2016, Company shall have the ability (without the consent of the then current Purchasers) to issue, upon three (3) Trading Days' advance notice to Purchasers, up to an additional $1,500,000 in principal amount of the Debentures in one or more additional closings (the date of each such additional closing, a " Supplemental Closing Date ") upon the same terms and conditions as the Debentures issued on the Closing Date. Any applicable Purchasers shall deliver to Company or at Company's written direction, via wire transfer of immediately available funds equal to the Principal Amount of such Debentures, and Company shall deliver to such Purchasers the additional Debenture, and Company and such Purchaser shall deliver the other items set forth in Section 2.2 deliverable at each Supplemental Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3 with respect thereto, each Supplemental Closing shall occur at the offices of Company Counsel or such other location as the parties shall mutually agree. Notwithstanding anything in this clause (b) to the contrary, no Purchaser is obligated to purchase any such additional Debentures.

(c) From and after the Closing Date through and including the Right of First Offer Termination Date, Purchasers shall have a right of first offer (the " Right of First Offer ") with respect to any proposed new Indebtedness or equity issuances of Company (each, a " Capital Raise ") other than an Exempt Capital Raise up to an aggregate principal amount of $20,000,000 at an issuance price or conversion price of $0.20 per share of common stock or an equity issuance permitted under Section 7(h) of the Debentures. Company shall provide Original Purchaser with written notice of any proposed Capital Raise other than an Exempt Capital Raise, setting forth the proposed terms and conditions thereof, at least thirty (30) days prior to the proposed closing date of such Capital Raise (each such notice, a " Notice of Capital Raise "). Original Purchaser shall advise Company within fifteen (15) Trading Days of its receipt of such Notice of Capital Raise whether or not Original Purchaser intends to exercise its Right of First Offer with respect to such Capital Raise; it being understood that (i) Original Purchaser's failure to so notify Company of its intent within such fifteen (15) Trading Day period shall constitute a refusal by Original Purchaser to exercise its Right of First Offer; (ii) any offer given by Original Purchaser shall be upon substantially the same terms (including interest rate and conversion price) as the Debentures and (iii) if Original Purchaser exercises its Right of First Offer, the other Purchasers shall, if requested by Original Purchaser, have the right (but not the obligation) to participate in such Capital Raise in such amounts as approved by Original Purchaser and Company. If Original Purchaser declines or is deemed to refuse to exercise its Right of First Offer hereunder, Company may proceed with such Capital Raise, so long as (i) such offer and sale is otherwise permitted under this Agreement and the Debentures, (ii) such offer and sale is on terms no more advantageous to the purchaser thereof than those set forth in the Notice of Capital Raise, (iii) it does so within 90 days from the date of the Notice of Capital Raise. Nothing in this clause (c) is intended to limit Purchasers' right to consent to any additional Capital Raise which is not permitted by Section 7(a) and/or 7(h) of the Debentures.

2.2 Deliveries .

(a) On or prior to the Closing Date (and, with respect to clause (iii) below, each Supplemental Closing Date), Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by Company;

(ii) a legal opinion of Company Counsel and a legal opinion of Graeme K. Alexander, Australian counsel to Australian Subsidiary, in each case addressed to Purchasers and Agent and in form and substance satisfactory to Original Purchaser;

(iii) a Debenture with a principal amount equal to the Principal Amount issued to each Purchaser, registered in the name of such Purchaser;

(iv) a Warrant registered in the name of Original Purchaser to purchase up to $2,625,000 of Common Stock, with an exercise price equal to $0.20 per share of Common Stock, subject to adjustment as set forth therein;

(v) the Registration Rights Agreement duly executed by Company; and

(vi) the Security Agreement, the Australian Security Agreement and the Australian Pledge Agreement, each duly executed by Company and Australian Subsidiary party thereto, along with all of the Security Documents (other than the Deposit Account Control Agreements, which Company covenants and agrees to deliver within thirty (30) days of the Closing Date), including the Subsidiary Guarantee, duly executed by the parties thereto.

(b) On or prior to the Closing Date, Purchasers shall deliver or cause to be delivered the following:

(i) to Company, this Agreement duly executed by Purchasers and Agent;

(ii) to Company, the Registration Rights Agreement, duly executed by Purchasers;

(iii) to Company, the Security Agreement and Australian Security Agreement, each duly executed by Agent; and

(iv) to Company, the Principal Amount of the Debentures issued to each Purchaser at the Closing.

2.3 Closing Conditions .

(a) The obligations of Company hereunder in connection with Purchasers and Agent in respect of the Closing (and, with respect to clauses (i) and (ii) below, on each Supplemental Closing Date) are subject to the following conditions being met:

(i) the accuracy in all respects at the time of the Closing or on the Supplemental Closing Date, as applicable, of the representations and warranties of Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of Purchasers required to be performed at or prior to the Closing or the Supplemental Closing Date, as applicable, shall have been performed; and

(iii) the delivery by Purchasers and Agent of the items set forth in Section 2.2(b) of this Agreement.

(b) The obligations of Purchasers hereunder in connection with the Closing (and, with respect to clauses (i) through (iv) below, on each Supplemental Closing Date) are subject to the following conditions being met:

(i) the accuracy in all respects when made at the time of the Closing or on the Supplemental Closing Date, as applicable, of the representations and warranties of Company and its Subsidiaries contained herein or in any other Transaction Document (unless as of a specific date therein);

(ii) all obligations, covenants and agreements of Company and its Subsidiaries required to be performed at or prior to the Closing or the Supplemental Closing Date, as applicable, shall have been performed;

(iii) the delivery by Company of the items set forth in Section 2.2(a) of this Agreement;

(iv) from the date hereof to the Closing Date (or, if applicable, the Supplemental Closing Date), trading in the Common Stock shall not have been suspended by the Commission or Company's principal Trading Market and, at any time prior to the Closing Date (or, if applicable, the Supplemental Closing Date), trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of Purchaser, makes it impracticable or inadvisable to purchase the Closing Securities at the Closing or the Supplemental Closing Date, as applicable; and

(v) Purchasers shall have completed to its satisfaction its due diligence investigation of Company and its Subsidiaries.

2.4 Post Closing Conditions . Company agrees to deliver (or cause to be delivered) to Original Purchaser the following:

(a) not later than five (5) Business Days after Closing, the original share certificate issued to Company by the Australian Subsidiary, together with any stock powers or other documents related thereto as reasonably requested by Original Purchaser; and

(b) not later than thirty (30) days after Closing, Deposit Account Control Agreements (or their equivalent, if any, under Australian law) with respect to Company's and the Australian Subsidiary's deposit accounts described in the Schedules to the Security Agreement.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of Company . Except as set forth in a Disclosure Schedule executed by Company and Purchasers, which Disclosure Schedule shall be delivered with and deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedule only to the extent such disclosure is reasonably apparent on its face, without any independent knowledge on the part of the reader regarding the matter disclosed, that such disclosure is responsive to such other representations, Company hereby makes the following representations and warranties to Agent and each Purchaser:

(a) Subsidiaries . All of the direct and indirect subsidiaries of Company are set forth on the Disclosure Schedule. Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities.

(b) Organization and Qualification . Company and each of its Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and, in those jurisdictions in which a concept of good standing exists, in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither Company nor any Subsidiary is in violation or default of any of the provisions of its respective certificate or articles of incorporation, bylaws, articles of association or other organizational or charter documents. Each of Company and its Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of Company and its Subsidiaries, taken as a whole, or (iii) a material adverse effect on Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a " Material Adverse Effect ") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement . Company and each of its Subsidiaries has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents to which it is a party and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by Company and each of its Subsidiaries, to the extent it is a party thereto, and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of Company or such Subsidiary, as applicable, and no further action is required by Company, the Board of Directors, Company's stockholders or the stockholders of the Subsidiaries in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by Company and each Subsidiary and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of Company or such Subsidiary enforceable against Company or such Subsidiary in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts . The execution, delivery and performance by Company and each of its Subsidiaries of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not: (i) conflict with or violate any provision of Company's or any Subsidiary's certificate or articles of incorporation, bylaws, articles of association or other organizational or charter documents, (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing Company or Subsidiary debt or otherwise) or other understanding to which Company or any Subsidiary is a party or by which any property or asset of Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals . None of Company nor any Subsidiary is required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.6 of this Agreement, (ii) the filing with the Commission pursuant to the Registration Rights Agreement, (iii) to the extent required, the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Securities and the listing of the Shares and Warrant Shares for trading thereon in the time and manner required thereby and (iv) the filing of a Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the " Required Approvals ").

(f) Issuance of the Securities . The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued and free and clear of all Liens imposed by Company other than restrictions on transfer provided for in the Transaction Documents. The Underlying Shares, when issued in accordance with the terms of the Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by Company other than restrictions on transfer provided for in the Transaction Documents. Company has reserved from its duly authorized capital stock a number of shares of Common Stock for issuance of the Underlying Shares at least equal to the Required Minimum on the date hereof.

(g) Capitalization . The capitalization of Company is as set forth on the Disclosure Schedule. The Disclosure Schedule also includes the number of shares of Common Stock owned beneficially, and of record, by Affiliates of Company as of the date hereof and any and all options, warrants or other rights to purchase shares of Common Stock, together with a summary description of the material terms of such options, warrants and other rights. Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under Company's stock option plans, the issuance of shares of Common Stock to employees pursuant to Company's employee stock purchase plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. Except for Purchasers' Right of First Option, no Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents or future transactions of the type contemplated by the Transaction Documents. Except as a result of the purchase and sale of the Securities and as set forth on the Disclosure Schedule, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire any shares of Common Stock, or contracts, commitments, understandings or arrangements by which Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents. The issuance and sale of the Securities will not obligate Company to issue shares of Common Stock or other securities to any Person (other than Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. All of the outstanding shares of capital stock of Company or any predecessor of Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any stockholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no stockholders agreements, voting agreements or other similar agreements with respect to Company's capital stock to which Company is a party or, to the knowledge of Company, between or among any of Company's stockholders.

(h) SEC Reports; Financial Statements . Company has filed all reports, schedules, forms, statements and other documents required to be filed by Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the " SEC Reports ") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (" GAAP "), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments . Since the date of the latest audited financial statements included within the SEC Reports, except as specifically disclosed in a subsequent SEC Report filed prior to the date hereof: (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) neither Company nor its Subsidiaries has incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in Company's consolidated financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) neither Company nor any Subsidiary has altered its method of accounting, (iv) neither Company nor its Subsidiaries has declared or made any dividend or distribution of cash or other property to its stockholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock (other than dividends or distributions made by Australian Subsidiary to Company) and (v) neither Company nor its Subsidiaries has issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to Company or its Subsidiaries or their respective businesses, properties, operations, assets or financial condition, that would be required to be disclosed by Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least 1 Trading Day prior to the date that this representation is made.

(j) Litigation . There is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of Company, threatened against or affecting Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an " Action ") which (i) could adversely affect or challenge the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of Company, there is not pending or contemplated, any investigation by the Commission involving Company or any current or former director or officer of Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations . No labor dispute exists or, to the knowledge of Company, is imminent with respect to any of the employees of Company, which could reasonably be expected to result in a Material Adverse Effect. None of Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with Company or such Subsidiary, and neither Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of Company, no executive officer of Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment or consulting contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment or engagement of each such executive officer does not subject Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. Company and its Subsidiaries are in compliance with all Australian laws and regulations and all U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance . Neither Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by Company or any Subsidiary under), nor has Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Regulatory Permits . Company and its Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, including, without limitation, the Petroleum Exploration License, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect (" Material Permits "), and neither Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(n) Title to Assets . Except as set forth on the Disclosure Schedule, Company and its Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of Company and its Subsidiaries, in each case free and clear of all Liens, except for (i) Liens in favor of Liberty pursuant to the Liberty Loan Documents and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by Company and its Subsidiaries are held by them under valid, subsisting and enforceable leases with which Company and its Subsidiaries are in compliance.

(o) Intellectual Property . Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, knowhow, inventions, copyrights, licenses, governmental authorizations and other intellectual property rights and similar rights (collectively, the " Intellectual Property Rights ") as described in the SEC Reports as necessary or required for use in connection with their respective businesses. None of, and neither Company nor any Subsidiary has received a notice (written or otherwise) that any of, Company's Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within five (5) years from the date of this Agreement, except for such expiration, termination or abandonment that could not reasonably be expected to result in a Material Adverse Effect. Neither Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that Company's Intellectual Property Rights violate or infringe upon the Intellectual Property Rights of any Person. To the knowledge of Company, all such Intellectual Property Rights are enforceable. There is no claim, action or proceeding being made or brought, or to the knowledge of Company, being threatened, against Company or its Subsidiaries regarding its Intellectual Property Rights. Company is unaware of any facts or circumstances which might give rise to any of the foregoing infringements or claims, actions or proceedings. Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties. There are no third parties who have or, to Company's knowledge, will be able to establish, rights to any of Company's Intellectual Property Rights, except for the ownership rights of the owners of the Intellectual Property Rights which is licensed or assigned to Company. There is no patent or, to the knowledge of Company, patent application that contains claims that interfere with the issued or pending claims of any of Company's Intellectual Property Rights.

(p) Insurance . Company and its Subsidiaries maintain with insurers of recognized financial responsibility the directors and officers insurance coverage set forth on the Disclosure Schedule. Neither Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(q) Transactions With Affiliates and Employees . Except as set forth in the Disclosure Schedule and the SEC Reports, none of the officers or directors of Company or any Subsidiary and, to the knowledge of Company, none of the employees of Company or any Subsidiary is presently a party to any transaction with Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, stockholder, member or partner, in each case in excess of $10,000 other than for: (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of Company and (iii) other employee benefits, including stock option agreements under any stock option plan of Company.

(r) Sarbanes-Oxley; Internal Accounting Controls . Company and its Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. Company and its Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Company and its Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for Company and its Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of Company and its Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the " Evaluation Date "). Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of Company and its Subsidiaries.

(s) Certain Fees . No brokerage or finder's fees or commissions are or will be payable by Company or any Subsidiaries to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(t) Private Placement . Assuming the accuracy of Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by Company to Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of any Trading Market on which the Company's securities may be listed or quoted.

(u) Investment Company . Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(v) Registration Rights . Other than each of the Purchasers or as otherwise set forth on the Disclosure Schedule, no Person has any right to cause Company to effect the registration under the Securities Act of any securities of Company or any Subsidiaries.

(w) Listing and Maintenance Requirements . The Common Stock is registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and Company has taken no action designed to terminate or which to its knowledge is likely to have the effect of terminating the registration of the Common Stock under the Exchange Act nor has Company received any notification that the Commission is contemplating terminating such registration. Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that Company is not in compliance with the listing or maintenance requirements of such Trading Market. Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements.

(x) Application of Takeover Protections . Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under Company's certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to Purchasers as a result of Purchasers and Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of Company's issuance of the Securities and Purchasers' ownership of the Securities.

(y) Disclosure . Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, Company confirms that neither it nor any other Person acting on its behalf has provided any Purchaser or its agents or counsel with any information that it believes constitutes or might constitute material, non-public information. Company understands and confirms that Purchasers will rely on the foregoing representation in effecting transactions in securities of Company. All of the disclosure furnished by or on behalf of Company to Purchasers regarding Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The press releases disseminated by Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made and when made, not misleading. Company acknowledges and agrees that Purchasers do not make and have not made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(z) No Integrated Offering . Assuming the accuracy of Purchasers' representations and warranties set forth in Section 3.2, neither Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of Company are listed or designated.

(aa) Solvency and Indebtedness . Based on the consolidated financial condition of Company as of the Closing Date, after giving effect to the receipt by Company of the proceeds from the sale of the Securities hereunder: (i) the fair saleable value of Company's assets exceeds the amount that will be required to be paid on or in respect of Company's existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) Company's assets do not constitute unreasonably small capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of Company, together with the proceeds Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing. Except as disclosed in the Disclosure Schedule 3.1, neither Company nor any Subsidiary (i) has any outstanding Indebtedness (as defined below), (ii) is a party to any contract, agreement or instrument, the violation of which, or default under which, by the other party(ies) to such contract, agreement or instrument would result in a Material Adverse Effect, (iii) is in violation of any term of or in default under any contract, agreement or instrument, except where such violations and defaults would not result, individually or in the aggregate, in a Material Adverse Effect, or (iv) is a party to any contract, agreement or instrument relating to any Indebtedness, the performance of which, in the judgment of Company's officers, has or is expected to have a Material Adverse Effect. The Disclosure Schedule sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of Company or any Subsidiary, or for which Company or any Subsidiary has commitments and provides a detailed description of the material terms of any such outstanding Indebtedness. For purposes of this Agreement: (y) " Indebtedness " of any Person means, without duplication (A) all indebtedness for borrowed money (other than trade payables incurred in the ordinary course of business), (B) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (C) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (D) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses, (E) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (F) all monetary obligations under any leasing or similar arrangement classified as a capital lease under GAAP, (G) all indebtedness referred to in clauses (A) through (F) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (H) all Contingent Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (A) through (G) above; and (z) " Contingent Obligation " means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

(bb) Tax Status . Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no material unpaid taxes claimed to be due by the taxing authority of any jurisdiction, and the officers of Company or any Subsidiary know of no basis for any such claim.

(cc) No General Solicitation . Neither Company nor any person acting on behalf of Company has offered or sold any of the Securities by any form of general solicitation or general advertising. Company has offered the Securities for sale only to Purchasers and certain other "accredited investors" within the meaning of Rule 501 under the Securities Act.

(dd) Anti-Corruption Laws . Company and its Subsidiaries have conducted their business in compliance with the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other similar anti-corruption legislation in other jurisdictions, and have instituted and maintained policies and procedures designed to promote and achieve compliance with such laws.

(ee) Accountants . Company's accounting firm is Malone Bailey, LLP. To the knowledge and belief of Company, such accounting firm is a registered public accounting firm as required by the Exchange Act.

(ff) Seniority . As of the Closing, no Indebtedness or other claim (other than Indebtedness payable pursuant to the Liberty Loan Documents and trade payables entered into in the ordinary course of business) against Company is senior to the Debentures in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise, other than indebtedness secured by purchase money security interests (which is senior only as to underlying assets covered thereby) and capital lease obligations (which is senior only as to the property covered thereby).

(gg) No Disagreements with Accountants and Lawyers . Except as set forth on the Disclosure Schedule 3.1, there are no disagreements of any kind presently existing, or reasonably anticipated by Company to arise, between Company and the accountants and lawyers formerly or presently employed by Company and Company is current with respect to any fees owed to its accountants and lawyers.

(hh) Acknowledgment Regarding Purchasers' Purchase of Securities . Company acknowledges and agrees that Purchasers are acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. Company further acknowledges that neither Purchasers nor any of their Affiliates is acting as a financial advisor or fiduciary of Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by Purchasers or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to Purchasers' purchase of the Securities. Company further represents to Purchasers that Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by Company and its representatives.

(ii) Stock Option Plans . Company has not granted any stock options.

(jj) Office of Foreign Assets Control ("OFAC"); Sanctions . Neither Company nor any Subsidiary, nor, to the knowledge of Company, any director, officer, employee, agent, affiliate or representative of Company or any Subsidiary, is an individual or entity that is, or is owned or controlled by any individual or entity that is (i) currently the subject or target of any Sanctions, (ii) included on OFAC's List of Specially Designated Nationals, HMT's Consolidated List of Financial Sanctions Targets and the Investment Ban List, or any similar list enforced by any other relevant sanctions authority or (iii) located, organized or resident in a Designated Jurisdiction.

(kk) Money Laundering . The operations of Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the " Money Laundering Laws "), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of Company or any Subsidiary, threatened.

(ll) Environmental Laws . To Company's knowledge, Company and each Subsidiary (i) is in compliance with any and all Environmental Laws (as hereinafter defined), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all material terms and conditions of any such permit, license or approval where, in each of the foregoing clauses (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. The term " Environmental Laws " means all applicable laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, " Hazardous Materials ") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

3.2 Representations and Warranties of Purchasers . Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of each Closing Date to Company as follows (unless as of a specific date therein):

(a) Organization; Authority . Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents to which it is a party and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents to which it is a party and performance by such Purchaser of the transactions contemplated by the Transaction Documents to which it is a party have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account . Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status . At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants or converts any Debentures it will be either: (i) an "accredited investor" as defined in Rule 501(a) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.

(d) Experience of Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Information. Such Purchaser and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of Company and materials relating to the offer and sale of the Securities that have been requested by such Purchaser. Such Purchaser and its advisors, if any, have been afforded the opportunity to ask questions of Company. Neither such inquiries nor any other due diligence investigations conducted by such Purchaser or its advisors, if any, or its representatives shall modify, amend or affect such Purchaser's right to rely on Company's representations and warranties contained in Section 3.1 above or contained in any of the other Transaction Documents. Such Purchaser understands that its investment in the Securities involves a high degree of risk. Such Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities.

(f) General Solicitation. Such Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or any other general solicitation or general advertisement.

Company acknowledges and agrees that the representations contained in Section 3.2 shall not modify, amend or affect Purchasers' right to rely on Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transaction contemplated hereby.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement or Rule 144, to Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), Company may require the transferor thereof to provide to Company an opinion of counsel selected by the transferor and reasonably acceptable to Company, the form and substance of which opinion shall be reasonably satisfactory to Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and the Registration Rights Agreement and shall have the rights and obligations of Purchaser under this Agreement, the Registration Rights Agreement and the other Transaction Documents.

(b) Each Purchaser agrees to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS [EXERCISABLE] [CONVERTIBLE]] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO COMPANY. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON [EXERCISE] [CONVERSION] OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and the Registration Rights Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the applicable Purchaser's expense, Company will execute and deliver such reasonable documentation as a pledgee or secured party of Securities may reasonably request in connection with a pledge or transfer of the Securities, including, if the Securities are subject to registration pursuant to the Registration Rights Agreement, the preparation and filing of any required prospectus supplement under Rule 424(b)(3) under the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of Selling Stockholders (as defined in the Registration Rights Agreement) thereunder.

(c) Certificates evidencing the Underlying Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, (ii) following any sale of such Underlying Shares pursuant to Rule 144, provided that the purchaser is not an Affiliate of Company, (iii) following the six-month anniversary of the Closing Date if such Underlying Shares are eligible for sale under Rule 144 without volume or manner-of-sale restrictions and as of such date Company is in compliance with the current public information required under Rule 144 as to such Underlying Shares, or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) (each such event being a " Legend Removal Qualification Event "). Upon request, Company shall cause its counsel to issue a legal opinion to the Transfer Agent, if required by the Transfer Agent, promptly after a Legend Removal Qualification Event and the delivery to Company or Company's counsel of any reasonable certifications requested by Company or Company's counsel in connection with the issuance of such opinion to effect the removal of the legend hereunder with respect to any qualifying Underlying Shares. Following an applicable Legend Removal Qualification Event, Company will no later than three (3) Trading Days following the delivery by a Purchaser to Company or the Transfer Agent (with notice to Company) of (i) a legended certificate representing Underlying Shares (endorsed or with stock powers attached, signatures guaranteed, and otherwise in form necessary to affect the reissuance and/or transfer) or (ii) a Notice of Exercise or Notice of Conversion in the manner stated in the Warrants or Debentures to effect the exercise of a Warrant or conversion of a Debenture in accordance with its terms, and, in each case, any reasonable certifications from Purchaser requested by Company or Company's counsel in order to effectuate a legend removal (such third Trading Day, the " Legend Removal Date "), deliver or cause to be delivered to a Purchaser a certificate representing such Underlying Shares that is free from all restrictive and other legends. In addition, promptly upon request of a Purchaser, Company shall cause its counsel to promptly, but in no event later than two (2) Trading Days after such request and the delivery to Company or Company's counsel of any reasonable certifications requested by Company or Company's counsel, issue a legal opinion to the Transfer Agent at any time after the six month anniversary of the Closing Date if required by the Transfer Agent to transfer any of the Underlying Shares, which legal opinion shall provide that Purchaser may transfer any of the Underlying Shares free of restriction during the 10 Trading Days following the date of such legal opinion and that the transferee thereof shall receive the Underlying Shares free from all restrictive and other legends, provided that the transferee is not an Affiliate of Company. Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4. Upon the request of a Purchaser, certificates for Underlying Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to such Purchaser by crediting the account of Purchaser's brokerage firm with the Depository Trust Company System as directed by such Purchaser.

(d) In addition to such Purchaser's other available remedies, Company shall pay to each Purchaser, in cash, as partial liquidated damages and not as a penalty, for each $1,000 of Underlying Shares (based on the VWAP of the Common Stock on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend and subject to Section 4.1(c), $5 per Trading Day (increasing to $10 per Trading Day five (5) Trading Days after such damages have begun to accrue) for each Trading Day commencing on the third Trading Day following the Legend Removal Date, until such certificate is delivered without a legend. Nothing herein shall limit such Purchaser's right to pursue actual damages for such Company's failure to deliver certificates representing any Securities as required by the Transaction Documents, and Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

(e) Each Purchaser, severally and not jointly with the other Purchasers, agrees with Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to the Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend from certificates representing Securities as set forth in this Section 4.1 is predicated upon Company's reliance upon this understanding.

(f) Each Purchaser hereby acknowledges that Company was previously a "shell" company, as that term is defined in Rule 405 of the Securities Act and Rule 12b-2 under the Exchange Act. As a result of this former status and the application of subsection (i)(2) of Rule 144, periods of time may arise in which Purchaser may not rely upon the resale exemption provided for by Rule 144. Purchaser hereby agrees that, between the time that Company has notified Purchaser in writing that such resales may not be undertaken pursuant to Rule 144 and the time that Company has notified Purchaser in writing that such resales may resume, Purchaser shall not resell any Underlying Shares pursuant to Rule 144. Purchaser shall be entitled to resell any Underlying Shares pursuant to any effective and current Registration Statement or pursuant to any available resale exemption other than Rule 144. Company agrees to notify promptly Purchaser whenever the resale exemption provided for by Rule 144 become unavailable and whenever such exemption becomes available again; provided, however, that no such notice need be given solely because Company has filed an extension for any of its Quarterly Reports on Form 10-Q or Annual Reports on Form 10-K.

4.2 Acknowledgment of Dilution . Company acknowledges that the issuance of the Securities may result in dilution of the outstanding shares of Common Stock, which dilution may be substantial under certain market conditions. Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Underlying Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other stockholders of Company.

4.3 Furnishing of Information; Public Information .

(a) During the time a Purchaser continues to hold any Securities, Company covenants to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by Company after the date hereof pursuant to the Exchange Act even if Company is not then subject to the reporting requirements of the Exchange Act.

(b) At any time during the period commencing from the six (6) month anniversary of the date hereof and ending on the date a Purchaser ceases to hold any Securities, if Company shall fail for any reason to satisfy the current public information requirement under Rule 144(c) (a " Public Information Failure ") then, in addition to such Purchaser's other available remedies, Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Securities, an amount in cash equal to one percent (1.0%) of the aggregate Principal Amount of such Purchaser's Securities on the day of a Public Information Failure and on every thirtieth (30th) day (pro rated for periods totaling less than 30 days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Underlying Shares pursuant to Rule 144. The payments to which a Purchaser shall be entitled pursuant to this Section 4.3(b) are referred to herein as " Public Information Failure Payments ." Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the fifth (5th) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of 1.5% per month (prorated for partial months) until paid in full. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Public Information Failure, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

4.4 Integration . Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.5 Conversion and Exercise Procedures . Each of the form of Notice of Exercise included in the Warrants and the form of Notice of Conversion included in the Debentures set forth the totality of the procedures required of Purchasers in order to exercise the Warrants or convert the Debentures. No additional legal opinion, other information or instructions shall be required of Purchasers to exercise their Warrants or convert their Debentures. Company shall honor exercises of the Warrants and conversions of the Debentures and shall deliver Underlying Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.6 Securities Laws Disclosure; Publicity . Company shall, on or before the fourth Trading Day immediately following the date hereof, file a Current Report on Form 8-K disclosing the material terms of the transactions contemplated hereby, including the Transaction Documents as exhibits thereto. From and after the filing of such Current Report, Company represents to Purchasers that it shall have publicly disclosed all material, non-public information delivered to any Purchaser by Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. Company and each Purchaser shall consult with each other in issuing any press releases with respect to the transactions contemplated hereby, and neither Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of Company, with respect to any press release of a Purchaser, or without the prior consent of Purchasers, with respect to any press release of Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except: (a) as required by federal securities law in connection with (i) any registration statement contemplated by the Registration Rights Agreement and (ii) the filing of final Transaction Documents (including conformed signature pages thereto) with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case Company shall provide Purchasers with prior notice of such disclosure permitted under this clause (b).

4.7 Shareholder Rights Plan . No claim will be made or enforced by Company or, with the consent of Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement whether now in effect or hereafter adopted by Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between Company and any Purchaser.

4.8 Non-Public Information . Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, and except during such time as a Purchaser Designee may serve on the Board of Directors, Company covenants and agrees that neither it, nor any other Person acting on its behalf, will provide any Purchaser or its agents or counsel with any information that Company believes constitutes material non-public information, unless prior thereto such Purchaser shall have entered into a written agreement with Company regarding the confidentiality and use of such information. Company understands and confirms that Purchasers may be relying on the foregoing covenant in effecting transactions in securities of Company.

4.9 Use of Proceeds . Company shall use the net proceeds from the sale of the Securities to the Original Purchaser hereunder solely (a) to pay the out-of-pocket fees, costs and expenses of Company in connection with the issuance of the Securities (including the reasonable fees and expenses of Company's advisers, counsel, accountants and other experts, if any), and all other reasonable expenses incurred by Company incident to the negotiation, preparation, execution, delivery, performance and administration of this Agreement and the other Transaction Documents and the completion of due diligence (including, without limitation, fees and expenses associated with the filing of any ownership or other reports necessary under applicable securities laws or associated with any amendment to, waiver of or enforcement of the Transaction Documents) and any all stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to Original Purchaser, (b) to pay the fees and expenses of Original Purchaser and Agent required to be paid by Company pursuant to Section 5.2 hereof and (c) to finance the Australian Subsidiary's shooting of a seismic survey with respect to the PEL 512 Area and interpretation of such seismic survey and Company's costs and expenses incurred in connection therewith and for such other uses as are approved by Original Purchaser in its sole discretion, and shall not, for the avoidance of doubt use such proceeds for the satisfaction of any portion of Company's debt or for the redemption of any Common Stock or Common Stock Equivalents unless such use is approved by Original Purchaser in its sole discretion or for (a) for the settlement of any outstanding litigation, (b) in violation of Sanctions, FCPA or OFAC regulations or (c) to fund any activities of or business with any Person, or in any Designated Jurisdiction, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as a Purchaser or otherwise) of Sanctions.

4.10 Indemnification of Purchasers . Subject to the provisions of this Section 4.10, Company will indemnify and hold each Purchaser and their respective directors, officers, shareholders, managers, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, managers, members, partners employees or agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a " Purchaser Party ") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any stockholder of Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such stockholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify Company in writing, and Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by Company in writing, (ii) Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel to the Purchaser Party, a material conflict on any material issue between the position of Company and the position of such Purchaser Party, in which case Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without Company's prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any representations, warranties or covenants under the Transaction Documents or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which constitutes fraud, gross negligence, willful misconduct or malfeasance. The indemnification required by this Section 4.10 shall, if requested by such Purchaser Party, be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred; provided, however, that a Purchaser Party benefitting from such periodic payments shall repay the amount of all such periodic payments if it shall be determined by a court of competent jurisdiction in a final non-appealable decision that such Purchaser Party was not entitled to such indemnification under this Section 4.10 or otherwise. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against Company or others and any liabilities Company may be subject to pursuant to law.

4.11 Reservation and Listing of Securities .

(a) Company shall maintain a reserve from its duly authorized shares of Common Stock for issuance pursuant to the Transaction Documents in such amount as may then be required to fulfill its obligations in full under the Transaction Documents.

(b) If, on any date, the number of authorized but unissued (and otherwise unreserved) shares of Common Stock is less than the Required Minimum on such date, then the Board of Directors shall use commercially reasonable efforts to amend Company's certificate of incorporation to increase the number of authorized but unissued shares of Common Stock to at least the Required Minimum at such time, as soon as possible and in any event not later than the 75th day after such date.

(c) Company shall, if applicable: (i) in the time and manner required by the principal Trading Market, prepare and file with such Trading Market an additional shares listing application covering a number of shares of Common Stock at least equal to the Required Minimum on the date of such application, (ii) take all steps necessary to cause such shares of Common Stock to be approved for listing or quotation on such Trading Market as soon as possible thereafter, (iii) provide to Purchasers evidence of such listing or quotation and (iv) maintain the listing or quotation of such Common Stock on any date at least equal to the Required Minimum on such date on such Trading Market or another Trading Market.

4.12 Reserved

4.13 Subsequent Equity Sales . During the time a Purchaser continues to hold any Debentures or Warrants, Company shall be prohibited from effecting or entering into an agreement to effect any issuance by Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents for cash consideration (or a combination of units thereof) involving a Variable Rate Transaction. " Variable Rate Transaction " means a transaction in which Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive, additional shares of Common Stock either (A) at a conversion price, exercise price or exchange rate or other price that is based upon, and/or varies with, the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of Company or the market for the Common Stock or (ii) enters into any agreement, including, but not limited to, an equity line of credit, whereby Company may sell securities at a future determined price. Any Purchaser shall be entitled to obtain injunctive relief against Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

4.14 Form D; Blue Sky Filings . Company agrees to timely file a Form D with respect to the Securities as required under Regulation D as promulgated by the Commission under the Securities Act. Company shall take such action as Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of the Purchasers holding 60% of Principal Amount outstanding on the Debentures.

4.15 Capital Changes . Until the one year anniversary of the Closing Date, other than for purposes of qualifying for initial listing on a national securities exchange or meeting the continued listing requirements of such exchange, Company shall not undertake a reverse or forward stock split or reclassification of the Common Stock without the prior written consent of Purchaser.

4.16 Corporate Existence . So long as a Purchaser owns any Debentures or Warrants, Company shall not be party to any Fundamental Transaction (as defined in the Debentures) unless Company is in compliance with the applicable provisions governing Fundamental Transactions set forth in the Debentures and the Warrants.

4.17 Board Representation . Company shall promptly take any and all actions (including by increasing the size of the Board of Directors) as may be required under the laws of its state of incorporation, its certificate of incorporation and bylaws and any all other applicable laws set forth by any governmental authority in order to (i) cause, within five (5) Trading Days of the Closing Date (or such later date as elected by Original Purchaser), (x) the election of one director designated by Original Purchaser (and, not more than five (5) Trading Days after the date on which Original Purchaser funds an aggregate amount of $20,000,000 of additional Indebtedness or equity pursuant to its Right of First Offer as set forth in Section 2.1(c) , the election of an additional two directors designated by Original Purchaser), which designees shall be independent under Section 5605(a)(2) of the rules of the Nasdaq Stock Market (the " Independence Rules "), to serve as members of the Board of Directors from the date hereof until such director designees' resignation, death, removal or disqualification (the " Purchaser Designees ") and (ii) until such time as Original Purchaser ceases to hold any Securities, include the Purchaser Designees as nominees for election or re-election as members of the Board of Directors, as the case may be, in the proxy statement to be sent to any holders of Company's capital stock in connection with any annual or special meeting of such holders entitled to vote on such matters if the re-election of the members of the Board of Directors shall be proposed by the Board of Directors in such proxy statement and, in such instance, the Board of Directors shall recommend to any such holders of its capital stock entitled to vote at such meeting in such proxy statement the election or re-election, as applicable, of the Purchaser Designees.

4.18 Equal Treatment of Purchasers . No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. Further, Company shall not make any payment of principal or interest on the Debentures in amounts which are disproportionate to the respective principal amounts outstanding on the Debentures at any applicable time. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by Company and negotiated separately by each Purchaser, and is intended for Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

ARTICLE V.
MISCELLANEOUS

5.1 Termination . This Agreement may be terminated by Original Purchaser or by Company by written notice to the other party if the Closing has not been consummated on or before June 30, 2016; provided , however , that neither party may terminate this Agreement if the Closing has not been consummated as the result of its failure to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; and provided further , however , that no termination by a party will affect the right of such party to sue for any breach by any other party (or parties).

5.2 Fees and Expenses. Company shall pay the out-of-pocket fees, costs and expenses of Original Purchaser and Agent in connection with the acquisition of the Securities (including the reasonable fees and expenses of Original Purchaser and Agent's advisers, counsel, accountants and other experts, if any), and all other reasonable expenses incurred by Original Purchaser and Agent incident to the negotiation, preparation, execution, delivery, performance and administration of this Agreement and the other Transaction Documents and the completion of due diligence (including, without limitation, fees and expenses associated with the filing of any ownership or other reports necessary under applicable securities laws or associated with any amendment to, waiver of or enforcement of the Transaction Documents). Company shall pay all stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to Original Purchaser.

5.3 Entire Agreement. The Transaction Documents, 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.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto or via email at the email address set forth on the signature pages attached hereto (if an email address is so provided) at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number set forth on the signature pages attached hereto or via email at the email address set forth on the signature pages attached hereto (if an email address is so provided) on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. If an email address is provided for a party on the signature pages attached hereto, notice to such party given by other means hereunder shall also be given by email, provided, that failure to deliver a duplicate notice by email shall not constitute a failure to deliver the applicable notice. The address for such notices and communications shall be as set forth on the signature pages attached hereto or as such address may be modified by a party by written notice in accordance herewith.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by Company and Purchasers holding at least 60% in interest (based on then-outstanding principal amounts of Debentures at the time of such determination) or, in the case of a waiver, by the party against whom enforcement of such waived provision is sought. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser. Each Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to a "Purchaser."

5.8 No Third-Party Beneficiaries . This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.10.

5.9 Governing Law . Except as otherwise provided therein, all questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, County of New York (the " New York Courts "). Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of Company under Section 4.10, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

5.10 Survival . The representations and warranties contained herein shall survive the Closing and the delivery of the Securities.

5.11 Execution . This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability . If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right . Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and Company does not timely perform its related obligations within the periods therein provided, then Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided , however , that in the case of a rescission of a conversion of a Debenture or exercise of a Warrant, the applicable Purchaser shall be required to return any shares of Common Stock subject to any such rescinded conversion or exercise notice concurrently with (a) the return to such Purchaser of the aggregate exercise price paid to Company for such shares in connection with a rescinded Warrant exercise and (b) the restoration of such Purchaser's right to acquire such shares pursuant to such Purchaser's Warrant or Debenture (including, issuance of a replacement warrant or debenture certificate evidencing such restored right).

5.14 Replacement of Securities . If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Remedies . In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each Purchaser and Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside . To the extent that Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Usury . To the extent it may lawfully do so, Company hereby agrees not to insist upon or plead or in any manner whatsoever claim, and will resist any and all efforts to be compelled to take the benefit or advantage of, usury laws wherever enacted, now or at any time hereafter in force, in connection with any claim, action or proceeding that may be brought by any Purchaser in order to enforce any right or remedy under any Transaction Document. Notwithstanding any provision to the contrary contained in any Transaction Document, it is expressly agreed and provided that the total liability of Company under the Transaction Documents for payments in the nature of interest shall not exceed the maximum lawful rate authorized under applicable law (the " Maximum Rate "), and, without limiting the foregoing, in no event shall any rate of interest or default interest, or both of them, when aggregated with any other sums in the nature of interest that Company may be obligated to pay under the Transaction Documents exceed such Maximum Rate. It is agreed that if the maximum contract rate of interest allowed by law and applicable to the Transaction Documents is increased or decreased by statute or any official governmental action subsequent to the date hereof, the new maximum contract rate of interest allowed by law will be the Maximum Rate applicable to the Transaction Documents from the effective date thereof forward, unless such application is precluded by applicable law. If under any circumstances whatsoever, interest in excess of the Maximum Rate is paid by Company to Purchaser with respect to indebtedness evidenced by the Transaction Documents, such excess shall be applied by Purchaser to the unpaid principal balance of any such indebtedness or be refunded to Company, the manner of handling such excess to be at Purchaser's election.

5.18 Independent Nature of Purchasers' Obligations and Rights . In the event that there may be more than one Purchaser hereunder (by assignment or otherwise) following any Subsequent Closing Date or at any other time and for any other reason, the parties agree that any obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose.

5.19 Liquidated Damages . Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.20 Saturdays, Sundays, Holidays, etc . If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.21 Construction . The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.22 **WAIVER OF JURY TRIAL . IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

5.23 Original Purchaser . By acceptance of any Debenture, each Purchaser appoints Original Purchaser as its agent as more particularly set forth and subject to the limitations set forth in the Security Agreement.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

COMPANY:

DISCOVERY ENERGY CORP.

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

Address for Notice:
One Riverway Drive, Suite 1700
Houston, Texas 77056
Facsimile No.: (713) 622-1937
Email: kspickelmier1@comcast.net and kjm@discoveryenergy.com

With a copy to:

Haynes and Boone, LLP
1221 McKinney Street, Suite 2100
Houston, Texas 77010
Attention: Steven A. Buxbaum
Facsimile No.: (713) 236-5404
Email: steven.buxbaum@haynesboone.com

PURCHASER:

DEC FUNDING LLC

By: /s/ Steven Webster
Steven Webster, Manager

Address for Notice:
c/o Avista Capital Partners
1000 Louisiana Street, Suite 3700
Houston, Texas 77002
Attention: Steven Webster
Facsimile No.: (713) 328-1097
Email: webster@avistacap.com

With a copy to:

Locke Lord LLP
111 Huntington Avenue
Boston, Massachusetts 02110
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NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS CONVERTIBLE HAS BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON CONVERSION OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

Original Issue Date: May 27, 2016 $3,500,000.00

SENIOR SECURED CONVERTIBLE DEBENTURE
DUE MAY 27, 2021

THIS SENIOR SECURED CONVERTIBLE DEBENTURE is one of a series of duly authorized and validly issued Senior Secured Convertible Debentures of Discovery Energy Corp., a Nevada corporation, (the " Company "), having its principal place of business at One Riverway Drive, Suite 1700, Houston, Texas 77056, designated as its Senior Secured Convertible Debentures due May 27, 2021 (this debenture, the " Debenture " and, collectively with the other debentures of such series, the " Debentures ").

FOR VALUE RECEIVED, Company promises to pay to DEC Funding LLC, a Texas limited liability company or its registered assigns (the " Holder " and collectively with the holders of the other Debentures, the " Holders "), or shall have paid pursuant to the terms hereunder, the principal sum of $3,500,000.00 on May 27, 2021 (the " Maturity Date ") or such earlier date as this Debenture is required or permitted to be repaid as provided hereunder, and to pay interest to Holder on the aggregate unconverted and then outstanding principal amount of this Debenture in accordance with the provisions hereof. This Debenture is subject to the following additional provisions:

Section 1 . Definitions . For the purposes hereof, in addition to the terms defined elsewhere in this Debenture, (a) capitalized terms not otherwise defined herein shall have the meanings set forth in the Purchase Agreement (as defined below) and (b) the following terms shall have the following meanings:

" Alternate Consideration " shall have the meaning set forth in Section 5(d).

" Annual License Milestone Compliance Certificate " shall have the meaning set forth in Section 8(a)(x).

" Bankruptcy Event " means any of the following events: (a) Company or any Significant Subsidiary (as such term is defined in Rule 1-02(w) of Regulation S-X) thereof commences a case or other proceeding under any bankruptcy, reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction relating to Company or any Significant Subsidiary thereof, (b) there is commenced against Company or any Significant Subsidiary thereof any such case or proceeding that is not dismissed within 20 days after commencement, (c) Company or any Significant Subsidiary thereof is adjudicated insolvent or bankrupt or any order of relief or other order approving any such case or proceeding is entered, (d) Company or any Significant Subsidiary thereof seeks or suffers any appointment of any administrator, receiver, custodian or the like for it or any substantial part of its property that is not discharged or stayed within 20 calendar days after such appointment, (e) Company or any Significant Subsidiary thereof makes a general assignment for the benefit of creditors, (f) Company or any Significant Subsidiary thereof calls a meeting of its creditors or makes application to a court to call a meeting of its creditors with a view to arranging a composition, adjustment or restructuring of its debts, (g) Company or any Significant Subsidiary becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due or (h) Company or any Significant Subsidiary thereof, by any act or failure to act, expressly indicates its consent to, approval of or acquiescence in any of the foregoing or takes any corporate or other action for the purpose of effecting any of the foregoing.

" Business Day " means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

" Buy-In " shall have the meaning set forth in Section 4(c)(v).

" Change of Control Transaction " means the occurrence after the date hereof of any of (a) an acquisition after the date hereof by an individual or legal entity or "group" (as described in Rule 13d-5(b)(1) promulgated under the Exchange Act) of effective control (whether through legal or beneficial ownership of capital stock of Company, by contract or otherwise) of in excess of 50% of the voting securities of the Company (other than by means of conversion or exercise of the Debentures and the Securities issued together with the Debentures), (b) Company merges into or consolidates with any other Person, or any Person merges into or consolidates with Company and, after giving effect to such transaction, the stockholders of Company immediately prior to such transaction own less than 50% of the aggregate voting power of Company or the successor entity of such transaction, (c) Company sells or transfers all or substantially all of its assets to another Person and the stockholders of Company immediately prior to such transaction own less than 50% of the aggregate voting power of the acquiring entity immediately after the transaction, (d) a replacement at one time or within a three year period of more than one-half of the members of the Board of Directors which is not approved by a majority of those individuals who are members of the Board of Directors on the Original Issue Date (or by those individuals who are serving as members of the Board of Directors on any date whose nomination to the Board of Directors was approved by a majority of the members of the Board of Directors who are members on the date hereof) or (e) the execution by Company of an agreement to which Company is a party or by which it is bound, providing for any of the events set forth in clauses (a) through (d) above.

" Conversion Date " shall have the meaning set forth in Section 4(a).

" Conversion Price " shall have the meaning set forth in Section 4(b).

" Conversion Schedule " means the Conversion Schedule in the form of Schedule 1 attached hereto.

" Conversion Shares " means, collectively, the shares of Common Stock issuable upon conversion of this Debenture in accordance with the terms hereof.

" Debenture Register " shall have the meaning set forth in Section 2(b).

" Event of Default " shall have the meaning set forth in Section 8(a).

" Exempt Issuance " means the issuance of (a) shares of Common Stock or options to employees, officers or directors of Company pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities and (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of Company, provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset (including, but not primarily, securities) in a business synergistic with the business of Company and shall provide to Company additional benefits in addition to the investment of funds, but shall not include a transaction in which Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities, provided that such agreements have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities.

" Fundamental Transaction " shall have the meaning set forth in Section 5(d).

" Holder Optional Redemption " shall have the meaning set forth in Section 6(a).

" Holder Optional Redemption Date " shall have the meaning set forth in Section 6(a).

" Holder Optional Redemption Notice " shall have the meaning set forth in Section 6(a).

" Holder Optional Redemption Notice Date " shall have the meaning set forth in Section 6(a).

" Interest Settlement Date " shall have the meaning set forth in Section 2(a)(i).

" Majority Holders " means, at any time, one or more Holders holding over fifty percent (50%) in outstanding principal amount of the Debentures at such time.

" Mandatory Default Amount " means the sum of (a) 100% of the outstanding principal amount of this Debenture, (b) 100% of the accrued and unpaid interest hereon and (c) 100% of the interest on the outstanding principal amount of this Debenture which would have been payable under Section 2(a) between the date of the relevant Event of Default and the Maturity Date, plus all other amounts, costs, expenses and liquidated damages due in respect of this Debenture.

" New York Courts " shall have the meaning set forth in Section 9(d).

" Notice of Conversion " shall have the meaning set forth in Section 4(a).

" Optional Redemption Amount " means the sum of (a) 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 (b) all liquidated damages and other amounts due hereunder in respect of the Debenture.

" Original Issue Date " means the date of the first issuance of the first Debenture, regardless of any transfers of any Debenture and regardless of the number of instruments which may be issued to evidence all such Debentures.

" Permitted Indebtedness " means (a) the indebtedness evidenced by the Debentures, (b) indebtedness incurred in connection with any inventory financing transaction and any refinancing or modification of the terms thereof; provided, that such financing is secured only by inventory, (c) any indebtedness permitted pursuant to the definition of Permitted Lien, (d) any indebtedness that has been expressly subordinated in right of payment to the indebtedness under the Debentures, provided that the terms of such subordination have been approved by Majority Holders, (e) the Liberty Debt and Shareholder Debt and (f) Capital Raises provided by Original Purchaser following the exercise of its Right of First Offer (as defined in the Purchase Agreement).

" Permitted Lien " means the individual and collective reference to the following: (a) Liens for taxes, assessments and other governmental charges or levies not yet due or Liens for taxes, assessments and other governmental charges or levies being contested in good faith and by appropriate proceedings for which adequate reserves (in the good faith judgment of the management of Company) have been established in accordance with GAAP, (b) Liens imposed by law which were incurred in the ordinary course of Company's business, such as carriers', warehousemen's and mechanics' Liens, statutory landlords' Liens, and other similar Liens arising in the ordinary course of Company's business, and which (x) do not individually or in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of the Company and its consolidated Subsidiaries or (y) are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing for the foreseeable future the forfeiture or sale of the property or asset subject to such Lien, (c) Liens incurred by banks and other financial institutions on deposit and securities accounts and other accounts with such banks or financial institutions not to exceed $100,000 at any time, (d) purchase money security interest in equipment (including capital leases), (e) Liens securing judgments for the payment of money not constituting an Event of Default and (f) Liens incurred in connection with indebtedness referred to in clause (a) or (b) of Permitted Indebtedness.

" Petroleum Exploration License " means that certain Petroleum Exploration License issued to Australian Subsidiary by the Energy Resource Division of the Department for Manufacturing, Innovation, Trade, Resources and Energy on October 26, 2012, otherwise referred to as PEL 512.

" Purchase Agreement " means the Securities Purchase Agreement, dated as of May 27, 2016 among Company and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

" Purchase Right " shall have the meaning set forth in Section 5(c).

" Registration Rights Agreement " means the Registration Rights Agreement, dated as of May 27, 2016 among Company and the original Holders, as amended, modified or supplemented from time to time in accordance with its terms.

" Registration Statement " means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale of the Underlying Shares by Holder as provided for in the Registration Rights Agreement.

" Securities Act " means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

" Share Delivery Date " shall have the meaning set forth in Section 4(c)(ii).

" Shareholder Debt " means that certain Indebtedness (a) payable to Keith D. Spickelmier in the aggregate principal amount of $96,200.00, (b) payable to William Begley in the aggregate principal amount of $33,153.00, and (c) payable to EMTEECO Holdings Ltd. in the aggregate principal amount of $17,000.00, each as of the Closing Date.

" Successor Entity " shall have the meaning set forth in Section 5(d).

" Trading Day " means a day on which the principal Trading Market is open for trading.

" Trading Market " means any of the following markets or exchanges on which the Common Stock is listed or quoted for trading on the date in question: the NYSE MKT, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange or the OTC Bulletin Board or the OTCQB over-the-counter bulletin board service maintained by OTC Markets Group Inc. (or any successors to any of the foregoing).

Section 2 . Interest and Prepayment .

a) Interest .

i. So long as no Event of Default has occurred and is continuing, the aggregate unconverted and then outstanding principal amount of this Debenture shall accrue interest from the Original Issue Date at the rate of eight percent (8%) per annum, compounded quarterly, which accrued interest shall be added to the outstanding principal balance of this Debenture on the last day of each calendar quarter (each such date, an " Interest Settlement Date ") (or, if such Interest Settlement Date is not a Business Day, on the immediately succeeding Business Day) and shall thereafter itself, as part of the principal balance, accrue interest at the rate set forth above, compounding quarterly on each Interest Settlement Date. All such accrued interest added to the principal balance of this Debenture pursuant to the immediately preceding sentence shall be payable on the same terms and subject to the same conditions set forth herein.

ii. Notwithstanding the foregoing clause (i), Company may provide Purchaser with written notice (each, a " Cash Pay Notice ") of its intent to pay all or a portion of the interest which would otherwise accrue on the next succeeding Interest Settlement Date in cash. Any Cash Pay Notice shall be delivered at least ten (10) Business Days prior to the applicable Interest Settlement Date and shall be irrevocable.

iii. Upon the occurrence and during the continuance of an Event of Default, the aggregate unconverted and then outstanding principal amount of this Debenture shall accrue interest at the rate of twelve percent (12%) per annum and otherwise shall accrue and/or be paid in cash consistent with clauses (i) and (ii) above.

b) Interest Calculations . Interest shall be calculated on the basis of a 365-day year, and shall accrue daily commencing on the Original Issue Date until payment in full of the outstanding principal, together with all accrued and unpaid interest, liquidated damages and other amounts which may become due hereunder, has been made. Interest shall cease to accrue with respect to any principal amount converted, provided that Company actually delivers the Conversion Shares within the time period required by Section 4(c)(ii) herein. Interest hereunder will be paid to the Person in whose name this Debenture is registered in the records of Company regarding registration and transfers of this Debenture (the " Debenture Register ").

c) Prepayment . Except as otherwise set forth in this Debenture, Company may not prepay any portion of the principal amount of this Debenture without the prior written consent of Holder.

Section 3. Registration of Transfers and Exchanges .

a) Different Denominations . This Debenture is exchangeable for an equal aggregate principal amount of Debentures of different authorized denominations, as requested by Holder surrendering the same. No service charge will be payable for such registration of transfer or exchange.

b) Investment Representations . This Debenture has been issued subject to certain investment representations of the original Holder set forth in the Purchase Agreement and may be transferred or exchanged only in compliance with the Purchase Agreement and applicable federal and state securities laws and regulations.

c) Reliance on Debenture Register . Prior to due presentment for transfer to Company of this Debenture, Company and any agent of Company may treat the Person in whose name this Debenture is duly registered on the Debenture Register as the owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Debenture is overdue, and neither Company nor any such agent shall be affected by notice to the contrary.

Section 4. Conversion .

a) Voluntary Conversion . This Debenture shall be convertible, in whole or in part, into shares of Common Stock at the option of Holder, at any time and from time to time. Holder shall effect conversions by delivering to Company a Notice of Conversion, the form of which is attached hereto as Annex A (each, a " Notice of Conversion "), specifying therein the principal amount of this Debenture to be converted and, if Holder determines in its sole discretion to convert such accrued and unpaid interest (or a portion thereof), the amount of accrued and unpaid interest thereon to be converted and the date on which such conversion shall be effected; provided that Holder may only convert the portion of the accrued interest that corresponds to the principal being converted (such date, the " Conversion Date "). If no Conversion Date is specified in a Notice of Conversion, the Conversion Date shall be the date that such Notice of Conversion is deemed delivered hereunder. To effect conversions hereunder, Holder shall not be required to physically surrender this Debenture to Company unless the entire principal amount of this Debenture, plus all accrued and unpaid interest thereon, has been so converted or otherwise been repaid to Holder. Conversions hereunder shall have the effect of lowering the outstanding principal amount of this Debenture in an amount equal to the principal amount converted in such conversion. Holder and Company shall maintain records showing the principal amount(s) converted and the date of such conversion(s). Company may deliver an objection to any Notice of Conversion within two (2) Business Days of delivery of such Notice of Conversion. In the event of any dispute or discrepancy, the records of Holder shall be controlling and determinative in the absence of manifest error. **Holder, and any assignee by acceptance of this Debenture, acknowledge and agree that, by reason of the provisions of this paragraph, following conversion of a portion of this Debenture, the unpaid and unconverted principal amount of this Debenture may be less than the amount stated on the face hereof.**

b) Conversion Price . The Conversion Price in effect on any Conversion Date shall be equal to $0.16 and shall be subject to adjustment as provided in Section 5 (the " Conversion Price ").

c) Mechanics of Conversion .

i. Conversion Shares Issuable Upon Conversion of Debenture . The number of Conversion Shares issuable upon a conversion hereunder shall be determined by the quotient obtained by dividing (x) the sum of (a) the outstanding principal amount of this Debenture to be converted *plus* (b) any accrued and unpaid interest on the principal amount of this Debenture to be converted, by (y) the Conversion Price.

ii. Delivery of Certificate Upon Conversion . Not later than three (3) Trading Days after each Conversion Date (the " Share Delivery Date "), Company shall deliver, or cause to be delivered, to Holder a certificate or certificates representing the Conversion Shares which, on a Legend Removal Qualification Event shall be free of restrictive legends and trading restrictions (other than those which may then be required by the Purchase Agreement) representing the number of Conversion Shares being acquired upon the conversion of this Debenture. If (i) there is an effective registration statement permitting the issuance of Conversion Shares to or resale of the Conversion Shares by Holder or (ii) following the six month anniversary of the Closing Date, the Conversion Shares are eligible for sale under Rule 144 without volume or manner-of-sale restrictions and as of such date Company is in compliance with the current public information required under Rule 144 as to such Conversion Shares, Company shall deliver any certificate or certificates required to be delivered by Company under this Section 4(c) by causing such certificates to be transmitted by the Transfer Agent to the Holder by crediting the account of Holder's designated brokerage firm with The Depository Trust Company through its Deposit or Withdrawal at Custodian (" DWAC ") system if Company is then a participant in such system or another established clearing corporation performing similar functions.

iii. Failure to Deliver Certificates . If, in the case of any Notice of Conversion, such certificate or certificates are not credited to the account of Holder's broker with The Depository Trust Company through its DWAC system or another established clearing corporation performing similar functions, if Company is then a participant in any such system, or delivered to or as directed by Holder by the Share Delivery Date, Holder shall be entitled to elect by written notice to Company at any time on or before such crediting or its receipt of such certificate or certificates, to rescind such Conversion, in which event Company shall promptly return to Holder any original Debenture delivered to Company and Holder shall promptly return to Company the Common Stock certificates (or any shares of Common Stock received electronically) issued to Holder pursuant to the rescinded Conversion Notice.

iv. Obligation Absolute; Partial Liquidated Damages . Company's obligations to issue and deliver the Conversion Shares upon conversion of this Debenture in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by Holder or any other Person of any obligation to Company (other than Holder's obligations hereunder with respect to the conversion, including the delivery of a Notice of Conversion) or any violation or alleged violation of law by Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of Company to Holder in connection with the issuance of such Conversion Shares; provided , however , that such delivery shall not operate as a waiver by Company of any such action Company may have against Holder. In the event Holder shall elect to convert any or all of the outstanding principal amount hereof, Company may not refuse conversion based on any claim by Company or any Affiliate thereof that Holder or anyone associated or affiliated with Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and or enjoining conversion of all or part of this Debenture shall have been sought and obtained, and the Company posts a surety bond for benefit of the Holder in the amount of 150% of the outstanding principal amount of this Debenture, which is subject to the injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to Holder to the extent it obtains judgment. In the absence of such injunction, Company shall issue Conversion Shares or, if applicable, cash, upon a properly noticed conversion. If Company fails when required hereunder for any reason to deliver to Holder such certificate or certificates pursuant to Section 4(c)(ii) by the third Trading Day following the Share Delivery Date, the Company shall pay to Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of principal amount being converted, $5 per Trading Day (increasing to $10 per Trading Day on the fifth (5th) Trading Day after such liquidated damages begin to accrue) for each Trading Day commencing on the third Trading Day after such Share Delivery Date until such certificates are delivered or Holder rescinds such conversion. Nothing herein shall limit Holder's right to pursue actual damages (provided such damages may be reduced by the payments previously made hereunder) or declare an Event of Default pursuant to Section 8 hereof for Company's failure to deliver Conversion Shares within the period specified herein and Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief. The exercise of any such rights shall not prohibit Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

v. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion . In addition to any other rights available to Holder, if Company fails for any reason to deliver to Holder such certificate or certificates by the Share Delivery Date pursuant to Section 4(c)(ii), and if after such Share Delivery Date Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by Holder of the Conversion Shares which Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a " Buy-In "), then Company shall (A) pay in cash to Holder (in addition to any other remedies available to or elected by Holder) the amount, if any, by which (x) Holder's total purchase price (including any brokerage commissions) for the Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of Holder, either reissue (if surrendered) this Debenture in a principal amount equal to the principal amount of the attempted conversion (in which case such conversion shall be deemed rescinded) or deliver to Holder the number of shares of Common Stock that would have been issued if Company had timely complied with its delivery requirements under Section 4(c)(ii). For example, if Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted conversion of this Debenture with respect to which the actual sale price of the Conversion Shares (including any brokerage commissions) giving rise to such purchase obligation was a total of $10,000 under clause (A) of the immediately preceding sentence, Company shall be required to pay Holder $1,000. Holder shall provide Company written notice indicating the amounts payable to Holder in respect of the Buy-In and, upon request of Company, evidence of the amount of such loss. Nothing herein shall limit Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to Company's failure to timely deliver certificates representing shares of Common Stock upon conversion of this Debenture as required pursuant to the terms hereof.

vi. Reservation of Shares Issuable Upon Conversion . Company covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of this Debenture and payment of interest on this Debenture, each as herein provided, free from preemptive rights or any other actual contingent purchase rights of Persons other than Holder (and any other holder of the Debentures), not less than such aggregate number of shares of the Common Stock as shall (subject to the terms and conditions set forth in the Purchase Agreement) be issuable (taking into account the adjustments and restrictions of Section 5) upon the conversion of the then outstanding principal amount of this Debenture and payment of interest hereunder. Company covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable and, if the Registration Statement is then effective under the Securities Act, shall be registered for public resale in accordance with such Registration Statement (subject to Holder's compliance with its obligations under the Registration Rights Agreement).

vii. Fractional Shares . No fractional shares or scrip representing fractional shares shall be issued upon the conversion of this Debenture. As to any fraction of a share which Holder would otherwise be entitled to purchase upon such conversion, Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share.

viii. Transfer Taxes . The issuance of certificates for shares of the Common Stock on conversion of this Debenture shall be made without charge to Holder hereof for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that, Company shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the Holder of this Debenture so converted and Company shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to Company the amount of such tax or shall have established to the satisfaction of Company that such tax has been paid.

Section 5 . Certain Adjustments .

a) Stock Dividends and Stock Splits . If Company, at any time while this Debenture is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by Company upon conversion of, or payment of interest on, the Debentures), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of Company, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of Company) outstanding immediately before such event, and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event. Any adjustment made pursuant to this Section shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Sales. If, at any time while this Debenture is outstanding, Company or any Subsidiary, as applicable, sells or grants any option to purchase or reprices or reduce the conversion or exercise price of any outstanding Securities, grants any right to reprice, or otherwise disposes of or issues, any Common Stock or Common Stock Equivalents entitling any Person to acquire shares of Common Stock at an effective price per share that is lower than the then Conversion Price, other than in connection with any Common Stock Equivalents outstanding on the Original Issue Date (such lower price, the " Base Conversion Price " and such issuances, collectively, a " Dilutive Issuance ") (if the holder of the Common Stock or Common Stock Equivalents so issued shall at any time, whether by operation of purchase price adjustments, reset provisions, floating conversion, exercise or exchange prices or otherwise, or due to warrants, options or rights per share which are issued in connection with such issuance, be entitled to receive shares of Common Stock at an effective price per share that is lower than the Conversion Price, such issuance shall be deemed to have occurred for less than the Conversion Price on such date of the Dilutive Issuance), then the Conversion Price shall be reduced to equal the Base Conversion Price. Such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued. Notwithstanding the foregoing, no adjustment will be made under this Section 5(b) in respect of an Exempt Issuance. If Company enters into a Variable Rate Transaction, despite the prohibition set forth in the Purchase Agreement, Company shall be deemed to have issued Common Stock or Common Stock Equivalents at the lowest possible conversion price at which such securities may be converted or exercised. Company shall notify Holder in writing, no later than the Trading Day following the issuance of any Common Stock or Common Stock Equivalents subject to this Section 5(b), indicating therein the applicable issuance price, or applicable reset price, exchange price, conversion price and other pricing terms (such notice, the " Dilutive Issuance Notice "). For purposes of clarification, whether or not Company provides a Dilutive Issuance Notice pursuant to this Section 5(b), upon the occurrence of any Dilutive Issuance, Holder is entitled to receive a number of Conversion Shares based upon the Base Conversion Price on or after the date of such Dilutive Issuance, regardless of whether Holder accurately refers to the Base Conversion Price in the Notice of Conversion.

c) Subsequent Rights Offerings . If Company, at any time while this Debenture is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to Holder) entitling them to subscribe for or purchase shares of Common Stock (the " Purchase Rights "), then, upon any conversion of this Debenture, Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights that Holder could have acquired if Holder had held the number of Conversion Shares issued upon such conversion of this Debenture immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

d) Pro Rata Distributions . If Company, at any time while this Debenture is outstanding, shall distribute to all holders of Common Stock (and not to Holder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (a " Distribution "), then, upon any conversion of this Debenture, Holder shall be entitled to participate in such Distribution to the same extent that Holder would have participated therein if Holder had held the number of Conversion Shares issued upon such conversion of this Debenture immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

e) Fundamental Transaction . If, at any time while this Debenture is outstanding, (i) Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of Company with or into another Person, (ii) Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (v) Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a " Fundamental Transaction "), then, upon any subsequent conversion of this Debenture, Holder shall have the right to receive, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the " Alternate Consideration ") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Debenture is convertible immediately prior to such Fundamental Transaction. For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) share of Common Stock in such Fundamental Transaction, and Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then Holder shall be given the same choice as to the Alternate Consideration it receives upon any conversion of this Debenture following such Fundamental Transaction. Company shall cause any successor entity in a Fundamental Transaction in which Company is not the survivor (the " Successor Entity ") to assume in writing all of the obligations of Company under this Debenture and the other Transaction Documents (as defined in the Purchase Agreement) in accordance with the provisions of this Section 5(d) pursuant to written agreements in form and substance reasonably satisfactory to Holder and approved by Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the holder of this Debenture, deliver to Holder in exchange for this Debenture a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Debenture which is convertible for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon conversion of this Debenture (without regard to any limitations on the conversion of this Debenture) prior to such Fundamental Transaction, and with a conversion price which applies the conversion price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such conversion price being for the purpose of protecting the economic value of this Debenture immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Debenture and the other Transaction Documents referring to "Company" shall refer instead to the Successor Entity), and may exercise every right and power of Company and shall assume all of the obligations of Company under this Debenture and the other Transaction Documents with the same effect as if such Successor Entity had been named as Company herein.

e) Calculations . All calculations under this Section 5 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 5, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of Company) issued and outstanding.

f) Notice to Holder .

i. Adjustment to Conversion Price . Whenever the Conversion Price is adjusted pursuant to any provision of this Section 5, Company shall within 10 calendar days of such adjustment deliver to Holder a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Conversion by Holder . If (A) Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) Company shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which Company is a party, any sale or transfer of all or substantially all of the assets of Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property or (E) Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of Company, then, in each case, Company shall cause to be filed at each office or agency maintained for the purpose of conversion of this Debenture, and shall cause to be delivered to Holder at its last address as it shall appear upon the Debenture Register, at least twenty (20) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding Company or any of its Subsidiaries, Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. Holder shall remain entitled to convert this Debenture during the 20-day period commencing on the date of such notice through the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 6 . Redemption .

a) Optional Redemption at Election of Holder . Subject to the provisions of this Section 6, at any time after either (i) the date Company announces a Change of Control Transaction or (ii) the date Company or any Subsidiary enters into an agreement providing for the sale of a material portion of their respective assets, Holder may deliver a notice to Company (a " Holder Optional Redemption Notice " and the date such notice is deemed delivered hereunder, the " Holder Optional Redemption Notice Date ") of its irrevocable election to cause Company redeem some or all of the then outstanding principal amount of this Debenture for cash in an amount equal to the Optional Redemption Amount on the later of (i) the 5th Trading Day following the Holder Optional Redemption Notice Date or (ii) the date such applicable transaction triggering such redemption right is consummated (such date, the " Holder Optional Redemption Date " and such redemption, the " Holder Optional Redemption "). The Optional Redemption Amount is payable in full on the Holder Optional Redemption Date. Any Holder Optional Redemption shall be applied ratably to all Holders that submit a Holder Optional Redemption based on their (or their predecessor's) initial purchases of Debentures pursuant to the Purchase Agreement. Company hereby agrees to publicly disclose any Change of Control Transaction or entry into an asset sale agreement which would trigger a redemption right hereunder within one Trading Day from the date such agreement or transaction is entered into.

b) Redemption Procedure . The payment of cash pursuant to a Holder Optional Redemption shall be payable on the applicable Holder Optional Redemption Date. If any portion of the payment pursuant to a Holder Optional Redemption shall not be paid by Company by the Holder Optional Redemption Date, interest shall accrue on the aggregate amount payable by Company at the Default Rate until such amount is paid in full.

Section 7 . Negative Covenants . As long as any portion of this Debenture remains outstanding, unless Holder shall have otherwise given prior written consent, Company shall not, and shall not permit any of the Subsidiaries to, directly or indirectly:

a) other than for the Permitted Indebtedness, enter into, create, incur, assume, guarantee or suffer to exist any Indebtedness;

b) other than for Permitted Liens, enter into, create, incur, assume or suffer to exist any Liens of any kind, on or with respect to any of its property or assets now owned or hereafter acquired or any interest therein or any income or profits therefrom;

c) amend its charter documents, including, without limitation, its certificate of incorporation and bylaws, in any manner that materially and adversely affects any rights of Holder;

d) repay, repurchase or offer to repay, repurchase or otherwise acquire more than a de minimis number of shares of its Common Stock or Common Stock Equivalents other than as to the Conversion Shares or Warrant Shares as permitted or required under the Transaction Documents;

e) repay, repurchase or offer to repay, repurchase or otherwise acquire any Indebtedness using the proceeds of the Debentures issued on the Closing Date;

f) pay cash dividends or distributions on any equity securities of Company;

g) enter into any transaction with any Affiliate of Company which would be required to be disclosed in any public filing with the Commission, unless such transaction is made on an arm's-length basis and expressly approved by a majority of the disinterested directors of Company (even if less than a quorum otherwise required for board approval);

h) issue any additional Common Stock or securities of Company or any of its Subsidiaries other than (i) pursuant to an Exempt Capital Raise; (ii) up to 1,400,000 shares of Common Stock to employees and other service providers of Company as compensation for services provided to Company provided that the issue price for such Common Stock exceeds the then effective Conversion Price; (iii) up to 1,150,895 shares of Common Stock to Liberty in partial payment of the Liberty Debt pursuant to the terms of the Liberty Loan Documents or (iv) issuance of stock options (or shares of Common Stock in exchange for such stock options) pursuant to Company's stock option plan in effect on the Closing Date;

i) make any investments other than (i) investments in cash and/or cash equivalents and (ii) investments by Company in the Australian Subsidiary;

j) dissolve, liquidate, merge, consolidate or otherwise alter or modify Company's or any Subsidiaries' corporate name, mailing address, principal place of business, structure, status or existence or enter into or engage in any operation or activity materially different from that presently conducted by Company or such Subsidiary; make any substantial change in its executive management, or form any Subsidiary;

k) sell, lease, transfer or otherwise dispose of its properties, assets, rights, licenses and franchises to any Person, except sales of production or inventory in the ordinary course of its business or turn over the management of, or enter a management contract with respect to, such properties, assets, rights, licenses and franchises or enter into any arrangement, directly or indirectly, with any Person whereby it shall sell or transfer any property, real, personal or mixed, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property; or

l) enter into any agreement with respect to any of the foregoing.

Section 8. Events of Default.

a) "Event of Default" means, wherever used herein, any of the following events (whatever the reason for such event and whether such event shall be voluntary or involuntary or effected by operation of law or pursuant to any judgment, decree or order of any court, or any order, rule or regulation of any administrative or governmental body):

i. any default in the payment of (A) the principal amount of any Debenture or (B) interest, liquidated damages and other amounts owing to any Holder of a Debenture, as and when the same shall become due and payable (whether on an Interest Settlement Date, a Conversion Date or the Maturity Date or by acceleration or otherwise), and solely with respect to payment of interest in cash after delivery of a Cash Pay Notice such failure continues for three (3) Trading Days after an Interest Settlement Date;

ii. Company shall fail to observe or perform any other covenant or agreement contained in a Transaction Document (other than (x) a breach by Company of its obligations to deliver shares of Common Stock to Holder upon conversion or a breach by Company of its obligations to deliver shares of Common Stock to the holder of a Warrant upon exercise thereof which breaches are addressed in clause (vii) below or (y) any failure by Company to observe or perform any covenant or agreement contained in the Registration Rights Agreement, except as set forth in clause (x) below) which failure, unless a cure period is specifically provided with respect to such failure to observe or perform, is not cured, if possible to cure, within the earlier to occur of (A) 4 Trading Days after notice of such failure sent by Holder or by any other Holder to Company and (B) 7 Trading Days after Company has become or should have become aware of such failure;

iii. any representation or warranty made in this Debenture or any other Transaction Documents, any written statement pursuant hereto or thereto or any other report, financial statement or certificate made or delivered to Holder shall be untrue or incorrect in any material respect as of the date when made or deemed made;

iv. a Bankruptcy Event shall occur;

v. Company or any Subsidiary shall default on any of its obligations under (A) the Liberty Debt or (B) any mortgage, credit agreement or other facility, indenture agreement, factoring agreement or other instrument under which there may be issued, or by which there may be secured or evidenced, any indebtedness for borrowed money or money due under any long term leasing or factoring arrangement that, in the case of this clause (B): (1) involves an obligation greater than $75,000, whether such indebtedness now exists or shall hereafter be created, and (2) results in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable;

vi. Company shall be a party to any Change of Control Transaction or a Fundamental Transaction or shall agree to sell or dispose of all or in excess of 50% of its assets in one transaction or a series of related transactions (whether or not such sale would constitute a Change of Control Transaction);

vii. Company shall fail for any reason to deliver certificates to Holder prior to the third Trading Day after the Share Delivery Date pursuant to Section 4(c) or fail to deliver certificates to a holder of Warrants prior to the third Trading Day after the Warrant Share Delivery Date (as defined in the Warrants) or Company shall provide at any time notice to Holder, including by way of public announcement, of Company's intention to not honor requests for conversions of any Debentures in accordance with the terms hereof or exercise of the Warrants in accordance with the terms thereof;

viii. any monetary judgment, writ or similar final process shall be entered against Company, any Subsidiary or any of their respective property or other assets for more than $75,000, and such judgment, writ or similar final process shall remain unvacated, unbonded or unstayed for a period of 45 calendar days;

ix. Company fails to meet the current public information requirements under Rule 144 in respect of the Underlying Shares for more than 10 consecutive Trading Days;

x. Company shall fail to pay when due any liquidated damages under the Registration Rights Agreement as and when the same shall become due and payable and such failure continues for 30 calendar days;

xi. Company shall fail to deliver a certificate of a responsible officer of Company (each such certificate, an " Annual License Milestone Certificate ") to Purchaser at least 90 days prior to the required completion date for each "minimum work requirement" to be completed under the Petroleum Exploration License certifying (A) that Company has adequate funds to fulfill the applicable annual minimum work requirement in accordance with the terms of the Petroleum Exploration License; (B) that Company expects to be able to fulfill the applicable annual minimum work requirement in accordance with the terms of the Petroleum Exploration License and (C) as to other matters relating to the Petroleum Exploration License as requested by Purchaser;

xii. termination of the Petroleum Exploration License; or

xiii. either (A) Company delivers an Annual License Milestone Certificate which indicates a prospective non-compliance with the certifications required by subclauses (A) and/or (B) in clause (xi) above or (B) Company fails to meet any of the annual minimum work requirements set forth in the Petroleum Exploration License.

b) Remedies Upon Event of Default. If any Event of Default has occurred and is continuing, the outstanding principal amount of this Debenture, plus accrued but unpaid interest, liquidated damages and other amounts owing in respect thereof through the date of acceleration, shall become, at the Majority Holders' election, immediately due and payable in cash at the Mandatory Default Amount. Commencing 5 calendar days after the occurrence of any Event of Default that results in the eventual acceleration of this Debenture, interest on the Mandatory Default Amount shall accrue at the Default Rate. Upon the payment in full of the Mandatory Default Amount, Holder shall promptly surrender this Debenture to or as directed by Company. In connection with such acceleration described herein, Holder need not provide, and Company hereby waives, any presentment, demand, protest or other notice of any kind, and the Holder may immediately and without expiration of any grace period enforce any and all of its rights and remedies hereunder and all other remedies available to it under applicable law. Such acceleration may be rescinded and annulled by Holder at any time prior to payment hereunder and Holder shall have all rights as a holder of the Debenture until such time, if any, as Holder receives full payment pursuant to this Section 8(b). No such rescission or annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

Section 9. Miscellaneous.

a) Notices. Any and all notices or other communications or deliveries to be provided by Holder hereunder, including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, by facsimile or email, or sent by an internationally recognized overnight courier service, addressed to Company, set forth in the Purchase Agreement, or such other facsimile number, email address or address as Company may specify for such purposes by notice to Holder delivered in accordance with this Section 9(a). Any and all notices or other communications or deliveries to be provided by Company hereunder shall be in writing and delivered, by facsimile or email, or sent by an internationally recognized overnight courier service addressed to each Holder at the facsimile number, email address or address of Holder appearing on the books of Company, or if no such facsimile number, email address or address appears on the books of Company, at the principal place of business of Holder, as set forth in the Purchase Agreement. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile or email at the facsimile number or email address set forth on the signature pages attached hereto prior to 5:30 p.m. (New York City time) on any date, (ii) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile or email at the facsimile number or email address set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (iii) the second Trading Day following the date of mailing, if sent by U.S. recognized overnight courier service or (iv) upon actual receipt by the party to whom such notice is required to be given. If an email address is provided for a party on the signature pages attached hereto, notice to such party given by other means hereunder shall also be given by email, provided, that failure to deliver a duplicate notice by email shall not constitute a failure to deliver the applicable notice.

b) Absolute Obligation. Except as expressly provided herein, no provision of this Debenture shall alter or impair the obligation of Company, which is absolute and unconditional, to pay the principal of, liquidated damages and accrued interest, as applicable, on this Debenture at the time, place, and rate, and in the coin or currency, herein prescribed. This Debenture is a direct debt obligation of Company. This Debenture ranks pari passu with all other Debentures now or hereafter issued under the terms set forth herein.

c) Lost or Mutilated Debenture. If this Debenture shall be mutilated, lost, stolen or destroyed, Company shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated Debenture, or in lieu of or in substitution for a lost, stolen or destroyed Debenture, a new Debenture for the principal amount of this Debenture so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such Debenture, and of the ownership hereof and a lost Debenture affidavit, reasonably satisfactory to Company.

d) Governing Law . All questions concerning the construction, validity, enforcement and interpretation of this Debenture shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, County of New York (the "New York Courts") unless otherwise specified therein. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Debenture and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS DEBENTURE OR THE TRANSACTIONS CONTEMPLATED HEREBY. IF ANY PARTY SHALL COMMENCE AN ACTION OR PROCEEDING TO ENFORCE ANY PROVISIONS OF THIS DEBENTURE, THEN THE PREVAILING PARTY IN SUCH ACTION OR PROCEEDING SHALL BE REIMBURSED BY THE OTHER PARTY FOR ITS ATTORNEYS FEES AND OTHER COSTS AND EXPENSES INCURRED IN THE INVESTIGATION, PREPARATION AND PROSECUTION OF SUCH ACTION OR PROCEEDING.

e) Waiver . Any waiver by Company or Holder of a breach of any provision of this Debenture shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Debenture. The failure of Company or Holder to insist upon strict adherence to any term of this Debenture on one or more occasions shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Debenture on any other occasion. Any waiver by Company or Holder must be in writing.

f) Severability . If any provision of this Debenture is invalid, illegal or unenforceable, the balance of this Debenture shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law. Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law or other law which would prohibit or forgive Company from paying all or any portion of the principal of or interest on this Debenture as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Debenture, and Company (to the extent it may lawfully do so) hereby expressly waives all benefits or advantage of any such law, and covenants that it will not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to Holder, but will suffer and permit the execution of every such as though no such law has been enacted.

g) Next Business Day . Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

h) Headings . The headings contained herein are for convenience only, do not constitute a part of this Debenture and shall not be deemed to limit or affect any of the provisions hereof.

i) Secured Obligation . The obligations of Company under this Debenture are secured by all assets of Company and each Subsidiary (other than the Petroleum Exploration License) pursuant to the Security Agreement and the Australian Security Agreement, each dated as of May 27, 2016 among Company, the relevant Subsidiaries of Company and Agent.

j) Amendments . This Debenture and each of the other Debentures issued under the Purchase Agreement may be amended upon the written consent of Company and the Majority Holders.

(Signature Pages Follow)

IN WITNESS WHEREOF, Company has caused this Debenture to be duly executed by a duly authorized officer as of the date first above indicated.

DISCOVERY ENERGY CORP.

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

Facsimile No. for delivery of Notices :
(713) 622-1937
Email address for delivery of Notices :
kspickelmier1@comcast.net
kjm@discoveryenergy.com

ANNEX A

NOTICE OF CONVERSION

The undersigned hereby elects to convert principal under the Senior Secured Convertible Debenture due May 27, 2021 of Discovery Energy Corp., a Nevada corporation (the " Company "), into shares of common stock (the " Common Stock "), of Company according to the conditions hereof, as of the date written below. If shares of Common Stock are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates and opinions as reasonably requested by Company in accordance therewith. No fee will be charged to the holder for any conversion, except for such transfer taxes, if any.

By the delivery of this Notice of Conversion, the undersigned represents and warrants to the Company that the undersigned's representations and warranties contained in Section 3.2 of the Purchase Agreement (as defined in the Debenture), including that the undersigned is either (i) an "accredited investor" as defined in Rule 501(a) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act as of the giving of this Notice of Conversion, are true and correct as of the giving of this Notice of Conversion.

The undersigned agrees to comply with the prospectus delivery requirements under the applicable securities laws in connection with any transfer of the aforesaid shares of Common Stock.

Conversion calculations:

Date to Effect Conversion:

Principal Amount of Debenture to be Converted:

Accrued and Unpaid Interest on Amount of Debenture to be Converted:

Number of shares of Common Stock to be issued:

Signature:

Name:

Address for Delivery of Common Stock Certificates:

Or

DWAC Instructions:

Broker No: _____

Account No: _____

Schedule 1

CONVERSION SCHEDULE

The Senior Secured Convertible Debentures due on May 27, 2021 in the aggregate principal amount of $3,500,000 issued by Discovery Energy Corp., a Nevada corporation. This Conversion Schedule reflects conversions made under Section 4 of the above referenced Debenture.

Dated:

Date of Conversion (or for first entry, Original Issue Date)	Amount of Conversion	Aggregate Principal Amount Remaining Subsequent to Conversion (or original Principal Amount)	Company Attest

Exhibit 10.03

NEITHER THIS SECURITY NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE HAS BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

DISCOVERY ENERGY CORP.

Warrant Shares: 13,125,000 Initial Exercise Date: May 27, 2016

THIS COMMON STOCK PURCHASE WARRANT (the " Warrant ") certifies that, for value received, DEC Funding LLC, a Texas limited liability company, or its assigns (the " Holder ") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the " Initial Exercise Date ") and on or prior to the close of business on the three (3) year anniversary of the Initial Exercise Date (the " Termination Date ") but not thereafter, to subscribe for and purchase from Discovery Energy Corp., a Nevada corporation (the " Company "), up to 13,125,000 shares (as subject to adjustment hereunder, the " Warrant Shares ") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1 . Definitions . Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the " Purchase Agreement "), dated May 27, 2016, among Company and the purchasers signatory thereto.

Section 2 . Exercise .

a) Exercise of Warrant . Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to Company (or such other office or agency of Company as it may designate by notice in writing to the registered Holder at the address of Holder appearing on the books of Company) of a duly executed facsimile or pdf copy of the Notice of Exercise form annexed hereto. Within seven (7) Trading Days following the date of exercise as aforesaid, Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank. Notwithstanding anything herein to the contrary, Holder shall not be required to physically surrender this Warrant to Company until Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, Holder shall surrender this Warrant to Company for cancellation within seven (7) Trading Days of the date the final Notice of Exercise is delivered to Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. Holder and Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. Company shall deliver any objection to any Notice of Exercise Form within one (1) Business Day of receipt of such notice. **Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

b) Exercise Price . The exercise price per share of the Common Stock under this Warrant shall initially be **$** 0.20, subject to adjustment hereunder (the " Exercise Price ").

c) [Reserved .]

d) Mechanics of Exercise .

i. Delivery of Certificates Upon Exercise . Certificates for shares purchased hereunder shall be transmitted by the Transfer Agent to Holder by crediting the account of Holder's designated brokerage firm with The Depository Trust Company through its Deposit or Withdrawal at Custodian (" DWAC ") system if Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by Holder or (B) following the six-month anniversary of the Closing Date, if such Warrant Shares are eligible for sale under Rule 144 without volume or manner-of-sale restrictions and as of such date Company is in compliance with the current public information required under Rule 144 as to such Warrant Shares, and otherwise by physical delivery to the address specified by Holder in the Notice of Exercise by the date that is three (3) Trading Days after the latest of (A) the delivery to Company of the Notice of Exercise, (B) surrender of this Warrant (if required), and (C) payment of the aggregate Exercise Price as set forth above (such date, the " Warrant Share Delivery Date "). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to Company of the Exercise Price and all taxes required to be paid by Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid. If Company fails for any reason to deliver to Holder certificates evidencing the Warrant Shares subject to a Notice of Exercise prior to the third Trading Day following the Warrant Share Delivery Date, Company shall pay to Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Stock on the date of the applicable Notice of Exercise), $5 per Trading Day (increasing to $10 per Trading Day five (5) Trading Days after such damages have begun to accrue) commencing on the third Trading Day after such Warrant Share Delivery Date until such certificates are delivered or Holder rescinds such exercise.

ii. Delivery of New Warrants Upon Exercise . If this Warrant shall have been exercised in part, Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the certificate or certificates representing Warrant Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights . If Company fails to cause the Transfer Agent to credit the account of Holder's designated brokerage firm with The Depository Trust Company through its DWAC system if Company is then a participant in such system or to transmit to Holder a certificate or the certificates representing the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Exercise . In addition to any other rights available to Holder, if Company fails to cause the Transfer Agent to credit the account of Holder's designated brokerage firm with The Depository Trust Company through its DWAC system if Company is then a participant in such system or to transmit to Holder a certificate or the certificates representing the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date Holder is required by its broker to purchase (in an open market transaction or otherwise) or Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by Holder of the Warrant Shares which Holder anticipated receiving upon such exercise (a " Buy-In "), then Company shall (A) pay in cash to Holder the amount, if any, by which (x) Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that Company was required to deliver to Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to Holder the number of shares of Common Stock that would have been issued had Company timely complied with its exercise and delivery obligations hereunder. For example, if Holder purchases Common Stock having a total purchase price of $11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of $10,000, under clause (A) of the immediately preceding sentence Company shall be required to pay Holder $1,000. Holder shall provide Company written notice indicating the amounts payable to Holder in respect of the Buy-In and, upon request of Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to Company's failure to timely deliver certificates representing shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

v. No Fractional Shares or Scrip . No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which Holder would otherwise be entitled to purchase upon such exercise, Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses . Issuance of certificates for Warrant Shares shall be made without charge to Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by Company, and such certificates shall be issued in the name of Holder or in such name or names as may be directed by Holder; provided , however , that in the event certificates for Warrant Shares are to be issued in a name other than the name of Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by Holder and Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

vii. Closing of Books . Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

Section 3 . Certain Adjustments .

a) Stock Dividends and Splits . If Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on shares of its Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares or (iv) issues by reclassification of shares of the Common Stock any shares of capital stock of Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) Subsequent Equity Issuances . Except in the case of an event described in Section 3(a), if Company at any time while this Warrant is outstanding issues or sells its Common Stock or Common Stock Equivalents at a price per share of Common Stock (in the case of Common Stock Equivalents, taking into account the maximum number of shares of Common Stock issuable thereunder, whether or not currently convertible or exercisable, and the consideration received by Company in connection with the issuance or sale of such Common Stock Equivalents plus the minimum consideration, if any, payable to Company upon the conversion or exercise thereof) that is less than the Exercise Price at such time (such price, the " New Offer Price "), then the Exercise Price of this Warrant shall be reduced (and in no event increased) to equal the New Offer Price, effective upon the consummation of such sale; provided , that no such adjustment shall be made in connection with an issuance permitted under Section 7(h) of the Debentures. Simultaneously with any adjustment under this Section 3(b), the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Company shall give Holder at least five (5) Trading Days' notice prior to consummating any Qualified Offering.

c) Subsequent Rights Offerings . If Company, at any time while the Warrant is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to Holder) entitling them to subscribe for or purchase shares of Common Stock (the " Purchase Rights "), then, upon any exercise of this Warrant, Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights that Holder could have acquired if Holder had held the number of Warrant Shares issued upon such exercise of this Warrant immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

d) Pro Rata Distributions . If Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to Holder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common Stock (a " Distribution "), then, upon any exercise of this Warrant, Holder shall be entitled to participate in such Distribution to the same extent that Holder would have participated therein if Holder had held the number of Warrant Shares issued upon such exercise of this Warrant immediately before the date on which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the participation in such Distribution.

e) Fundamental Transaction . If, at any time while this Warrant is outstanding, (i) Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of Company with or into another Person, (ii) Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by Holders of 50% or more of the outstanding Common Stock, (iv) Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, (v) Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a " Fundamental Transaction "), then, upon any subsequent exercise of this Warrant, Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of Holder, the number of shares of Common Stock of the successor or acquiring corporation or of Company, if it is the surviving corporation, and any additional consideration (the " Alternate Consideration ") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction. For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction that is (1) an all cash transaction, (2) a "Rule 13e-3 transaction" as defined in Rule 13e-3 under the Exchange Act, or (3) a Fundamental Transaction involving a person or entity not traded on a national securities exchange, Company or any Successor Entity (as defined below) shall, at Holder's option, exercisable at any time concurrently with, or within 30 days after, the consummation of the Fundamental Transaction, purchase this Warrant from Holder by paying to Holder an amount of cash equal to the Black Scholes Value of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction. " Black Scholes Value " means the value of this Warrant based on the Black and Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. (" Bloomberg ") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the greater of 100% and the 100 day volatility obtained from the HVT function on Bloomberg as of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction and (D) a remaining option time equal to the time between the date of the public announcement of the applicable Fundamental Transaction and the Termination Date. Company shall cause any successor entity in a Fundamental Transaction in which Company is not the survivor (the " Successor Entity ") to assume in writing all of the obligations of Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to Holder and approved by Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of Holder, deliver to Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of Company and shall assume all of the obligations of Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as Company herein.

f) Calculations . All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder .

i. Adjustment to Exercise Price . Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, Company shall promptly mail to Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder . If (A) Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which Company is a party, any sale or transfer of all or substantially all of the assets of Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of Company, then, in each case, Company shall cause to be mailed to Holder at its last address as it shall appear upon the Warrant Register of Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which Holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to mail such notice or any defect therein or in the mailing thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding Company or any of the Subsidiaries, and so long as Company remains subject to the reporting requirements of Sections 13(a) or 15(d) of the Exchange Act, Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. Holder shall remain entitled to exercise this Warrant during the 20-day period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

Section 4 . Transfer of Warrant .

a) Transferability . Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Section 4.1 of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants . This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register . Company shall register this Warrant, upon records to be maintained by Company for that purpose (the " Warrant Register "), in the name of the record Holder hereof from time to time. Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to Holder, and for all other purposes, absent actual notice to the contrary.

d) Representation by Holder . Holder, by the acceptance hereof, represents and warrants to Company that Holder's representations and warranties contained in Section 3.2 of the Purchase Agreement, including that Holder is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act, are true and correct.

Section 5 . Miscellaneous .

a) No Rights as Stockholder Until Exercise . This Warrant does not entitle Holder to any voting rights, dividends or other rights as a stockholder of Company prior to the exercise hereof as set forth in Section 2.

b) Loss, Theft, Destruction or Mutilation of Warrant . Company covenants that upon receipt by Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc . If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares . Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of executing stock certificates to execute and issue the necessary certificates for the Warrant Shares upon the exercise of the purchase rights under this Warrant. Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any Trading Market upon which the Common Stock may be listed. Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue). Except and to the extent as waived or consented to by Holder, Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable Company to perform its obligations under this Warrant. Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction . All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

f) Restrictions . Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses . No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to Holder, Company shall pay to Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices . Any notice, request or other document required or permitted to be given or delivered to Holder by Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

i) Limitation of Liability . No provision hereof, in the absence of any affirmative action by Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of Holder, shall give rise to any liability of Holder for the purchase price of any Common Stock or as a stockholder of Company, whether such liability is asserted by Company or by creditors of Company.

j) Remedies . Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns . Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by Holder or holder of Warrant Shares.

l) Amendment . This Warrant may be modified or amended or the provisions hereof waived with the written consent of Company and Holder.

m) Severability . Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings . The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

DISCOVERY ENERGY CORP.

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

[Signature Page – Warrant]

NOTICE OF EXERCISE

TO: DISCOVERY ENERGY CORP.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of wire transfer or cashier's check drawn on a United States bank as specified by Section 2(a) of this Warrant.

(3) Please issue a certificate or certificates representing said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number or by physical delivery of a certificate to:

_____

_____

_____

(4) Accredited Investor . By delivery of this Notice of Exercise, the undersigned represents and warrants to Company that the undersigned's representations and warranties contained in Section 3.2 of the Purchase Agreement (as defined in the Debenture), including that the undersigned is either (i) an "accredited investor" as defined in Rule 501(a) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act, are true and correct as of the giving of this Notice of Exercise.

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity : _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

ASSIGNMENT FORM

(To assign the foregoing warrant, execute
this form and supply required information.
Do not use this form to exercise the warrant.)

FOR VALUE RECEIVED, [____] all of or [_____] shares of the foregoing Warrant and all rights evidenced thereby are hereby assigned to

_____ whose address is

_____.

_____

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

_____

Signature Guaranteed: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank or trust company. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

Exhibit 10.04

SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of May 27, 2016 (this " Agreement "), is among Discovery Energy Corp., a Nevada corporation (the " Company "), all of the Subsidiaries of Company (such subsidiaries, the " Guarantors " and together with Company, the " Debtors ") and Agent (as defined in Section 18 below), for the benefit of the holders of Company's Senior Secured Convertible Debentures due May 27, 2021 following their issuance, in the original aggregate principal amount of $3,500,000 (as increased from time to time pursuant to the terms of the Transaction Documents) (collectively, as amended and in effect from time to time, the " Debentures "), their endorsees, transferees and assigns (collectively, the " Secured Parties ").

WITNESSETH:

WHEREAS, pursuant to the Purchase Agreement (as defined in the Debentures), Secured Parties have severally agreed to extend the loans to Company evidenced by the Debentures; and

WHEREAS, in order to induce Secured Parties to extend the loans evidenced by the Debentures, each Debtor has agreed to execute and deliver to Agent this Agreement and grant Agent, for the benefit of Secured Parties, a security interest in certain property of such Debtor to secure the prompt payment, performance and discharge in full of all of Company's obligations under the Debentures.

NOW, THEREFORE, in consideration of the agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. **Certain Definitions** . As used in this Agreement, the following terms shall have the meanings set forth in this Section 1. Terms used but not otherwise defined in this Agreement that are defined in Article 9 of the UCC (such as "account", "chattel paper", "commercial tort claim", "deposit account", "document", "equipment", "fixtures", "general intangibles", "goods", "instruments", "inventory", "investment property", "letter-of-credit rights", "proceeds" and "supporting obligations") shall have the respective meanings given such terms in Article 9 of the UCC. Terms used by not otherwise defined in this Agreement shall have the meanings set forth in the Purchase Agreement.

a. " Australian Pledge Agreement " means the Specific Security Agreement (Shares) made by Company in favor of Agent with respect to Company's ownership interests in the Australian Subsidiary, dated as of the date hereof and as amended and in effect from time to time.

b. " Australian Security Agreement " means the General Security Agreement made by the Australian Subsidiary in favor of Agent, dated as of the date hereof and as amended and in effect from time to time.

c. " Australian Subsidiary " means Discovery Energy SA Pty Ltd, a company formed under the laws of Australia.

d. " Collateral " means the collateral in which Agent, for the benefit of Secured Parties, are granted a security interest by this Agreement and which shall include the following personal property of Debtors, whether presently owned or existing or hereafter acquired or coming into existence, wherever situated, and all additions and accessions thereto and all substitutions and replacements thereof, and all proceeds, products and accounts thereof, including, without limitation, all proceeds from the sale or transfer of the Collateral and of insurance covering the same and of any tort claims in connection therewith, and all dividends, interest, cash, notes, securities, equity interest or other property at any time and from time to time acquired, receivable or otherwise distributed in respect of, or in exchange for, any or all of the Pledged Securities (as defined below), but which shall expressly exclude the Petroleum Exploration License (as defined in the Purchase Agreement).

i. All goods, including, without limitation, (A) all machinery, equipment, computers, appliances, furniture, special and general tools, fixtures, test and quality control devices and other equipment of every kind and nature and wherever situated, together with all documents of title and documents representing the same, all additions and accessions thereto, replacements therefor, all parts therefor, and all substitutes for any of the foregoing and all other items used and useful in connection with any Debtor's businesses and all improvements thereto; and (B) all inventory;

ii. All contract rights and other general intangibles, including, without limitation, all partnership interests, membership interests, stock or other securities, rights under any of the Organizational Documents, agreements related to the Pledged Securities, licenses, distribution and other agreements, computer software (whether "off-the-shelf", licensed from any third party or developed by any Debtor), computer software development rights, leases, franchises, customer lists, quality control procedures, grants and rights, goodwill, trademarks, service marks, trade styles, trade names, patents, patent applications, copyrights, and income tax refunds;

iii. All accounts, together with all instruments, all documents of title representing any of the foregoing, all rights in any merchandising, goods, equipment, motor vehicles and trucks which any of the same may represent, and all right, title, security and guaranties with respect to each account, including any right of stoppage in transit;

iv. All documents, letter-of-credit rights, instruments and chattel paper;

v. All commercial tort claims;

vi. All deposit accounts and all cash (whether or not deposited in such deposit accounts);

vii. All investment property;

viii. All supporting obligations;

ix. All files, records, books of account, business papers, and computer programs;

x. All Intellectual Property; and

xi. The products and proceeds of all of the foregoing Collateral set forth in clauses (i)-(x) above.

Without limiting the generality of the foregoing, the " Collateral " shall include all investment property and general intangibles respecting ownership and/or other equity interests in each Guarantor, including, without limitation, the shares of capital stock and the other equity interests listed in the Borrowing Certificate (defined below and as the same may be modified from time to time pursuant to the terms hereof), and any other shares of capital stock and/or other equity interests of any other direct or indirect subsidiary of any Debtor obtained in the future, and, in each case, all certificates representing such shares and/or equity interests and, in each case, all rights, options, warrants, stock, other securities and/or equity interests that may hereafter be received, receivable or distributed in respect of, or exchanged for, any of the foregoing and all rights arising under or in connection with the Pledged Securities, including, but not limited to, all dividends, interest and cash. Notwithstanding the foregoing, nothing herein shall be deemed to constitute an assignment of any asset which, in the event of an assignment, becomes void by operation of applicable law or the assignment of which is otherwise prohibited by applicable law (in each case to the extent that such applicable law is not overridden by Sections 9-406, 9-407 and/or 9-408 of the UCC or other similar applicable law); provided , however , that to the extent permitted by applicable law, this Agreement shall create a valid security interest in such asset and, to the extent permitted by applicable law, this Agreement shall create a valid security interest in the proceeds of such asset.

e. " Intellectual Property " means the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, (i) all copyright rights throughout the universe (whether now or hereafter arising) in any and all media (whether now or hereafter developed), in and to all original works of authorship fixed in any tangible medium of expression, acquired or used by Debtor, whether registered or unregistered and whether published or unpublished, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Copyright Office or in any similar office or agency of the United States, any other union of countries, country or any political subdivision thereof), (ii) domestic and foreign letters patent, design patents, utility patents, industrial designs, inventions, trade secrets, ideas, concepts, methods, techniques, processes, proprietary information, technology, know-how, formulae, rights of publicity and other general intangibles of like nature, now existing or hereafter acquired, all applications, registrations and recordings thereof (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or union of countries, any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, (iii) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade dress, service marks, logos, domain names and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, (including, without limitation, applications, registrations and recordings in the United States Patent and Trademark Office, or in any similar office or agency of the United States or union of countries, any other country or any political subdivision thereof), and all reissues, divisions, continuations, continuations in part and extensions or renewals thereof, and all common law rights related thereto, together with all goodwill of the business symbolized by such marks and all customer lists, formulae and other records of Debtor relating to the distribution of products and services in connection with which any of such marks are used (iv) all trade secrets arising under the laws of the United States, any other union of countries, country or any political subdivision thereof, (v) all rights to obtain any reissues, renewals or extensions of the foregoing, (vi) all licenses for any of the foregoing, and (vii) all causes of action for infringement of the foregoing.

f. " Necessary Endorsement " means undated stock powers endorsed in blank or other proper instruments of assignment duly executed and such other instruments or documents as Agent (as that term is defined below) may reasonably request.

g. " Obligations " means: (i) principal of, and interest on the Debentures and the loans extended pursuant thereto; (ii) any and all other fees, indemnities, costs, obligations and liabilities (primary, secondary, direct, contingent, sole, joint or several, due or to become due, or that are now or may be hereafter contracted or acquired, or owing) of Debtors from time to time under or in connection with this Agreement, the Debentures, the Australian Security Agreement, the Australian Guarantee, the Australian Pledge Agreement and any other instruments, agreements or other documents executed and/or delivered in connection herewith or therewith; and (iii) all amounts (including but not limited to post-petition interest) in respect of the foregoing that would be payable but for the fact that the obligations to pay such amounts are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving any Debtor, in each case whether now or hereafter existing, voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred.

h. " Organizational Documents " means with respect to any Debtor, the documents by which such Debtor was organized (such as a certificate of incorporation, certificate of limited partnership or articles of association, and including, without limitation, any certificates of designation for preferred stock or other forms of preferred equity) and which relate to the internal governance of such Debtor (such as bylaws, a partnership agreement or an operating, limited liability or members agreement).

i. " Pledged Interests " shall have the meaning ascribed to such term in Section 4(i).

j. " Pledged Securities " shall have the meaning ascribed to such term in Section 4(h).

k. " Required Parties " means, at any time of determination, 60% in interest (based on then-outstanding principal amounts of Debentures at the time of such determination) of Secured Parties.

l. " UCC " means the Uniform Commercial Code of the State of New York and or any other applicable law of any state or states which has jurisdiction with respect to all, or any portion of, the Collateral or this Agreement, from time to time. It is the intent of the parties that defined terms in the UCC should be construed in their broadest sense so that the term "Collateral" will be construed in its broadest sense. Accordingly if there are, from time to time, changes to defined terms in the UCC that broaden the definitions, they are incorporated herein and if existing definitions in the UCC are broader than the amended definitions, the existing ones shall be controlling.

2. **Grant of Security Interest in Collateral** . As an inducement for Secured Parties to extend the loans as evidenced by the Debentures and to secure the complete and timely payment, performance and discharge in full, as the case may be, of all of the Obligations, each Debtor hereby unconditionally and irrevocably grants to Agent, for the benefit of Secured Parties, a security interest in and to, a lien upon and a right of set-off against all of their respective right, title and interest of whatsoever kind and nature in and to, the Collateral (a " Security Interest " and, collectively, the " Security Interests ").

3. **Delivery of Certain Collateral** . Contemporaneously or prior to the execution of this Agreement, each Debtor shall deliver or cause to be delivered to Agent (a) any and all certificates and other instruments representing or evidencing the Pledged Securities, and (b) any and all certificates and other instruments or documents representing any of the other Collateral, in each case, together with all Necessary Endorsements. Debtors are, contemporaneously with the execution hereof, delivering to Agent, or have previously delivered to Agent, a true and correct copy of each Organizational Document governing any of the Pledged Securities.

4. **Representations, Warranties, Covenants and Agreements of Debtors** . Except as set forth in the borrowing certificate delivered to Secured Parties concurrently herewith (the "Borrowing Certificate"), which Borrowing Certificate shall be deemed a part hereof, each Debtor represents and warrants to, and covenants and agrees with, Secured Parties as follows:

a. Each Debtor has the requisite corporate, partnership, limited liability company or other power and authority to enter into this Agreement and otherwise to carry out its obligations hereunder. The execution, delivery and performance by each Debtor of this Agreement and the filings contemplated therein have been duly authorized by all necessary action on the part of such Debtor and no further action is required by such Debtor. This Agreement has been duly executed by each Debtor. This Agreement constitutes the legal, valid and binding obligation of each Debtor, enforceable against each Debtor in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization and similar laws of general application relating to or affecting the rights and remedies of creditors and by general principles of equity.

b. Debtors have no place of business or offices where their respective books of account and records are kept (other than temporarily at the offices of its attorneys or accountants) or places where Collateral is stored or located, except as set forth in the Borrowing Certificate. Except as specifically set forth in the Borrowing Certificate, each Debtor is the record owner of the real property where such Collateral is located, and there exist no mortgages or other liens on any such real property except for Permitted Liens (as defined in the Debentures). Except as disclosed in the Borrowing Certificate, none of such Collateral is in the possession of any consignee, bailee, warehouseman, agent or processor.

c. Except for Permitted Liens (as defined in the Debentures) and except as set forth in the Borrowing Certificate, Debtors are the sole owner of the Collateral (except for non-exclusive licenses granted by any Debtor in the ordinary course of business), free and clear of any liens, security interests, encumbrances, rights or claims, and are fully authorized to grant the Security Interests. Except as set forth in the Borrowing Certificate, there is not on file in any governmental or regulatory authority, agency or recording office an effective financing statement, security agreement, fixed or floating pledge, license or transfer or any notice of any of the foregoing (other than those that will be filed in favor of Agent, for the benefit of Secured Parties, pursuant to this Agreement) covering or affecting any of the Collateral. Except as set forth in the Borrowing Certificate and except pursuant to this Agreement, as long as this Agreement shall be in effect, Debtors shall not execute and shall not knowingly permit to be on file in any such office or agency any other financing statement or other document or instrument (except to the extent filed or recorded in favor of Agent, for the benefit of Secured Parties, pursuant to the terms of this Agreement, the Australian Pledge Agreement or the Australian Security Agreement or with respect to a Permitted Lien).

d. Other than as set forth in the Borrowing Certificate, no written claim has been received that any Collateral or any Debtor's use of any Collateral violates the rights of any third party. There has been no adverse decision to any Debtor's claim of ownership rights in or exclusive rights to use the Collateral in any jurisdiction or to any Debtor's right to keep and maintain such Collateral in full force and effect, and there is no proceeding involving said rights pending or, to the best knowledge of any Debtor, threatened in writing before any court, judicial body, administrative or regulatory agency, arbitrator or other governmental authority.

e. Each Debtor shall at all times maintain its books of account and records relating to the Collateral at its principal place of business and its Collateral at the locations set forth in the Borrowing Certificate and may not relocate such books of account and records or tangible Collateral (other than in the ordinary course of business) unless it delivers to Secured Parties at least 30 days prior to such relocation (i) written notice of such relocation and the new location thereof (which, in the case of Company, must be within the United States) and (ii) evidence that appropriate financing statements under the UCC and other necessary documents have been filed and recorded and other steps have been taken to perfect the Security Interests to create in favor of Agent, for the benefit of Secured Parties, a valid, perfected and continuing perfected first priority lien (or valid, perfected and continuing perfected first priority floating pledge or fixed pledge, as the case may be, pursuant to the Australian Pledge Agreement and Australian Security Agreement) in the Collateral.

f. This Agreement creates in favor of Agent, for the benefit of Secured Parties, a valid security interest in the Collateral, subject only to Permitted Liens (as defined in the Debentures), that secures the payment and performance of the Obligations. Upon making the filings described in the immediately following paragraph, all security interests created hereunder in any Collateral which may be perfected by filing Uniform Commercial Code financing statements shall have been duly perfected. Except for the filing of the Uniform Commercial Code financing statements referred to in the immediately following paragraph, the recordation of the Intellectual Property Security Agreement (as defined in Section 4(p) hereof) with respect to copyrights and copyright applications in the United States Copyright Office, the execution and delivery of deposit account control agreements satisfying the requirements of Section 9-104(a)(2) of the UCC with respect to each deposit account of Debtors, and the delivery of the certificates and other instruments provided in Section 3, no action is necessary to create, perfect or protect the security interests created hereunder. Except for the filing of said financing statements and the consent previously obtained by Agent, for the benefit of Secured Parties, the recordation of said Intellectual Property Security Agreement, the execution and delivery of said deposit account control agreements, and the execution and delivery of the Australian Pledge Agreement and Australian Security Agreement and the making of filings required or contemplated thereunder, no consent of any third parties and no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for (i) the execution, delivery and performance of this Agreement, (ii) the creation of the Security Interests created hereunder in the Collateral or (iii) the enforcement of the rights of Agent.

g. Each Debtor hereby authorizes Agent to file one or more financing statements under the UCC, with respect to the Security Interests, with the proper filing and recording agencies in any jurisdiction deemed proper by it. Each Debtor agrees that each such financing statement may (a) indicate the Collateral (i) as all assets of such Debtor or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the UCC, or (ii) as being of an equal or lesser scope or with greater detail, and (b) provide any other information required by part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any financing statement or amendment.

h. The capital stock and other equity interests listed in the Borrowing Certificate (the " Pledged Securities ") represent all of the capital stock and other equity interests of the Guarantors, and represent all capital stock and other equity interests owned, directly or indirectly, by Company. All of the Pledged Securities are validly issued, fully paid and nonassessable, and Company is the legal and beneficial owner of the Pledged Securities, free and clear of any lien, security interest or other encumbrance except for the security interests created by this Agreement and the Australian Pledge Agreement.

i. Except as set forth in the Borrowing Certificate, the ownership and other equity interests in partnerships and limited liability companies (if any) included in the Collateral (the " Pledged Interests ") by their express terms do not provide that they are securities governed by Article 8 of the UCC and are not held in a securities account or by any financial intermediary

j. Except for Permitted Liens (as defined in the Debentures), each Debtor shall at all times maintain the liens and Security Interests provided for hereunder as valid and perfected first priority liens and security interests in the Collateral in favor of Agent, for the benefit of Secured Parties, until this Agreement, the Australian Pledge Agreement, the Australian Security Agreement and the Security Interest hereunder and thereunder shall be terminated pursuant to Section 14 hereof. Each Debtor hereby agrees to defend the Security Interests provided for hereunder against the claims of any and all persons and entities. Each Debtor shall safeguard and protect all Collateral for the account of Agent, for the benefit of Secured Parties. Without limiting the generality of the foregoing, each Debtor shall pay all reasonable fees, taxes and other amounts necessary to maintain the Collateral and the Security Interests hereunder, and each Debtor shall obtain and furnish to Agent from time to time, upon demand, such releases and/or subordinations of claims and liens which may be reasonably required to maintain the priority of the Security Interests hereunder.

k. Except with respect to Permitted Liens, no Debtor will transfer, pledge, hypothecate, encumber, license, sell or otherwise dispose of any of the Collateral (except for non-exclusive licenses granted by a Debtor in its ordinary course of business and sales of inventory and disposal of obsolete or worn out equipment by a Debtor in its ordinary course of business) without the prior written consent of the Required Parties.

l. Each Debtor shall keep and preserve its equipment, inventory and other tangible Collateral in good condition (except to the extent such equipment becomes worn out or obsolete), repair and order and shall not operate or locate any such Collateral (or cause to be operated or located) in any area excluded from insurance coverage.

m. Each Debtor shall maintain with financially sound and reputable insurers, insurance with respect to the Collateral, including Collateral hereafter acquired, against loss or damage of the kinds and in the amounts customarily insured against by entities of established reputation having similar properties similarly situated and in such amounts as are customarily carried under similar circumstances by other such entities and otherwise as is prudent for entities engaged in similar businesses but in any event sufficient to cover the full replacement cost thereof. Beginning no later than 30 days after the date hereof, each Debtor shall use best efforts to cause each insurance policy issued in connection herewith to provide, and the insurer issuing such policy to certify to Agent, that (a) Agent, for the benefit of Secured Parties, will be named as lender loss payee and additional insured under each such insurance policy; (b) if such insurance be proposed to be cancelled or materially changed for any reason whatsoever, such insurer will promptly notify Agent and such cancellation or change shall not be effective as to Agent for at least thirty (30) days after receipt by Agent of such notice, unless the effect of such change is to extend or increase coverage under the policy; and (c) Agent will have the right (but no obligation) at its election to remedy any default in the payment of premiums within thirty (30) days of notice from the insurer of such default. If no Event of Default (as defined in the Debentures) has occurred and is continuing and if the proceeds arising out of any claim or series of related claims do not exceed $100,000, loss payments in each instance will be applied by the applicable Debtor to the repair and/or replacement of property with respect to which the loss was incurred to the extent reasonably feasible, and any loss payments or the balance thereof remaining, to the extent not so applied, shall be payable to the applicable Debtor; provided , however , that payments received by any Debtor after an Event of Default occurs and is continuing or in excess of $100,000 for any occurrence or series of related occurrences shall be paid to Agent on behalf of Secured Parties and, if received by such Debtor, shall be held in trust for Secured Parties and immediately paid over to Agent unless otherwise directed in writing by Agent. Copies of such policies or the related certificates, in each case, naming Agent as lender loss payee and additional insured shall be delivered to Agent at least annually and at the time any new policy of insurance is issued.

n. Each Debtor shall, within ten (10) days of obtaining knowledge thereof, advise Secured Parties promptly, in sufficient detail, of any material adverse change in the Collateral, and of the occurrence of any event which would have a material adverse effect on the value of the Collateral or on Agent's security interest (for the benefit of Secured Parties) therein.

o. Each Debtor shall promptly execute and deliver to Agent such further deeds, mortgages, assignments, security agreements, financing statements or other instruments, documents, certificates and assurances and take such further action as Agent may from time to time request and may in its sole discretion deem necessary to perfect, protect or enforce and exercise rights and remedies with respect to Agent's security interest (for the benefit of Secured Parties) in the Collateral, including, without limitation, if applicable, the execution and delivery of a separate security agreement with respect to each Debtor's Intellectual Property (" Intellectual Property Security Agreement ") in which Agent, for the benefit of Secured Parties, has been granted a security interest hereunder, substantially in a form reasonably acceptable to Agent, which Intellectual Property Security Agreement, other than as stated therein, shall be subject to all of the terms and conditions hereof.

p. Each Debtor shall take all steps reasonably necessary to diligently pursue and seek to preserve, enforce and collect any rights, claims, causes of action and accounts receivable in respect of the Collateral.

q. Each Debtor shall promptly notify Secured Parties in sufficient detail upon becoming aware of any attachment, garnishment, execution or other legal process levied against any Collateral and of any other information received by such Debtor that may materially affect the value of the Collateral, the Security Interest or the rights and remedies of Agent and Secured Parties hereunder.

r. All information heretofore, herein or hereafter supplied to Secured Parties by or on behalf of any Debtor with respect to the Collateral is accurate and complete in all material respects as of the date furnished.

s. Each Debtor shall at all times preserve and keep in full force and effect its valid existence and good standing and any rights and franchises material to its business, except to the extent a failure to preserve would not reasonably be expected to have a material adverse effect on such Debtor.

t. No Debtor will change its name, type of organization, jurisdiction of organization, organizational identification number (if it has one), unless it provides at least 30 days prior written notice to Secured Parties of such change and, at the time of such written notification, such Debtor provides any financing statements or fixture filings necessary to perfect and continue the perfection of the Security Interests granted and evidenced by this Agreement.

u. Except in the ordinary course of business, no Debtor may consign any of its inventory or sell any of its inventory on bill and hold, sale or return, sale on approval, or other conditional terms of sale without the consent of Agent which shall not be unreasonably withheld.

v. No Debtor may relocate its chief executive office to a new location without providing 30 days prior written notification thereof to Agent and Secured Parties.

w. (i) The actual name of each Debtor is the name set forth in the Borrowing Certificate; (ii) no Debtor has any trade names except as set forth in the Borrowing Certificate; (iii) no Debtor has used any name other than that stated in the preamble hereto or as set forth in the Borrowing Certificate for the preceding five years; and (iv) no entity has merged into any Debtor or been acquired by any Debtor within the past five years except as set forth in the Borrowing Certificate.

x. At any time and from time to time that any Collateral consists of instruments, certificated securities or other items that require or permit possession by Secured Party to perfect the security interest created hereby, the applicable Debtor shall deliver such Collateral to Agent.

y. Each Debtor, in its capacity as issuer, hereby agrees to comply with any and all orders and instructions of Agent regarding the Pledged Interests consistent with the terms of this Agreement without the further consent of any Debtor as contemplated by Section 8-106 (or any successor section) of the UCC. Further, each Debtor agrees that it shall not enter into a similar agreement (or one that would confer "control" within the meaning of Article 8 of the UCC) with any other person or entity.

z. Each Debtor shall cause all tangible chattel paper constituting Collateral to be delivered to Agent, or, if such delivery is not possible, then to cause such tangible chattel paper to contain a legend noting that it is subject to the security interest created by this Agreement. To the extent that any Collateral consists of electronic chattel paper, the applicable Debtor shall cause the underlying chattel paper to be "marked" within the meaning of Section 9-105 of the UCC (or successor section thereto).

aa. Within 30 days after issuance of any Debenture, including, without limitation, the Debentures issued on the date hereof, Company and each Debtor shall cause each bank and other financial institution with an account referred to in the Borrowing Certificate to execute and deliver to Agent a control agreement, in form and substance reasonably satisfactory to Agent, duly executed by Company or such Guarantor and such bank or financial institution, or enter into other arrangements in form and substance reasonably satisfactory to Agent, for the benefit of Secured Parties, pursuant to which such institution shall irrevocably agree, inter alia, that (i) it will comply at any time with the instructions originated by Agent to such bank or financial institution directing the disposition of cash, commodity contracts, securities, investment property and other items from time to time credited to such account, without further consent of Debtor, which instructions Agent will not give to such bank or other financial institution in the absence of a continuing Event of Default, and (ii) all cash, commodity contracts, securities, investment property and other items of Company or such Guarantor deposited with such institution shall be subject to a perfected, first priority security interest in favor of Agent, for the benefit of Secured Parties. Without the prior written consent of Agent, no Debtor shall make or maintain any deposit account, commodity account or securities account except for the accounts set forth the Borrowing Certificate.

bb. To the extent that any Collateral consists of letter-of-credit rights, the applicable Debtor shall cause the issuer of each underlying letter of credit to consent to an assignment of the proceeds thereof to Agent, for the benefit of Secured Parties.

cc. To the extent that any Collateral is in the possession of any third party, the applicable Debtor shall join with Agent in notifying such third party of Agent's security interest (for the benefit of Secured Parties) in such Collateral and shall use its reasonable best efforts to obtain an acknowledgement and agreement from such third party with respect to the Collateral, in form and substance reasonably satisfactory to Agent.

dd. If any Debtor shall at any time hold or acquire a commercial tort claim, such Debtor shall promptly notify Secured Parties in a writing signed by such Debtor of the particulars thereof and grant to Agent, for the benefit of Secured Parties, in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to Agent.

ee. Each Debtor shall promptly provide written notice to Secured Parties of any and all accounts which arise out of contracts with any governmental authority and, to the extent necessary to perfect or continue the perfected status of the Security Interests in such accounts and proceeds thereof, shall execute and deliver to Agent an assignment of claims for such accounts and cooperate with Agent in taking any other steps required, in its judgment, under the Federal Assignment of Claims Act or any similar federal, state or local statute or rule to perfect or continue the perfected status of the Security Interests in such accounts and proceeds thereof.

ff. Each Debtor shall cause each subsidiary of such Debtor within 15 days of its formation or acquisition by such Debtor to become a party hereto (an " Additional Debtor "), by executing and delivering an Additional Debtor Joinder in substantially the form of Annex A attached hereto and comply with the provisions hereof applicable to Debtors. Concurrent therewith, the Additional Debtor shall deliver replacement schedules for, or supplements to all other Schedules to (or referred to in) this Agreement, as applicable, which replacement schedules shall supersede, or supplements shall modify, the Schedules then in effect. The Additional Debtor shall also deliver authorizing resolutions, good standing certificates, incumbency certificates, organizational documents, and other information and documentation as Agent may reasonably request. Upon delivery of the foregoing to Agent, the Additional Debtor shall be and become a party to this Agreement with the same rights and obligations as Debtors, for all purposes hereof as fully and to the same extent as if it were an original signatory hereto and shall be deemed to have made the representations, warranties and covenants set forth herein as of the date of execution and delivery of such Additional Debtor Joinder, and all references herein to the "Debtors" shall be deemed to include each Additional Debtor.

gg. Each Debtor shall vote the Pledged Securities to comply with the covenants and agreements set forth herein and in the Debentures.

hh. Each Debtor shall register the pledge of the applicable Pledged Securities on the books of such Debtor. Each Debtor shall notify each issuer of Pledged Securities to register the pledge of the applicable Pledged Securities in the name of Agent, for the benefit of Secured Parties, on the books of such issuer. Further, except with respect to certificated securities delivered to Agent, the applicable Debtor shall upon request of Agent deliver to Agent an acknowledgement of pledge (which, where appropriate, shall comply with the requirements of the relevant UCC or with the requirements of Australian and other foreign laws with respect to perfection by registration) signed by the issuer of the applicable Pledged Securities, which acknowledgement shall confirm that: (a) it has registered the pledge on its books and records; and (b) at any time directed by Agent during the continuation of an Event of Default, such issuer will transfer the record ownership of such Pledged Securities into the name of any designee of Agent, will take such steps as may be necessary to effect the transfer, and will comply with all other instructions of Agent regarding such Pledged Securities without the further consent of the applicable Debtor.

ii. In the event that, upon an occurrence and during the continuance of an Event of Default, Agent shall sell all or any of the Pledged Securities to another party or parties (herein called the " Transferee ") or shall purchase or retain all or any of the Pledged Securities, each Debtor shall, to the extent applicable: (i) deliver to Agent or the Transferee, as the case may be, the articles association, certificate of incorporation, bylaws, minute books, stock certificate books, corporate seals, deeds, leases, indentures, agreements, evidences of indebtedness, books of account, financial records and all other Organizational Documents and records of Debtors and their direct and indirect subsidiaries; (ii) use its best efforts to obtain resignations of the persons then serving as officers and directors of Debtors and their direct and indirect subsidiaries, if so requested; and (iii) use its best efforts to obtain any approvals that are required by any governmental or regulatory body in order to permit the sale of the Pledged Securities to the Transferee or the purchase or retention of the Pledged Securities by Agent and allow the Transferee or Agent to continue the business of Debtors and their direct and indirect subsidiaries.

jj. Without limiting the generality of the other obligations of Debtors hereunder, each Debtor shall promptly (i) cause to be registered at the United States Copyright Office all of its material copyrights, (ii) cause the security interest contemplated hereby with respect to all Intellectual Property registered at the United States Copyright Office or United States Patent and Trademark Office to be duly recorded at the applicable office, and (iii) give Agent notice whenever it acquires (whether absolutely or by license) or creates any additional material Intellectual Property.

kk. The Borrowing Certificate lists all of the patents, patent applications, trademarks, trademark applications, registered copyrights, and domain names owned by any of Debtors as of the date hereof. The Borrowing Certificate lists all material licenses in favor of any Debtor for the use of any patents, trademarks, copyrights and domain names as of the date hereof (each, a " License "). All material patents and trademarks of Debtors have been duly recorded at the United States Patent and Trademark Office and all material copyrights of Debtors have been duly recorded at the United States Copyright Office. Upon the occurrence and during the continuance of any breach or default under any License by any party thereto other than the relevant Debtor, Debtor will, promptly after obtaining knowledge thereof, give Agent written notice of the nature and duration thereof, specifying what action, if any, it has taken and proposes to take with respect thereto and thereafter will take reasonable steps to protect and preserve its rights and remedies in respect of such breach or default, or will obtain or acquire an appropriate substitute license. Each Debtor will, at its expense, promptly deliver to Agent a copy of each notice or other communication received by it by which any other party to any License purports to exercise any of its rights or affect any of its obligations thereunder, together with a copy of any reply by Debtor thereto. Each Debtor will exercise promptly and diligently each and every right which it may have under each material license (other than any right of termination) and will duly perform and observe in all respects all of its obligations under each License and will take all action reasonably necessary to maintain such Licenses in full force and effect. No Debtor will, without the prior written consent of Agent, cancel, terminate, amend or otherwise modify in any respect, or waive any provision of, any License which cancellation, termination, amendment, modification or waiver would materially adversely affect the value of the License.

ll. Except as set forth in the Borrowing Certificate, none of the account debtors or other persons or entities obligated on any of the Collateral is a governmental authority covered by the Federal Assignment of Claims Act or any similar federal, state or local statute or rule in respect of such Collateral.

mm. Each Debtor (either itself or through licensees) will, and will cause each licensee thereof to, take all action necessary to maintain all of the Intellectual Property in full force and effect, including, without limitation, using the proper statutory notices and markings and using the trademarks on each applicable trademark class of goods in order to so maintain the trademarks in full force free, from any claim of abandonment for non-use, and each Debtor will not (nor permit any licensee thereof to) do any act or knowingly omit to do any act whereby any Intellectual Property may become invalidated; provided , however , that so long as no Event of Default has occurred and is continuing, each Debtor shall not have an obligation to use or to maintain any Intellectual Property (A) that relates solely to any product or work, that has been, or is in the process of being, discontinued, abandoned or terminated, (B) that is being replaced with Intellectual Property substantially similar to the Intellectual Property that may be abandoned or otherwise become invalid, so long as the failure to use or maintain such Intellectual Property does not materially adversely affect the validity of such replacement Intellectual Property and so long as such replacement Intellectual Property is subject to the Security Interest created by this Agreement or (C) that is substantially the same as other Intellectual Property that is in full force, so long the failure to use or maintain such Intellectual Property does not materially adversely affect the validity of such replacement Intellectual Property and so long as such other Intellectual Property is subject to the Security Interest created by this Agreement. Each Debtor will cause to be taken all necessary steps in any proceeding before the United States Patent and Trademark Office and the United States Copyright Office or any similar office or agency in any other union of countries, country or political subdivision thereof to maintain each registration of the Intellectual Property (other than the Intellectual Property described in the proviso to the immediately preceding sentence), including, without limitation, filing of renewals, affidavits of use, affidavits of incontestability and opposition, interference and cancellation proceedings and payment of maintenance fees, filing fees, taxes or other governmental fees. If any Intellectual Property (other than Intellectual Property described in the proviso to the first sentence of subsection (A) of this clause (mm)) is infringed, misappropriated, diluted or otherwise violated in any material respect by a third party, each Debtor shall (x) upon learning of such infringement, misappropriation, dilution or other violation, promptly notify Agent and (y) to the extent Debtor shall deem appropriate under the circumstances, promptly sue for infringement, misappropriation, dilution or other violation, seek injunctive relief where appropriate and recover any and all damages for such infringement, misappropriation, dilution or other violation, or take such other actions as Debtor shall deem appropriate under the circumstances to protect such Intellectual Property. Each Debtor shall furnish to Agent from time to time upon its request statements and schedules further identifying and describing the Intellectual Property and Licenses and such other reports in connection with the Intellectual Property and Licenses as Agent may reasonably request, all in reasonable detail and promptly upon request of Agent, following receipt by Agent of any such statements, schedules or reports, Debtor shall modify this Agreement by amending the Borrowing Certificate, as the case may be, to include any Intellectual Property and License, as the case may be, which becomes part of the Collateral under this Agreement and shall execute and authenticate such documents and do such acts as shall be necessary or, in the judgment of Agent, desirable to subject such Intellectual Property and Licenses to the Security Interest created by this Agreement. Notwithstanding anything herein to the contrary, upon the occurrence and during the continuance of an Event of Default, no Debtor may abandon or otherwise permit any Intellectual Property to become invalid without the prior written consent of Agent, and if any Intellectual Property is infringed, misappropriated, diluted or otherwise violated in any material respect by a third party, each Debtor will take such action as Agent shall deem appropriate under the circumstances to protect such Intellectual Property.

nn. Each Debtor shall, during normal business hours permit Agent and any Secured Party, or any agent or representatives thereof or such professionals or other persons as Agent or such Secured Party may designate, not more than twice a year in the absence of an Event of Default and at the expense of Agent or such Secured Party, (i) to examine and make copies of and abstracts from Debtor's records and books of account, (ii) to visit and inspect its properties, (iii) to verify materials, leases, notes, accounts, inventory and other assets of Debtor from time to time, (iii) to conduct audits, physical counts, appraisals and/or valuations, examinations at the locations of Debtor. Debtor shall also permit Agent and any Secured Party, or any agent or representatives thereof or such professionals or other persons as Agent or such Secured Party may designate to discuss Debtor's affairs, finances and accounts with any of its directors, officers, managerial employees, independent accountants or any of its other representatives.

5. **Effect of Pledge on Certain Rights** . If any of the Collateral subject to this Agreement consists of nonvoting equity or ownership interests (regardless of class, designation, preference or rights) that may be converted into voting equity or ownership interests upon the occurrence of certain events (including, without limitation, upon the transfer of all or any of the other stock or assets of the issuer), it is agreed that the pledge of such equity or ownership interests pursuant to this Agreement or the enforcement of any of Agent's rights hereunder shall not be deemed to be the type of event which would trigger such conversion rights notwithstanding any provisions in the Organizational Documents or agreements to which any Debtor is subject or to which any Debtor is party.

6. **Defaults** . The following events shall be " Events of Default ":

a. The occurrence and continuance of an Event of Default (as defined in the Debentures) under the Debentures; or

b. If any material provision of this Agreement shall at any time for any reason be declared to be null and void, or the validity or enforceability thereof shall be contested by any Debtor, or a proceeding shall be commenced by any Debtor.

7. **Duty To Hold In Trust** .

a. Upon the occurrence and during the continuance of any Event of Default, each Debtor shall, upon receipt of any revenue, income, dividend, interest or other sums subject to the Security Interests, whether payable pursuant to the Debentures or otherwise, or of any check, draft, note, trade acceptance or other instrument evidencing an obligation to pay any such sum, hold the same in trust for Secured Parties and shall forthwith endorse and transfer any such sums or instruments, or both, to Secured Parties, pro-rata in proportion to their respective then-currently outstanding principal amount of Debentures for application to the satisfaction of the Obligations (and if any Debenture is not outstanding, pro-rata in proportion to the initial purchases of the remaining Debentures).

b. If any Debtor shall become entitled to receive or shall receive any securities or other property (including, without limitation, shares of Pledged Securities or instruments representing Pledged Securities acquired after the date hereof, or any options, warrants, rights or other similar property or certificates representing a dividend, or any distribution in connection with any recapitalization, reclassification or increase or reduction of capital, or issued in connection with any reorganization of such Debtor or any of its direct or indirect subsidiaries) in respect of the Pledged Securities (whether as an addition to, in substitution of, or in exchange for, such Pledged Securities or otherwise), such Debtor agrees to (i) accept the same as Agent of Secured Parties; (ii) hold the same in trust on behalf of and for the benefit of Secured Parties; and (iii) to deliver any and all certificates or instruments evidencing the same to Agent on or before the close of business on the fifth business day following the receipt thereof by such Debtor, in the exact form received together with the Necessary Endorsements, to be held by Agent subject to the terms of this Agreement as Collateral.

8. **Rights and Remedies Upon Default** .

a. Upon the occurrence and during the continuance of an Event of Default, Agent shall have the right to exercise all of the remedies conferred hereunder and under the Debentures, and Agent, for the benefit of Secured Parties, shall have all the rights and remedies of a secured party under the UCC. Without limitation, Agent, for the benefit of Secured Parties, shall have the following rights and powers:

i. Agent shall have the right to take possession of the Collateral and, for that purpose, enter, with the aid and assistance of any person, any premises where the Collateral, or any part thereof, is or may be placed and remove the same, and each Debtor shall assemble the Collateral and make it available to Agent at places which Agent shall reasonably select, whether at such Debtor's premises or elsewhere, and make available to Agent, without rent, all of such Debtor’s respective premises and facilities for the purpose of Agent taking possession of, removing or putting the Collateral in saleable or disposable form.

ii. Upon notice to Debtors by Agent, all rights of each Debtor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise and all rights of each Debtor to receive the dividends and interest which it would otherwise be authorized to receive and retain, shall cease. Upon such notice, Agent shall have the right to receive, for the benefit of Secured Parties, any interest, cash dividends or other payments on the Collateral and, at the option of Agent, to exercise in such Agent’s discretion all voting rights pertaining thereto. Without limiting the generality of the foregoing, Agent shall have the right (but not the obligation) to exercise all rights with respect to the Collateral as if it were the sole and absolute owner thereof, including, without limitation, to vote and/or to exchange, at its sole discretion, any or all of the Collateral in connection with a merger, reorganization, consolidation, recapitalization or other readjustment concerning or involving the Collateral or any Debtor or any of its direct or indirect subsidiaries.

iii. Agent shall have the right to operate the business of each Debtor using the Collateral and shall have the right to assign, sell, lease or otherwise dispose of and deliver all or any part of the Collateral, at public or private sale or otherwise, either with or without special conditions or stipulations, for cash or on credit or for future delivery, in such parcel or parcels and at such time or times and at such place or places, and upon such terms and conditions as Agent may deem commercially reasonable, all without (except as shall be required by applicable statute and cannot be waived) advertisement or demand upon or notice to any Debtor or right of redemption of a Debtor, which are hereby expressly waived. Upon each such sale, lease, assignment or other transfer of Collateral, Agent, for the benefit of Secured Parties, may, unless prohibited by applicable law which cannot be waived, purchase all or any part of the Collateral being sold, free from and discharged of all trusts, claims, right of redemption and equities of any Debtor, which are hereby waived and released.

iv. Agent shall have the right (but not the obligation) to notify any account debtors and any obligors under instruments or accounts to make payments directly to Agent, on behalf of Secured Parties, and to enforce Debtors' rights against such account debtors and obligors.

v. Agent, for the benefit of Secured Parties, may (but is not obligated to) direct any financial intermediary or any other person or entity holding any investment property to transfer the same to Agent, on behalf of Secured Parties, or its designee.

vi. Agent may (but is not obligated to) transfer any or all Intellectual Property registered in the name of any Debtor at the United States Patent and Trademark Office and/or Copyright Office into the name of Agent, for the benefit of Secured Parties, or any designee or any purchaser of any Collateral.

b. Agent shall comply with any applicable law in connection with a disposition of Collateral and such compliance will not be considered adversely to affect the commercial reasonableness of any sale of the Collateral. Agent may sell the Collateral without giving any warranties and may specifically disclaim such warranties. If Agent sells any of the Collateral on credit, Debtors will only be credited with payments actually made by the purchaser. In addition, to the extent permitted under applicable law, each Debtor waives any and all rights that it may have to a judicial hearing in advance of the enforcement of any of Agent's rights and remedies hereunder, including, without limitation, its right following an Event of Default to take immediate possession of the Collateral and to exercise its rights and remedies with respect thereto.

c. For the purpose of enabling Agent to further exercise rights and remedies under this Section 8 or elsewhere provided by agreement or applicable law, each Debtor hereby grants to Agent, for the benefit of Agent and Secured Parties, an irrevocable, nonexclusive license (exercisable without payment of royalty or other compensation to such Debtor) to use, license or sublicense upon the occurrence and during the continuance of an Event of Default, any Intellectual Property now owned or hereafter acquired by such Debtor, and wherever the same may be located, and including in such license access to all media in which any of the licensed items may be recorded or stored and to all computer software and programs used for the compilation or printout thereof.

9. **Applications of Proceeds** . The proceeds of any such sale, lease or other disposition of the Collateral hereunder or from payments made on account of any insurance policy insuring any portion of the Collateral shall be applied first, to the expenses of retaking, holding, storing, processing and preparing for sale, selling, and the like (including, without limitation, any taxes, fees and other costs incurred in connection therewith) of the Collateral, to the reasonable attorneys' fees and expenses incurred by Agent in enforcing its and Secured Parties' rights hereunder and in connection with collecting, storing and disposing of the Collateral, and then to satisfaction of the Obligations pro rata among Secured Parties (based on then-outstanding principal amounts of Debentures at the time of any such determination), and to the payment of any other amounts required by applicable law, after which Secured Parties shall pay to the applicable Debtor any surplus proceeds. To the extent permitted by applicable law, each Debtor waives all claims, damages and demands against Secured Parties arising out of the repossession, removal, retention or sale of the Collateral, unless due solely to the gross negligence or willful misconduct of Secured Parties as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction.

10. **Securities Law Provision** . Each Debtor recognizes that Agent may be limited in its ability to effect a sale to the public of all or part of the Pledged Securities by reason of certain prohibitions in the Securities Act of 1933, as amended, or other federal or state securities laws (collectively, the " Securities Laws "), and may be compelled to resort to one or more sales to a restricted group of purchasers who may be required to agree to acquire the Pledged Securities for their own account, for investment and not with a view to the distribution or resale thereof. Each Debtor agrees that sales so made may be at prices and on terms less favorable than if the Pledged Securities were sold to the public, and that Agent has no obligation to delay the sale of any Pledged Securities for the period of time necessary to register the Pledged Securities for sale to the public under the Securities Laws. Each Debtor shall cooperate with Agent in its attempt to satisfy any requirements under the Securities Laws (including, without limitation, registration thereunder if requested by Agent) applicable to the sale of the Pledged Securities by Agent.

11. **Costs and Expenses** . Each Debtor agrees to pay all reasonable out-of-pocket fees, costs and expenses incurred in connection with any filing required hereunder, including without limitation, any financing statements pursuant to the UCC, continuation statements, partial releases and/or termination statements related thereto or any expenses of any searches reasonably required by Agent. Debtors shall also pay all other claims and charges which in the reasonable opinion of Agent is reasonably likely to prejudice, imperil or otherwise affect the Collateral or the Security Interests therein. Subject to the terms of the Purchase Agreement (as such term is defined in the Debentures), Debtors will also, upon demand, pay to Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which Agent, for the benefit of Secured Parties, may incur in connection with the creation, perfection, protection, satisfaction, foreclosure, collection or enforcement of the Security Interest and the preparation, administration, continuance, amendment or enforcement of this Agreement and pay to Agent the amount of any and all reasonable expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which Agent, for the benefit of Secured Parties, and Secured Parties may incur in connection with (i) the enforcement of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Collateral, or (iii) the exercise or enforcement of any of the rights of Secured Parties under the Debentures. Until so paid, any fees payable hereunder shall be added to the principal amount of the Debentures.

12. **Responsibility for Collateral** . Debtors assume all liabilities and responsibility in connection with all Collateral, and the Obligations shall in no way be affected or diminished by reason of the loss, destruction, damage or theft of any of the Collateral or its unavailability for any reason. Without limiting the generality of the foregoing, (a) neither Agent nor any Secured Party (i) has any duty (either before or after an Event of Default) to collect any amounts in respect of the Collateral or to preserve any rights relating to the Collateral, or (ii) has any obligation to clean-up or otherwise prepare the Collateral for sale, and (b) each Debtor shall remain obligated and liable under each contract or agreement included in the Collateral to be observed or performed by such Debtor thereunder. Neither Agent nor any Secured Party shall have any obligation or liability under any such contract or agreement by reason of or arising out of this Agreement or the receipt by Agent or any Secured Party of any payment relating to any of the Collateral, nor shall Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Debtor under or pursuant to any such contract or agreement, to make inquiry as to the nature or sufficiency of any payment received by Agent or any Secured Party in respect of the Collateral or as to the sufficiency of any performance by any party under any such contract or agreement, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to Agent or to which Agent or any Secured Party may be entitled at any time or times.

13. **Security Interests Absolute** . All rights of Secured Parties and all obligations of Debtors hereunder, shall be absolute and unconditional, irrespective of: (a) any lack of validity or enforceability of this Agreement, the Debentures or any agreement entered into in connection with the foregoing, or any portion hereof or thereof; (b) any change in the time, manner or place of payment or performance of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Debentures or any other agreement entered into in connection with the foregoing; (c) any exchange, release or nonperfection of any of the Collateral, or any release or amendment or waiver of or consent to departure from any other collateral for, or any guarantee, or any other security, for all or any of the Obligations; (d) any action by Secured Parties to obtain, adjust, settle and cancel in its sole discretion any insurance claims or matters made or arising in connection with the Collateral; or (e) any other circumstance which might otherwise constitute any legal or equitable defense available to a Debtor, or a discharge of all or any part of the Security Interests granted hereby. Until the Obligations shall have been paid and performed in full, the rights of Secured Parties shall continue to the fullest extent permitted by law even if the Obligations are barred for any reason, including, without limitation, the running of the statute of limitations or bankruptcy. Each Debtor expressly waives presentment, protest, notice of protest, demand, notice of nonpayment and demand for performance. In the event that at any time any transfer of any Collateral or any payment received by Secured Parties hereunder shall be deemed by final order of a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under the bankruptcy or insolvency laws of the United States, or shall be deemed to be otherwise due to any party other than Secured Parties, then, in any such event, each Debtor's obligations hereunder shall survive cancellation of this Agreement, and shall not be discharged or satisfied by any prior payment thereof and/or cancellation of this Agreement, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof. Each Debtor waives all right to require Secured Parties to proceed against any other person or entity or to apply any Collateral which Secured Parties may hold at any time, or to marshal assets, or to pursue any other remedy. Each Debtor waives any defense arising by reason of the application of the statute of limitations to any obligation secured hereby.

14. **Term of Agreement** . This Agreement and the Security Interests shall terminate with respect to each Debtor on the date on which all payments under such Debtor's Debentures have been paid in full other than contingent obligations against which no claim has been asserted and all other Obligations (other than contingent obligations against which no claim has been asserted) have been paid or discharged; provided, however, that all indemnities of Debtors contained in this Agreement (including, without limitation, Annex B hereto) shall survive and remain operative and in full force and effect regardless of the termination of this Agreement.

15. **Power of Attorney; Further Assurances** . Each Debtor authorizes Agent, and does hereby make, constitute and appoint Agent and its officers, agents, successors or assigns with full power of substitution, as such Debtor's true and lawful attorney-in-fact, with power, in the name of Agent or such Debtor, to, after the occurrence and during the continuance of an Event of Default, (i) endorse any note, checks, drafts, money orders or other instruments of payment (including payments payable under or in respect of any policy of insurance) in respect of the Collateral that may come into possession of Agent; (ii) sign and endorse any financing statement pursuant to the UCC or any invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications and notices in connection with accounts, and other documents relating to the Collateral; (iii) pay or discharge taxes, liens, security interests or other encumbrances at any time levied or placed on or threatened against the Collateral; (iv) demand, collect, receipt for, compromise, settle and sue for monies due in respect of the Collateral; (v) transfer any Intellectual Property or provide licenses respecting any Intellectual Property; and (vi) generally, at the option of Agent, and at the expense of Debtors, at any time, or from time to time, execute and deliver any and all documents and instruments and to do all acts and things which Agent deems necessary to protect, preserve and realize upon the Collateral and the Security Interests granted therein in order to effect the intent of this Agreement and the Debentures all as fully and effectually as Debtors might or could do; and each Debtor hereby ratifies all that said attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney is coupled with an interest and shall be irrevocable for the term of this Agreement and thereafter as long as any of the Obligations shall be outstanding. The designation set forth herein shall be deemed to amend and supersede any inconsistent provision in the Organizational Documents or other documents or agreements to which any Debtor is subject or to which any Debtor is a party. Without limiting the generality of the foregoing, after the occurrence and during the continuance of an Event of Default, Agent, for the benefit of each Secured Party, is specifically authorized to execute and file any applications for or instruments of transfer and assignment of any patents, trademarks, copyrights or other Intellectual Property with the United States Patent and Trademark Office and the United States Copyright Office.

16. **Notices** . All notices, requests, demands and other communications hereunder shall be subject to the notice provision of the Purchase Agreement (as such term is defined in the Debentures).

17. **Other Security** . To the extent that the Obligations are now or hereafter secured by property other than the Collateral or by the guarantee, endorsement or property of any other person, firm, corporation or other entity, then Agent shall have the right, in its sole discretion, to pursue, relinquish, subordinate, modify or take any other action with respect thereto, without in any way modifying or affecting any of Agent's or Secured Parties' rights and remedies hereunder.

18. **Appointment of Agent** . By its acceptance of its Debenture, each Secured Party appoints DEC Funding LLC to act as their agent (" DEC Funding " or, in the capacity as agent, together with its successors and/or assigns, " Agent ") for purposes of exercising any and all rights and remedies of Secured Parties hereunder. Such appointment shall continue until revoked in writing by the Required Parties, at which time the Required Parties shall appoint a new Agent, provided that DEC Funding may not be removed as Agent unless DEC Funding shall then hold less than $1,000,000 in principal amount of Debentures; provided , further , that such removal may occur only if each of the other Secured Parties shall then hold not less than an aggregate of $1,000,000 in principal amount of Debentures. Agent shall have the rights, responsibilities and immunities set forth in Annex B hereto.

19. **Miscellaneous** .

a. No course of dealing between Debtors and Agent or Secured Parties, nor any failure to exercise, nor any delay in exercising, on the part of Agent or Secured Parties, any right, power or privilege hereunder or under the Debentures shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

b. All of the rights and remedies of Agent or Secured Parties with respect to the Collateral, whether established hereby or by the Debentures or by any other agreements, instruments or documents or by law shall be cumulative and may be exercised singly or concurrently.

c. This Agreement, together with the exhibits and schedules hereto, contain the entire understanding of the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into this Agreement and the exhibits and schedules hereto. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by Debtors, Agent and Secured Parties holding 60% or more of the principal amount of Debentures then outstanding, or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought. In the event of any contradiction between this Security Agreement and the Australian Security Agreement, the provisions of this Security Agreement will prevail.

d. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

e. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right.

f. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Company and the Guarantors may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Secured Party (other than by merger). Any Secured Party may assign any or all of its rights under this Agreement to any Person (as defined in the Purchase Agreement) to whom such Secured Party assigns or transfers any Obligations in accordance with the Debenture, provided such transferee agrees in writing to be bound, with respect to the transferred Obligations, by the provisions of this Agreement that apply to the "Secured Parties."

g. Each party shall take such further action and execute and deliver such further documents as may be necessary or appropriate in order to carry out the provisions and purposes of this Agreement.

h. Except to the extent mandatorily governed by the jurisdiction or situs where the Collateral is located, all questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Except to the extent mandatorily governed by the jurisdiction or situs where the Collateral is located, each Debtor agrees that all proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and the Debentures (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York, County of New York (the " New York Courts "). Except to the extent mandatorily governed by the jurisdiction or situs where the Collateral is located, each Debtor hereby irrevocably submits to the exclusive jurisdiction of such New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such proceeding is improper. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. Each party hereto hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

i. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and, all of which taken together shall constitute one and the same Agreement. In the event that any signature is delivered by facsimile or other electronic transmission, such signature shall create a valid binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile or other electronic signature were the original thereof.

j. All Debtors shall jointly and severally be liable for the Obligations of each Debtor to Secured Parties hereunder.

k. Each Debtor shall indemnify, reimburse and hold harmless Agent and Secured Parties and their respective partners, members, shareholders, officers, directors, employees and agents (and any other persons with other titles that have similar functions) (collectively, "Indemnitees") from and against any and all losses, claims, liabilities, damages, penalties, suits, costs and expenses, of any kind or nature, (including fees relating to the cost of investigating and defending any of the foregoing) imposed on, incurred by or asserted against such Indemnitee in any way related to or arising from or alleged to arise from this Agreement or the Collateral, except any such losses, claims, liabilities, damages, penalties, suits, costs and expenses which result from the breach of contract in bad faith, gross negligence or willful misconduct of the Indemnitee as determined by a final, nonappealable decision of a court of competent jurisdiction. This indemnification provision is in addition to, and not in limitation of, any other indemnification provision in the Debentures, the Purchase Agreement (as such term is defined in the Debentures) or any other agreement, instrument or other document executed or delivered in connection herewith or therewith.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be duly executed on the day and year first above written.

DISCOVERY ENERGY CORP.

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

DEC FUNDING LLC, as Agent

By: /s/ Steven Webster
Steven Webster, Manager

BORROWING CERTIFICATE

The undersigned, the Chairman of Discovery Energy Corp. (the " **Company** "), hereby represents and warrants to you on behalf of Company as follows:

1. **NAMES OF COMPANY**

a. The name of Company as it appears in its current Articles or Certificate of Incorporation is: Discovery Energy Corp.

b. The federal employer identification number of Company is: 98-0507846.

c. Company is formed under the laws of the state of Nevada.

d. The organizational identification number issued to Company under its jurisdiction of formation is: E0405612006-2.

e. Company transacts business in the following states (and/or countries) (list jurisdictions other than jurisdiction of formation): Texas.

f. Company is duly qualified to transact business as a foreign entity in the following states (and/or country) (list jurisdictions other than jurisdiction of formation): Texas.

g. The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by Company or used within the past five years:

Name	Period of Use	Note whether prior legal name, fictitious name, d/b/a trade name, etc.
Santos Resource Corp.	May 24, 2006 – May 7, 2012	Prior Legal Name

h. The following are the legal names and jurisdictions of formation of all entities which have been merged into Company during the past five years:

Legal Name of Merged Entity	Entity Jurisdiction of Formation	Year of Merger
None		

i. The following are the legal names and addresses (including jurisdictions of formation) of all entities from whom Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Legal Name	Jurisdiction of Formation / Address	Date of Acquisition	Type of Property
None			

2. **PARENT/SUBSIDIARIES OF COMPANY**

a. The legal name of each subsidiary and parent of Company is as follows. (A "parent" is an entity directly owning more than 50% of the outstanding capital stock of Company. A "subsidiary" is an entity, 50% or more of the outstanding capital stock of which is directly owned by Company.)

Name	Subsidiary/Parent	Fed. Employer ID No.
Discovery Energy SA Pty Ltd	Sub ☒ Parent ☐	None (Australian entity)

b. The following is a list of the respective jurisdictions and dates of formation of the parent and each subsidiary of Company:

Name	Jurisdiction	Date of Formation
Discovery Energy SA Pty Ltd	Australia	May 15, 2012

c. The following is a list of all other names (including fictitious names, d/b/a's, trade names or similar names) currently used by each subsidiary of Company or used during the past five years:

Name	Subsidiary
None	

d. The following are the names of all entities which have been merged into a subsidiary of Company during the past five years:

Name	Subsidiary
None	

e. The following are the names and addresses of all entities from whom each subsidiary of Company has acquired any personal property in a transaction not in the ordinary course of business during the past five years, together with the date of such acquisition and the type of personal property acquired (e.g., equipment, inventory, etc.):

Name	Address	Date of Acquisition	Type of Property	Subsidiary
None				

3. **LOCATIONS OF COMPANY AND ITS SUBSIDIARIES**

a. Company and each of its subsidiaries maintain books or records at the following addresses:

Complete street and mailing address, including county	Name of Company/Subsidiary
One Riverview Drive, Houston, Harris County, Texas 77056	Discovery Energy Corp.
350 Collins Street, Level 8, Melbourne 3000 Australia	Discovery Energy SA Pty Ltd

b. Company and its subsidiaries own, lease, or occupy real property located at the following addresses and maintain equipment, inventory, or other property at such address:

Complete street and mailing address, including county	Name of Company/Subsidiary
One Riverview Drive, Houston, Harris County, Texas 77056	Discovery Energy Corp.
350 Collins Street, Level 8, Melbourne 3000 Australia	Discovery Energy SA Pty Ltd

c. The following are the names and addresses of all warehousemen, bailees, or other third parties who have possession of any of Company's inventory, equipment, or other property or that of its subsidiaries:

Name and complete mailing address of third party	Description of assets held with third party including estimated FMV	Name of Company/Subsidiary
None		

4. **SPECIAL TYPES OF COLLATERAL**

a. Company and its subsidiaries own (or have any ownership interest in) the following kinds of assets.

Copyrights or copyright applications registered with the U.S. Copyright Office	Yes ☐	No ☒
Software registered with the U.S. Copyright Office	Yes ☐	No ☒
Software not registered with the U.S. Copyright Office	Yes ☐	No ☒
Patents and patent applications	Yes ☐	No ☒
Trademarks or trademark applications (including any service marks, collective marks and certification marks)	Yes ☐	No ☒
Licenses to use trademarks, patents and copyrights of others	Yes ☐	No ☒
Material licenses, permits (including environmental), authorizations, or certifications issued by federal, state, or local governments issued to Company and/or its subsidiaries or with respect to their assets, properties, or businesses	Yes ☒	No ☐
Stocks, bonds or other securities held by Company or its subsidiaries in other entities (Company or sub is the stock owner)	Yes ☐	No ☒
Promissory notes, or other instruments or evidence of indebtedness issued in favor of Company or any of its subsidiaries (Company or sub is the lender)	Yes ☐	No ☒
Leases of equipment, security agreements naming Company or its subsidiaries as secured party or other chattel paper (Company or sub is the lessor/secured party)	Yes ☐	No ☒
Aircraft	Yes ☐	No ☒
Vessels, Boats or Ships	Yes ☐	No ☒
Railroad Rolling Stock	Yes ☐	No ☒
Motor Vehicles	Yes ☐	No ☒

If the answer is "yes" to any of the above questions, attach a Schedule 4(a) listing each asset owned by Company and/or its subsidiaries (separately identified and scheduled for each entity) and identifying which party owns the asset, the relevant jurisdiction (such as IP registered in non-U.S. jurisdictions or the jurisdiction under which a motor vehicle is registered), each registration, application, or other identification number, and all other relevant information. In the cases of licenses, include the relevant parties and the specific property being licensed, and, if any licenses are material to Company's and/or any of its subsidiaries' business, provide copies of such licenses.

b. The following are all banks, brokerages, or financial institutions at which Company and its subsidiaries maintain deposit or securities accounts:

Institution Name and Address	Account Name	Account Number	Name of Account Owner
Wells Fargo Bank PO Box 40028 Roanoke, VA 24022	Gold Business Services Package – Checking	2757703489	Discovery Energy Corp.
	Business Market Rate Savings	7633038422	Discovery Energy Corp.
Macquarie Level 24, 101 Collins Street Melbourne, VIC 3000	Discovery Energy SA Pty Ltd	962118899	Discovery Energy SA Pty Ltd

c. Does or is it contemplated that Company will regularly receive letters of credit from customers or other third parties to secure payments of sums owed to Company? The following is a list of letters of credit naming Company as "beneficiary" thereunder:

LC Number	Name of LC Issuer	LC Applicant
None		

5. **DEBT/ENCUMBRANCES**

a. Company and its subsidiaries have the following outstanding debt for money borrowed:

Name and Address of Lender	Original Principal Amount/Principal Outstanding	Date of Note Maturity Date	Secured/Unsecured (if secured, complete 6(b))
EMTEECO Holdings Ltd.	$17,000/$17,000	December 20, 2013 December 20, 2016	Unsecured
Liberty Petroleum Corporation	$542,294/$587,724	September 26, 2013 July 20, 2016	Unsecured
Keith D. Spickelmier	$25,000/$25,000	March 31, 2014 March 31, 2017	Unsecured
	$3,100/$3,100	May 5, 2014 May 5, 2016	Unsecured
	$10,000/$10,000	July 16, 2014 July 16, 2016	Unsecured
	$16,000/$16,000	September 29, 2014 September 29, 2016	Unsecured
	$6,000/$6,000	December 17, 2014 December 17, 2016	Unsecured
	$2,500/$2,500	January 29, 2015 January 29, 2017	Unsecured
	$10,000/$10,000	November 20, 2015 On Demand	Unsecured
	$5,000/$5,000	January 15, 2016 On Demand	Unsecured
	$7,000/$7,000	February 2, 2016 On Demand	Unsecured
	$7,000/$7,000	February 4, 2016 On Demand	Unsecured
	$4,600/$4,600	May 13, 2016 On Demand	Unsecured
William Begley	$4,000/$4,000	March 9, 2015 March 9, 2017	Unsecured
	$3,000/$3,000	August 11, 2015 On Demand	Unsecured
	$5,353/$5,353	December 16, 2015 On Demand	Unsecured
	$1,500/$1,500	January 15, 2016 On Demand	Unsecured
	$3,500/$3,500	January 19, 2016 On Demand	Unsecured
	$4,000/$4,000	February 3, 2016 On Demand	Unsecured
	$10,000/$10,000	February 4, 2016 On Demand	Unsecured
	$1,800/$1,800	April 20, 2016 On Demand	Unsecured

b. Company's and its subsidiaries' properties are subject to the following liens or encumbrances:

Name of Holder of Lien/Encumbrance	Description of Property Encumbered	Name of Company/Subsidiary
None		

6. **REGULATION**

With respect to material regulatory matters, Company and its subsidiaries are subject to regulation by the following federal, state or local government entity or any department, agency, or instrumentality thereof: Department for Manufacturing, Innovation, Trade, Resources and Energy, Energy Resources Division (Australia)

7. **LITIGATION**

a. The following is a complete list of pending and threatened litigation or claims involving amounts claimed against Company in an indefinite amount or in excess of $50,000 in each case:

None.

b. The following are the only claims which Company has against others (other than claims on accounts receivable), which Company is asserting or intends to assert, and in which the potential recovery exceeds $50,000:

None.

8. **TAXES**

The following taxes are currently outstanding and unpaid:

Assessing Authority	Amount and Description
None	

9. **OFFICERS OF COMPANY AND ITS SUBSIDIARIES**

The following are the names and titles of the officers of Company and its subsidiaries.

Name of Company/Subsidiary	Name of Officer	Office	Director
Discovery Energy Corp.	Keith D. Spickelmier	Chairman	Chairman
	Keith J. Mckenzie	CEO	Yes
	Michael D. Dahlke	President, COO	
	William E. Begley	CFO	Yes
	Mark S. Thompson	Secretary	
Discovery Energy SA Pty Ltd	Andrew Adams	Executive Director	Yes
	Keith J. Mckenzie	Director	Yes
	Micheal D. Dahlke	Director	Yes
	William E. Begley	Director	Yes
	Melanie Leydin	Resident Director and Corporate Secretary	Yes

ANNEX A
to
SECURITY
AGREEMENT
FORM OF ADDITIONAL DEBTOR JOINDER

Security Agreement dated as of May 27, 2016 made by Discovery Energy Corp. and its subsidiaries party thereto from time to time, as Debtors to and in favor of Agent, for the benefit of Secured Parties identified therein (the " Security Agreement ").

Reference is made to the Security Agreement as defined above; capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in, or by reference in, the Security Agreement.

The undersigned hereby agrees that upon delivery of this Additional Debtor Joinder to Agent and Secured Parties referred to above, the undersigned shall (a) be an Additional Debtor under the Security Agreement, (b) have all the rights and obligations of Debtors under the Security Agreement as fully and to the same extent as if the undersigned was an original signatory thereto and (c) be deemed to have made the representations and warranties set forth therein as of the date of execution and delivery of this Additional Debtor Joinder. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE UNDERSIGNED SPECIFICALLY GRANTS TO AGENT, FOR THE BENEFIT OF SECURED PARTIES, A SECURITY INTEREST IN THE COLLATERAL AS MORE FULLY SET FORTH IN THE SECURITY AGREEMENT AND ACKNOWLEDGES AND AGREES TO THE WAIVER OF JURY TRIAL PROVISIONS SET FORTH THEREIN.

Attached hereto is a Borrowing Certificate with respect to the Additional Debtor.

An executed copy of this Joinder shall be delivered to Agent and Secured Parties, and Agent and Secured Parties may rely on the matters set forth herein on or after the date hereof. This Joinder shall not be modified, amended or terminated without the prior written consent of Agent and Secured Parties.

IN WITNESS WHEREOF, the undersigned has caused this Joinder to be executed in the name and on behalf of the undersigned.

[Name of Additional Debtor]

By:

Name:

Title:

Address:

Dated:

ANNEX B
to
SECURITY AGREEMENT

AGENT

1. **Appointment** . Secured Parties (all capitalized terms used herein and not otherwise defined shall have the respective meanings provided in the Security Agreement to which this Annex B is attached (the " Agreement ")), by their acceptance of the benefits of the Agreement, hereby designate DEC Funding LLC (" Agent ") as Agent to act as specified herein and in the Agreement. Each Secured Party shall be deemed irrevocably to authorize Agent to take such action on its behalf under the provisions of the Agreement and any other Transaction Document (as such term is defined in the Purchase Agreement) and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to or required of Agent by the terms hereof and thereof and such other powers as are reasonably incidental thereto. Agent may perform any of its duties hereunder by or through its agents or employees.

2. **Nature of Duties** . Agent shall have no duties or responsibilities except those expressly set forth in the Agreement. Neither Agent nor any of its partners, members, shareholders, officers, directors, employees or agents shall be liable for any action taken or omitted by it as such under the Agreement or hereunder or in connection herewith or therewith, be responsible for the consequence of any oversight or error of judgment or answerable for any loss, unless caused solely by its or their gross negligence or willful misconduct as determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction. The duties of Agent shall be mechanical and administrative in nature; Agent shall not have by reason of the Agreement or any other Transaction Document a fiduciary relationship in respect of any Debtor or any Secured Party; and nothing in the Agreement or any other Transaction Document, expressed or implied, is intended to or shall be so construed as to impose upon Agent any obligations in respect of the Agreement or any other Transaction Document except as expressly set forth herein and therein.

3. **Lack of Reliance on Agent** . Independently and without reliance upon Agent, each Secured Party, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of Company and its subsidiaries in connection with such Secured Party's investment in Debtors, the creation and continuance of the Obligations, the transactions contemplated by the Transaction Documents, and the taking or not taking of any action in connection therewith, and (ii) its own appraisal of the creditworthiness of Company and its subsidiaries, and of the value of the Collateral from time to time, and Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Secured Party with any credit, market or other information with respect thereto, whether coming into its possession before any Obligations are incurred or at any time or times thereafter. Agent shall not be responsible to Debtors or any Secured Party for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith, or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of the Agreement or any other Transaction Document, or for the financial condition of Debtors or the value of any of the Collateral, or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of the Agreement or any other Transaction Document, or the financial condition of Debtors, or the value of any of the Collateral, or the existence or possible existence of any default or Event of Default under the Agreement, the Debentures or any of the other Transaction Documents.

4. **Certain Rights of Agent** . Agent shall have the right to take any action with respect to the Collateral, on behalf of all of Secured Parties; provided that Agent shall not (x) release its interest in any material portion of the Collateral, unless (A) such Collateral is sold or otherwise disposed of or to be sold or otherwise disposed of as part of or in connection with any sale or other disposition permitted hereunder or under any other Transaction Document, or (B) if approved, authorized or ratified in writing by the Required Parties, or (y) subordinate its interests hereunder unless approved, authorized or ratified in writing by the Required Parties. In addition to the foregoing, to the extent practical, Agent shall request instructions from Secured Parties with respect to any other material act or action (including failure to act) in connection with the Agreement or any other Transaction Document, and shall be entitled to act or refrain from acting in accordance with the instructions of the Required Parties; if such instructions are not provided despite Agent's request therefor, Agent shall be entitled to refrain from such act or taking such action, and if such action is taken, shall be entitled to appropriate indemnification from Secured Parties in respect of actions to be taken by Agent; and Agent shall not incur liability to any person or entity by reason of so refraining. Without limiting the foregoing, (a) no Secured Party shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder in accordance with the terms of the Agreement or any other Transaction Document, and Debtors shall have no right to question or challenge the authority of, or the instructions given to, Agent pursuant to the foregoing and (b) Agent shall not be required to take any action which Agent believes (i) could reasonably be expected to expose it to personal liability or (ii) is contrary to this Agreement, the Transaction Documents or applicable law.

5. **Reliance** . Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, statement, certificate, email, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by the proper person or entity, and, with respect to all legal matters pertaining to the Agreement and the other Transaction Documents and its duties thereunder, upon advice of counsel selected by it and upon all other matters pertaining to this Agreement and the other Transaction Documents and its duties thereunder, upon advice of other experts selected by it. Anything to the contrary notwithstanding, Agent shall have no obligation whatsoever to any Secured Party to assure that the Collateral exists or is owned by Debtors or is cared for, protected or insured or that the liens granted pursuant to the Agreement have been properly or sufficiently or lawfully created, perfected, or enforced or are entitled to any particular priority.

6. **Indemnification** . To the extent that Agent is not reimbursed and indemnified by Debtors, Secured Parties will jointly and severally reimburse and indemnify Agent, in proportion to their initially purchased respective principal amounts of Debentures, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against Agent in performing its duties hereunder or under the Agreement or any other Transaction Document, or in any way relating to or arising out of the Agreement or any other Transaction Document except for those determined by a final judgment (not subject to further appeal) of a court of competent jurisdiction to have resulted solely from Agent's own gross negligence or willful misconduct. Prior to taking any action hereunder as Agent, Agent may require each Secured Party to deposit with it sufficient sums as it determines in good faith is necessary to protect Agent for costs and expenses associated with taking such action.

7. **Resignation by Agent .**

(a) Agent may resign from the performance of all its functions and duties under the Agreement and the other Transaction Documents at any time by giving 30 days' prior written notice (as provided in the Agreement) to Debtors and Secured Parties. Such resignation shall take effect upon the appointment of a successor Agent pursuant to clauses (b) and (c) below.

(b) Upon any such notice of resignation, the Required Parties shall appoint a successor Agent hereunder.

(c) If a successor Agent shall not have been so appointed within said 30-day period, Agent shall then appoint a successor Agent who shall serve as Agent until such time, if any, as Secured Parties appoint a successor Agent as provided above. If a successor Agent has not been appointed within such 30-day period, Agent may petition any court of competent jurisdiction or may interplead Debtors and Secured Parties in a proceeding for the appointment of a successor Agent, and all fees, including, but not limited to, extraordinary fees associated with the filing of interpleader and expenses associated therewith, shall be payable by Debtors on demand.

(d) Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and the retiring Agent shall be discharged from its duties and obligations under the Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of the Agreement including this Annex B shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

8. **Rights with respect to Collateral** . Each Secured Party agrees with all other Secured Parties and Agent (i) that it shall not, and shall not attempt to, exercise any rights with respect the Collateral, whether pursuant to any other agreement or otherwise (other than pursuant to this Agreement), or take or institute any action against Agent or any of the other Secured Parties in respect of the Collateral or its rights hereunder (other than any such action arising from the breach of this Agreement) and (ii) that such Secured Party has no other rights with respect to the Collateral other than as set forth in this Agreement and the other Transaction Documents.

Exhibit 10.05

HERBERT
SMITH
FREEHILLS

Deed

Specific Security Agreement (Shares)

Discovery Energy Corp.

DEC Funding LLC

ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia
GPO Box 4227 Sydney NSW 2001 Australia

T +61 2 9225 5000 **F** +61 2 9322 4000
herbertsmithfreehills.com DX 361 Sydney

HERBERT SMITH FREEHILLS

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HERBERT SMITH FREEHILLS

Specific Security Agreement (Shares)

Date ► 27 May 2016

Between the parties

Grantor	**Discovery Energy Corp.** of One Riverway Drive, Suite 1700, Houston, Texas 77056 **(Discovery)**
Secured Party	**DEC Funding LLC** Company number 802464276 (Texas) c/o Avista Capital Partners, 1000 Louisiana Street, Suite 3700, Houston, Texas 77002 **(DEC)**
Recitals	1 The Grantor is the legal and beneficial owner of the Mortgaged Property **.** 2 The Grantor has agreed to grant a security interest in the Mortgaged Property to the Secured Party to secure the payment of the Secured Moneys.
This deed witnesses	that, for valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

HERBERT SMITH FREEHILLS

1 Definitions, interpretation and deed components

1.1 Definitions

The meanings of the terms used in this deed are set out below.

Term	Meaning
Additional Rights	all present and future rights and property interests attaching to or arising out of or otherwise in respect of the holding of an interest in the Shares including: 1 any Distributions paid or payable, any bonus shares or other Marketable Securities issued, and any rights to take up Marketable Securities, in respect of the Shares; 2 any proceeds of, or from the disposal of or other dealing with, any Shares; 3 any rights or Marketable Security resulting from the conversion, consolidation, subdivision, redemption, cancellation, reclassification or forfeiture of any Share; 4 any in specie distribution in respect of any Shares; and 5 rights consequent upon a reduction of capital, buy back, liquidation or scheme or arrangement, and any present or future rights and property interests attaching to or arising out of or otherwise in respect of any interest in any of the property specified in items 1 to 5 inclusive of this definition.
Australian Guarantee	the document entitled 'Deed of Guarantee and Indemnity' between the Guarantor and the Secured Party dated on or about the date of this deed.
Australian Security Agreement	the document entitled 'General Security Deed' between the Guarantor and the Secured Party dated on or about the date of this deed.
Attorney	an attorney appointed under any Finance Document.
Business Day	1 for the purposes of clause 12.4, a day on which banks are open for business in the city where the notice or other communication is received excluding a Saturday, Sunday or public holiday; and 2 for all other purposes, a day on which banks are open for business in New York excluding a Saturday, Sunday or public holiday.

Term	Meaning
Certificated Security	a Marketable Security title to which is evidenced by a Title Document.
Collateral Security	any present or future Encumbrance, Guarantee or other document or agreement created or entered into by a Transaction Party or any other person as security for, or to credit enhance, the payment of any of the Secured Moneys.
Controlled Account	a bank account opened by the Grantor in accordance with clause 5.4.
Corporations Act	the *Corporations Act 2001* (Cth).
Deposit Document	in respect of the Guarantor, the Title Documents in respect of the relevant Marketable Securities in it.
Designated Bank	the bank with which the Controlled Account is maintained.
Distribution	any money owing now or in the future in respect of the Mortgaged Property and includes a cash dividend or other monetary distribution whether of an income or capital nature.
Event of Default	an Event of Default as defined in the Principal Agreement and any other event of default (however described) under, or as defined in, any Finance Document.
Exceptional Distribution	a Distribution of the following kind: 1 a reduction of capital; 2 a buy-back of shares under a buy-back scheme or otherwise; or 3 any Distribution under a scheme of arrangement.
Finance Document	1 this deed; 2 each Collateral Security; 3 the Principal Agreement;

Term	Meaning
	4 the Australian Guarantee; 5 the Australian Security Agreement; 6 the US Security Agreement; 7 the Securities Purchase Agreement; 8 any other Finance Document as defined in the Principal Agreement; 9 any document which the Grantor and the Secured Party agree, now or in the future, is a Finance Document for the purposes of this deed, or any document or agreement entered into or given under any of the above.
Guarantor	Discovery Energy SA Pty Ltd, ABN 89 158 204 052
Marketable Securities	1 marketable securities as defined in section 9 of the Corporations Act; 2 any option or right in respect of an unissued share; 3 any convertible note; and 4 any instrument or security which is a combination of any of the above.
Mortgage	the security created or expressed to be created by this deed.
Mortgaged Property	all of the Grantor's present and future interest in: 1 the Shares; 2 the Additional Rights; 3 the Controlled Account and any chose in action in respect of the Controlled Account; and 4 any cash or other assets deposited by the Grantor at any time with or at the direction of the Secured Party under clause **Error! Reference source not found.** .
Permitted Encumbrance	has the same meaning as Permitted Lien in the Principal Agreement.
Power	any right, power, authority, discretion or remedy conferred on the Secured Party, Receiver or an Attorney by any Finance Document or any applicable law.

Term	Meaning
PPSA	the *Personal Property Securities Act 2009* (Cth).
Principal Agreement	the terms of the Senior Secured Convertible Debentures issued by the Grantor to the Secured Party on 27 May 2016.
Receiver	a receiver or receiver and manager appointed under this deed.
Related Corporation	a related body corporate as defined in section 9 of the Corporations Act.
Relevant Corporation	any company, corporation, body corporate or other entity whose Marketable Securities form part of the Mortgaged Property.
Secured Moneys	all debts and monetary liabilities of the Grantor to the Secured Party under or in relation to any Finance Document and in any capacity and irrespective of whether the debts or liabilities: 1 are present or future; 2 are actual, prospective, contingent or otherwise; 3 are at any time ascertained or unascertained; 4 are owed or incurred by or on account of the Grantor alone, or severally or jointly with any other person; 5 are owed to or incurred for the account of the Secured Party alone, or severally or jointly with any other person; 6 are owed to any other person as agent (whether disclosed or not) for or on behalf of the Secured Party; 7 are owed or incurred as principal, interest, fees, charges, Taxes, damages (whether for breach of contract or tort or incurred on any other ground), losses, costs or expenses, or on any other account; 8 are owed to or incurred for the account of the Secured Party directly or as a result of: • the assignment and transfer to the Secured Party of any debt or liability of the Grantor; or • any other dealing with any such debt or liability; 9 are owed to or incurred for the account of the Secured Party before the date of this deed or before the date of any assignment of this deed to the Secured Party by any other person or otherwise; or 10 comprise any combination of the above.

Term	Meaning
Securities Purchase Agreement	the purchase agreement for the Senior Secured Convertible Debentures dated 27 May 2016 between the Grantor and the Secured Party.
Security Agreement	the security agreement for the Senior Secured Convertible Debentures dated 27 May 2016 between the Grantor and the Secured Party.
Security Value	the value attributed to the Marketable Securities by the Secured Party in its absolute discretion.
Shares	any Marketable Security registered in the name of the Grantor in the Guarantor in respect of which the Deposit Document is deposited by the Grantor with the Secured Party for the purposes of this deed.
Title Document	any original, duplicate or counterpart certificate or document evidencing title or ownership of an asset including, but not limited to, any contract note, entitlement notice, marked transfer or share certificate.
Transaction Party	1 the Grantor; or 2 the Guarantor.
US Security Agreement	the security agreement for the Senior Secured Convertible Debentures dated 27 May 2016 between the Grantor, all of the Grantor's subsidiaries and the Secured Party.

1.2 Interpretation

In this deed:

(a) Headings and bold type are for convenience only and do not affect the interpretation of this deed.

(b) The singular includes the plural and the plural includes the singular.

(c) Words of any gender include all genders.

(d) Other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning.

(e) An expression importing a person or entity includes any body corporate, partnership, trust, joint venture or other association, or any Governmental Agency as well as an individual.

(f) A reference to any thing (including any right) includes a part of that thing but nothing in this clause 1.2(f) implies that performance of part of an obligation constitutes performance of the obligation.

(g) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this deed.

(h) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(i) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.

(j) A reference to a party to a document includes that party's successors and permitted assignees.

(k) A promise on the part of 2 or more persons binds them jointly and severally.

(l) A reference to an agreement other than this deed includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing.

(m) A reference to an asset includes all property of any nature, including a business, and all rights, revenues and benefits.

(n) A reference to liquidation or insolvency includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding-up, dissolution, deregistration, assignment for the benefit of creditors, scheme, composition or arrangement with creditors, insolvency, bankruptcy, or any similar procedure or, where applicable, changes in the constitution of any partnership or person, or death.

(o) A reference to a document includes any agreement in writing, or any certificate, notice, deed, instrument or other document of any kind.

(p) No provision of this deed will be construed adversely to a party because that party was responsible for the preparation of this deed or that provision.

(q) A reference to a body, other than a party to this deed (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

(r) References to time are to New York time.

(s) Where this deed confers any power or authority on a person that power or authority may be exercised by that person acting personally or through an agent or attorney.

(t) A reference to drawing, accepting, endorsing or other dealing with a bill refers to drawing, accepting, endorsing or dealing within the meaning of the *Bills of Exchange Act 1909* (Cth).

(u) An Event of Default is 'continuing' or 'subsisting' if it has not been:

(1) remedied to the satisfaction of the Secured Party before a Power relating to that Event of Default is exercised; or

(2) waived by the Secured Party in accordance with this deed.

1.3 Interpretation of inclusive expressions

Specifying anything in this deed after the words 'includes' or 'for example' or similar expressions does not limit what else is included unless there is express wording to the contrary.

1.4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.5 Incorporated definitions

A word or phrase (other than one defined in clause 1.1) defined in the Principal Agreement has the same meaning in this deed.

1.6 Deed components

This deed includes any schedule.

2 Mortgage

2.1 Security interest

(a) The Grantor as beneficial owner grants a security interest in the Mortgaged Property to the Secured Party to secure payment of the Secured Moneys.

This security interest is a mortgage.

(b) A security interest in specific Shares and other related Mortgaged Property is only created under this deed when the Grantor deposits with the Secured Party:

(1) a certified copy of the Deposit Documents in respect of Guarantor which has issued those Shares; and

(2) a notice in the form of, and completed in accordance with, Schedule 2 signed by the Grantor stating that those Deposit Documents are lodged with the Secured Party for the purposes of this deed, whereupon a security interest in those Shares and related Mortgaged Property is created.

2.2 Priority

(a) The parties intend that the Mortgage take priority over all other Encumbrances and other interests in the Mortgaged Property at any time other than any Permitted Encumbrance mandatorily preferred by law.

(b) Nothing in this deed will be construed as an agreement by the Secured Party to subordinate the Mortgage to any other Encumbrance or interest affecting the Mortgaged Property at any time.

2.3 Authorisation

The Grantor must ensure that it obtains all Authorisations necessary to permit the grant of the Mortgage in respect of any asset before it acquires any rights in that asset.

3 Discharge of the Mortgage

3.1 Discharge

Subject to clause 3.2, at the written request of the Grantor, the Secured Party must discharge the Mortgage if:

(a) the Secured Moneys have been paid in full; and

(b) the Grantor and each other Transaction Party has fully observed and performed its respective obligations under this deed and each other Finance Document.

3.2 Final discharge

(a) The Secured Party is not obliged to discharge the Mortgage under clause 3.1 if, at the time the requirements of clause 3.1 are satisfied, the Secured Party is of the opinion (acting reasonably) that the Grantor or any other Transaction Party owes further Secured Moneys contingently or otherwise to the Secured Party.

(b) Clause 3.2(a) overrides any other clause to the contrary in this deed.

4 Representations and warranties

4.1 Representations and warranties

The Grantor represents and warrants to and for the benefit of the Secured Party that:

(a) **representations true** : each of its representations and warranties contained in the Finance Documents is correct and not misleading when made or repeated;

(b) **legal and beneficial owner** :

(1) it is the legal and beneficial owner of the Mortgaged Property and

(2) on it acquiring any property forming part of the Mortgaged Property, it will be the legal and beneficial owner of that property

(c) **no other interests** :

(1) there is no Encumbrance over any of the Mortgaged Property other than an Encumbrance created by a Finance Document and a Permitted Encumbrance;

(2) no person other than the Secured Party holds or has the benefit of an Encumbrance or other interest in the Mortgaged Property other than under a Permitted Encumbrance; and

(3) there is no agreement, filing or registration that would enable another person to obtain a priority over the Mortgage which is inconsistent with the priority contemplated by the Mortgage;

(d) **Security:**

(1) this deed creates the Encumbrance purported to be created by it over the assets purported to be encumbered by it; and

(2) the Mortgage has been or, in the case of after-acquired property (as defined in the PPSA) subject to the Mortgage on its acquisition, will be perfected; and

(3) the Mortgage has the priority contemplated by this deed;

(e) **securities fully paid** : all Marketable Securities forming part of the Mortgaged Property are, or upon acquisition will be, fully paid;

(f) **registers:** the share register and any branch register for each Relevant Corporation:

(1) is located in Australia on the date of this deed; and

(2) will be located in Australia on the date on which the security interest created under this deed attaches to the Mortgaged Property;

(g) **no further securities** : the equity capital in each Relevant Corporation is as notified to the Secured Party in writing before, or at the same time as, the Mortgage is given, and there is no agreement, arrangement or understanding under which further Marketable Securities with rights of conversion to shares in a Relevant Corporation may be issued to any person; and

(h) **Finance Documents representations and warranties** : to the extent not already provided by this clause 4, any representations and warranties made by the Grantor in the Finance Documents are taken to be made again for the purposes of this deed.

4.2 Survival of representations and warranties

The representations and warranties in clause 4.1 survive the execution of this deed.

4.3 Reliance

(a) The Grantor acknowledges that it has not entered into this deed or any other Finance Document in reliance on any representation, warranty, promise or statement made by or on behalf of the Secured Party or of any person on behalf of the Secured Party.

(b) The Grantor acknowledges that the Secured Party has entered into each Finance Document in reliance on the representations and warranties given by the Grantor under this deed.

5 Undertakings of the Grantor

5.1 Dividends and voting

(a) Until an Event of Default occurs:

(1) the Grantor may receive all Distributions, other than Exceptional Distributions, in respect of the Mortgaged Property; and

(2) the Grantor may exercise all voting powers in respect of the Mortgaged Property,

without the need for any consent or direction from the Secured Party.

(b) The Grantor must not, exercise any voting powers in respect of the Mortgaged Property under clause 5.1(a)(2) in any way which might adversely affect the value of the Mortgaged Property.

(c) If an Event of Default occurs, the rights of the Grantor under clause 5.1(a) immediately cease and the Secured Party, Receiver or Attorney is entitled to receive all Distributions and exercise all voting powers in respect of the Mortgaged Property to the exclusion of the Grantor.

5.2 Proxies and authorised representatives

(a) The Grantor must not:

(1) appoint any proxy in respect of the Mortgaged Property without the prior written consent of the Secured Party;

(2) appoint any authorised representative under section 250D of the Corporations Act or any attorney in respect of the Mortgaged Property without the prior written consent of the Secured Party.

(b) The Grantor must ensure that any proxy, authorised representative or attorney:

(1) complies with any conditions specified by the Secured Party in respect of the appointment of the proxy, authorised representative or attorney; and

(2) complies with the Finance Documents.

5.3 Exceptional Distributions

The Grantor must promptly after receipt pay all Exceptional Distributions to the Secured Party.

5.4 Controlled Account

(a) The Secured Party may require the Grantor to promptly after being requested to do so by the Secured Party open and maintain a bank account at a bank and branch approved by the Secured Party on terms that:

(1) nominated Officers of the Secured Party must be signatories to the Controlled Account;

(2) no withdrawals can be made from the Controlled Account without the signature of one of those Officers;

(3) funds may be disposed of from the Controlled Account at the direction of the Secured Party without further consent by the Grantor; and

(4) depositing an amount in the Controlled Account will not result in any person coming under a present liability (within the meaning of section 341(3)(d) of the PPSA) to pay:

- the Grantor; or
- a Related Corporation of the Grantor.

(b) If the Secured Party is not the Designated Bank, the Grantor must cause the Designated Bank to enter into an agreement between the Designated Bank, the Grantor and the Secured Party in form and substance satisfactory to the Secured Party in which the Designated Bank agrees that:

(1) it will comply with and give effect to the terms set out in clause 5.4(a);

(2) it has no Encumbrance or other interest in the Controlled Account and it waives all rights of set-off and combination in respect of the Controlled Account; and

(3) if despite clause 5.4(b)(2) it has any Encumbrance or other interest in the Controlled Account, that Encumbrance or other interest is subordinated in right and priority of payment to the Secured Party's Encumbrance or other interest and will not be exercised without the Secured Party's consent; and

(4) it agrees that the laws specified in clause 12.5 will govern the Secured Party's security Interest in the Controlled Account.

5.5 Distributions

(a) If an Event of Default occurs, the Grantor must deposit, or cause to be deposited, all Distributions in the Controlled Account.

(b) The Grantor must give all notices and directions and execute all necessary documents as requested by the Secured Party to ensure clause 5.5(a) is complied with.

(c) A Power created under this clause 5.5 is not waived by any failure or delay in exercise, or by the partial exercise, of that Power.

5.6 Other Additional Rights

(a) The Grantor must acquire, at its own cost, any Additional Rights (other than Distributions) it is entitled to acquire.

(b) The Grantor must immediately notify the Secured Party as soon as the Grantor becomes aware of any entitlement to any Additional Rights.

5.7 Performance under the Finance Documents

(a) The Grantor must fully and punctually perform its obligations under each Finance Document.

(b) Without limiting clause 5.7(a), the Grantor must pay the Secured Moneys to the Secured Party in accordance with this deed, each other Finance Document and each other obligation under which the Secured Moneys are payable.

(c) The Grantor must ensure that no Event of Default occurs. Without affecting the liability of the Grantor or the Powers in any other respect (including where a breach of this clause 5.7(c) is also a breach of another provision of a Finance Document), the Grantor is not liable in damages for breach of this clause 5.7(c) but the Secured Party may exercise its Powers consequent upon or following that breach.

5.8 Notices to the Secured Party

In addition to its obligations in any other Finance Document, the Grantor must notify the Secured Party as soon as the Grantor becomes aware of any data contained in a registration under the PPSA with respect to the Mortgage being or becoming incorrect.

5.9 Negative pledge

The Grantor must not:

(a) sell, assign, transfer or otherwise dispose of or part with possession of;

(b) create or allow to exist or agree to any Encumbrance over; or

(c) attempt to do anything listed in clause 5.9(a) and 5.9(b) in respect of,

any of the Mortgaged Property except to the extent expressly permitted by any Finance Document.

5.10 Further assurances

The Grantor must:

(a) do anything which the Secured Party reasonably requests to:

(1) ensure, or enable the Secured Party to ensure, that this deed, the Mortgage, or any Power is fully effective, enforceable and perfected with the contemplated priority;

(2) more satisfactorily assure, mortgage or secure to the Secured Party the Mortgaged Property in a manner consistent with the Finance Documents; or

(3) aid the exercise of any Power,

including executing any document, delivering Title Documents, executing and delivering blank transfers or giving notice of the Mortgage to any third party;

(b) without limiting clause 5.10(a), when the Secured Party requests, execute:

(1) a legal mortgage in favour of the Secured Party over any of the Mortgaged Property which is a Certificated Security; and

(2) any other form of security which the Secured Party considers appropriate for the Mortgaged Property,

each in form and substance required by the Secured Party;

(c) without limiting clause 5.10(a), cause a third party to provide any Authorisation or take any other action (including executing any document) required to give effect to clause 5.10(a).

5.11 Title Documents for Certificated Securities

(a) The Grantor must deposit with the Secured Party, or as the Secured Party directs:

(1) all the Title Documents in respect of any of the Mortgaged Property which is a Certificated Security immediately after the creation of the Mortgage over that Mortgaged Property or the acquisition of any asset which forms part of the Mortgaged Property and which is a Certificated Security; and

(2) transfers in a form and of substance acceptable to the Secured Party, of such of the Mortgaged Property that constitutes Certificated Securities executed by the Grantor with the name of the transferee, the consideration and the date of transfer and execution left blank.

(b) Subject to clause 5.11(c), the Secured Party may retain the Title Documents and transfers deposited with the Secured Party until the Mortgage is discharged under clause 3.

(c) If the Mortgage is enforced by the Secured Party, the Secured Party, a Receiver or Attorney is entitled:

(1) to deal with the Title Documents and to complete any transfers as if it was the absolute and unencumbered owner of the Mortgaged Property to which the Title Documents relate; and

(2) in exercising a power of sale, to deliver any Title Document or transfers to a purchaser of the Mortgaged Property to which it relates.

(d) While Title Documents for Mortgaged Property are, or in accordance with this deed, should be lodged with the Secured Party, the Grantor must not elect to convert evidence of the Mortgaged Property from certificates to an uncertificated mode for the purposes of any automated transfer system operated by ASX Limited or for any other purpose.

(e) If the Grantor makes any election referred to in clause 5.11(d), the Secured Party may treat it as having no effect.

(f) The Grantor must ensure that the share register and any branch register for each Relevant Corporation is located in Australia.

5.12 Irrevocable direction for Certificated Securities

The Grantor must execute and deliver to the Secured Party on the date of this deed (or before such later date as the Secured Party may agree in writing) the document in the form and substance of Schedule 3 in respect of the Mortgaged Property which is constituted by Certificated Securities.

5.13 Perfection, registration and protection of security

(a) The Grantor must ensure that:

(1) the Mortgage is perfected in relation to all the Mortgaged Property subject to it in all jurisdictions; and

(2) this deed and the Mortgage are registered and filed in all registers in all jurisdictions

in which it must be perfected, registered and filed, to ensure its enforceability, validity, perfection and priority against all persons and to be effective as a security.

(b) Whenever the Secured Party requires that a Mortgage be perfected in a particular way in relation to any part of the Mortgaged Property, the Grantor must ensure that the Mortgage is perfected in that way.

(c) The Grantor will not be in breach of its obligation under this clause 5.13 and its representation and warranty under clause 4.1(d)(2) will not be incorrect or misleading if the Secured Party fails to take any action which can only be taken by the Secured Party to enable the Mortgage to be perfected as required under this clause 5.13, after written request from the Grantor to take that action.

(d) Whenever any part of the Mortgaged Property is transferred to or retained in a place where this deed or the Mortgage, because of an increase in the Secured Moneys or otherwise, bears insufficient stamp duty or is not registered or recorded, or for any other reason is of limited or of no force or effect, unenforceable, inadmissible in evidence or of reduced priority, the Grantor must within 14 days after that transfer or retention ensure that:

(1) this deed is stamped to the satisfaction of the Secured Party;

(2) this deed is in full force and effect, enforceable, perfected, admissible in evidence and not of reduced priority; and

(3) this deed and the Mortgage are registered in that place, or that part of the Mortgaged Property is removed from that place.

5.14 Term of undertakings

Each of the Grantor's undertakings in this clause 5 continues in full force and effect from the date of this deed until the Mortgage in respect of all the Mortgaged Property is discharged under clause 3.

6 Enforcement

6.1 When enforceable

(a) If an Event of Default occurs:

(1) the Mortgage and each Collateral Security are immediately enforceable without the need for any demand or notice to be given to the Grantor or any other person;

(2) the Secured Moneys are immediately due and payable without the need for any demand or notice to be given to the Grantor or any other person other than a notice expressly required by a Finance Document; and

(3) the right of the Grantor to deal, for any purpose, with any of the Mortgaged Property, other than by or through a Receiver appointed under this deed, immediately ceases without the need for any demand or notice to be given to the Grantor or any other person.

(b) The Secured Party agrees that it will not exercise any Power to enforce the Mortgage under Chapter 4 of the PPSA until an Event of Default occurs.

6.2 Assistance in realisation

After the Mortgage has become enforceable, the Grantor must take all action required by the Secured Party, Receiver or Attorney to assist any of them to realise the Mortgaged Property and exercise any Power including:

(a) executing all transfers, conveyances, assignments and assurances of any of the Mortgaged Property;

(b) doing anything necessary or desirable under the law in force in any place where the Mortgaged Property is situated ; and

(c) giving all notices, orders, directions and consents which the Secured Party, Receiver or Attorney thinks expedient.

6.3 Postponing or delaying realisation or enforcement

The Secured Party, a Receiver or Attorney may postpone or delay the exercise of any Power for such period as the Secured Party, Receiver or Attorney may in its absolute discretion decide.

7 Receiver

7.1 Appointment of Receiver

If an Event of Default occurs, the Secured Party may at any time after its occurrence:

(a) appoint any person or any 2 or more persons jointly, or severally, or jointly and severally to be a receiver or a receiver and manager of the Mortgaged Property;

(b) remove any Receiver and on the removal, retirement or death of any Receiver, appoint another Receiver; and

(c) fix the remuneration and direct payment of that remuneration and any costs, charges and expenses of the Receiver out of the proceeds of any realisation of the Mortgaged Property.

7.2 Agency of Receiver

(a) Subject to clause 7.5, each Receiver is the agent of the Grantor.

(b) The Grantor is responsible for the acts, defaults and remuneration of the Receiver.

7.3 Powers of Receiver

Subject to any express exclusion by the terms of the Receiver's appointment, the Receiver has, in addition to any powers conferred on the Receiver by applicable law, and whether or not in possession of the Mortgaged Property or any part of it, the following powers:

(a) **Manage, possession or control** : to manage, take possession of Title Documents or assume control of any of the Mortgaged Property;

(b) **sale** : to sell or concur in selling any of the Mortgaged Property to any person:

(1) by auction, private treaty or tender;

(2) on such terms and special conditions as the Secured Party or the Receiver thinks fit;

(3) for cash or for a deferred payment of the purchase price, in whole or in part, with or without interest or security;

(4) in conjunction with the sale of any property by any other person; and

(5) in one lot or in separate parcels,

and to complete a share transfer in favour of the Secured Party or any other person designated by the Secured Party;

(c) **grant options to purchase** : to grant to any person an option to purchase any of the Mortgaged Property;

(d) **acquire property** : to acquire any interest in any property, in the name or on behalf of the Grantor, which on acquisition forms part of the Mortgaged Property;

(e) **borrowings and security** :

(1) to raise or borrow any money, in its name or the name, or on behalf of the Grantor, from the Secured Party or any person approved by the Secured Party in writing; and

(2) to secure money raised or borrowed under clause 7.3(e)(1) by an Encumbrance over any of the Mortgaged Property, ranking in priority to, equal with, or after, the Mortgage or any Collateral Security;

(f) **income and bank accounts** : to do anything to manage or obtain income from any of the Mortgaged Property including operating any bank account which forms part of the Mortgaged Property or opening and operating a new bank account;

(g) **compromise** : to make or accept any compromise or arrangement;

(h) **surrender Mortgaged Property** : to surrender or transfer any of the Mortgaged Property to any person;

(i) **exchange Mortgaged Property** : to exchange with any person any of the Mortgaged Property for any other property whether of equal value or not;

(j) **employ or discharge** : to employ or discharge any person as an employee, contractor, agent or professional advisor for any of the purposes of this deed;

(k) **delegate** : to delegate to any person any Power of the Receiver;

(l) **perform or enforce documents** : to observe, perform, enforce, exercise or refrain from exercising any right, power, authority, discretion or remedy of the Grantor under, or otherwise obtain the benefit of:

(1) any document, agreement or right which attaches to or forms part of the Mortgaged Property; and

(2) any document or agreement entered into in exercise of any Power by the Receiver;

(m) **receipts** : to give receipts for all moneys and other assets which may come into the hands of the Receiver;

(n) **take proceedings** : to commence, discontinue, prosecute, defend, settle or compromise in its name or the name or on behalf of the Grantor, any proceedings including proceedings in relation to any insurance in respect of any of the Mortgaged Property;

(o) **insolvency proceedings** : to make any debtor bankrupt, wind-up any company, corporation or other entity and do all things in relation to any bankruptcy or winding-up which the Receiver thinks necessary or desirable including attending and voting at creditors' meetings and appointing proxies for those meetings;

(p) **execute documents** : to enter into and execute any document or agreement in the name of the Receiver or the name or on behalf of the Grantor for any of the purposes of this deed;

(q) **rights** : to exercise any right, power, authority, discretion or remedy in respect of the Mortgaged Property including:

(1) any voting right or power;

(2) the acceptance of any rights issue or other Additional Right;

(3) proving in any liquidation, scheme of arrangement or other composition for or arrangement with a member or any secured or unsecured creditor and whether or not under an order of the court;

(4) consenting on behalf of the Grantor in respect of the proof referred to in clause 7.3(q)(3); and

(5) receiving all Distributions;

(r) **ability of Grantor** : to do anything the Grantor could do in relation to the Mortgaged Property; and

(s) **incidental power** : to do anything necessary or incidental to the exercise of any Power of the Receiver.

7.4 Nature of Receiver's Powers

The Powers of the Receiver must be construed independently and no one Power limits the generality of any other Power. Any dealing under any Power of the Receiver will be on the terms and conditions the Receiver thinks fit.

7.5 Status of Receiver after commencement of winding up

(a) The power to appoint a Receiver under clause 7.1 may be exercised even if, at the time an Event of Default occurs or at the time when a Receiver is appointed, an order has been made or a resolution has been passed for the winding-up of the Grantor.

(b) If for any reason, including operation of law, a Receiver:

(1) appointed in the circumstances described in clause 7.5(a); or

(2) appointed at any other time,

ceases to be the agent of the Grantor upon or by virtue of, or as a result of, an order being made or a resolution being passed for the winding up of the Grantor, then the Receiver immediately becomes the agent of the Secured Party.

7.6 Powers exercisable by the Secured Party

(a) Whether or not a Receiver is appointed under clause 7.1, the Secured Party may, on or after the occurrence of an Event of Default and without giving notice to any person, exercise any Power that could be conferred on a Receiver in addition to any Power of the Secured Party.

(b) The exercise of any Power by the Secured Party, Receiver or Attorney does not cause or deem the Secured Party, Receiver or Attorney:

(1) to be a mortgagee in possession;

(2) to account as mortgagee in possession; or

(3) to be answerable for any act or omission for which a mortgagee in possession is liable.

7.7 Set off

If any Event of Default is subsisting, the Secured Party may apply any credit balance in any currency in any of the Grantor's accounts with the Secured Party in and towards satisfaction of any of the Secured Moneys.

7.8 Notice of exercise of rights

The Secured Party, Receiver or Attorney is not required:

(a) to give notice of the Mortgage or any Collateral Security to any debtor or creditor of the Grantor or to any other person;

(b) to enforce payment of any money payable to the Grantor including any of the debts or monetary liabilities charged by this deed or by any Collateral Security; or

(c) to obtain the consent of the Grantor to any exercise of a Power.

7.9 Termination of receivership and possession

The Secured Party may, at any time, terminate the appointment of a Receiver and may, at any time, give up, or re-take, possession of the Mortgaged Property.

8 Application and receipts of money

8.1 Order of application

(a) At any time after the Mortgage is enforceable, all money received by the Secured Party, Receiver, Attorney or any other person acting on their behalf under this deed or any Collateral Security may be appropriated and applied towards any amount and in any order that the Secured Party, Receiver, Attorney or that other person determines in its absolute discretion, to the extent not prohibited by law.

(b) Failing a determination under clause 8.1(a), the money must be applied in the following manner and order:

(1) first, in payment of all costs, charges and expenses (including any GST) of the Secured Party, Receiver or Attorney incurred in or incidental to the exercise or performance or attempted exercise or performance of any Power;

(2) second, in payment of any other outgoings the Secured Party, Receiver or Attorney thinks fit to pay;

(3) third, in payment to the Receiver of his remuneration;

(4) fourth, in payment and discharge, in order of their priority, of any Encumbrances of which the Secured Party, Receiver or Attorney is aware and which have priority to the Mortgage;

(5) fifth, in payment to the Secured Party towards satisfaction of the Secured Moneys and applied against interest, principal or any other amount the Secured Party, Receiver or Attorney thinks fit;

(6) sixth, in payment only to the extent required by law, in order of their priority, of other Encumbrances in respect of the Mortgaged Property of which the Secured Party, Receiver or Attorney is aware and which are due and payable in accordance with their terms;

(7) seventh, in payment of the surplus, if any, without interest to the Grantor, and the Secured Party, Receiver or Attorney may pay the surplus to the credit of an account in the name of the Grantor in the books of any bank carrying on business within Australia and having done so is under no further liability in respect of that surplus.

(c) Any amount required by law to be paid in priority to any amount specified in clause 8.1(b) must be paid before any money is applied in payment of the amount specified in clause 8.1(b).

8.2 Money actually received

In applying any money towards satisfaction of the Secured Moneys the Grantor is to be credited only with so much of the money which is available for that purpose (after deducting any GST imposed) and which is actually received by the Secured Party, Receiver or Attorney. The credit dates from the time of receipt.

8.3 Amounts contingently due

(a) If at the time of a distribution of any money under clause 8.1 any part of the Secured Moneys is contingently owing to the Secured Party, the Secured Party, Receiver or Attorney may retain an amount equal to the amount contingently owing or any part of it.

(b) If the Secured Party, Receiver or Attorney retains any amount under clause 8.3(a), it must place that amount on short- term interest bearing deposit until the amount contingently owing becomes actually due and payable or otherwise ceases to be contingently owing at which time the Secured Party, Receiver or Attorney must:

(1) pay to the Secured Party the amount which has become actually due to it; and

(2) apply the balance of the amount retained, together with any interest on the amount contingently owing, in accordance with clause 8.1.

8.4 Notice of an Encumbrance

(a) If the Secured Party receives actual or constructive notice of an Encumbrance over the Mortgaged Property or of the perfection of an Encumbrance, the Secured Party:

(1) may open a new account in the name of the Grantor in its books; or

(2) is regarded as having opened a new account in the name of the Grantor in its books,

on the date it received or was regarded as having received notice of the Encumbrance or perfection.

(b) From the date on which that new account is opened or regarded as opened:

(1) all payments made by the Grantor to the Secured Party; and

(2) all financial accommodation and advances by the Secured Party to the Grantor,

are or are regarded as credited and debited, as the case may be, to the new account unless otherwise specified by the Secured Party.

(c) The payments by the Grantor under clause 8.4(b) must be applied in the manner determined by the Secured Party or, failing a determination:

(1) first, in reduction of the debit balance, if any, in the new account; and

(2) second, if there is no debit balance in the new account, in reduction of the Secured Moneys which have not been debited or regarded as debited to the new account.

8.5 Secured Party's statement of indebtedness

A certificate signed by any Officer of the Secured Party stating:

(a) the amount of the Secured Moneys due and payable; or

(b) the amount of the Secured Moneys, whether currently due and payable or not,

is sufficient evidence of that amount as at the date stated on the certificate, or failing that as at the date of the certificate, unless the contrary is proved.

8.6 Secured Party's receipts

(a) The receipt of any Officer of the Secured Party for any money payable to or received by the Secured Party under this deed exonerates the payer from all liability to enquire whether any of the Secured Moneys have become payable.

(b) Every receipt of an Officer of the Secured Party effectually discharges the payer from:

(1) any future liability to pay the amount specified in the receipt; and

(2) being concerned to see to the application of, or being answerable or accountable for any loss or misapplication of, the amount specified in the receipt.

8.7 Conversion of currencies on application

In making an application under clause 8.1, the Secured Party, Receiver or Attorney may itself, or through its bankers, purchase one currency with another, whether or not through an intermediate currency, whether spot or forward, in the manner and amounts and at the times it thinks fit.

8.8 Amounts payable on demand

If an amount payable under a Finance Document is not expressed to be payable on a specified date, that amount is payable by the Grantor on demand by the Secured Party.

HERBERT SMITH FREEHILLS

9 Power of Attorney

9.1 Appointment of Attorney

In consideration of the Secured Party entering into the Finance Documents and for other consideration received, the Grantor irrevocably appoints the Secured Party and each Receiver severally its Attorney for the purposes set out in clause 9.2.

9.2 Purposes of appointment

The Attorney may, in its name or in the name of the Grantor, Secured Party or Receiver do any of the following:

(a) do any thing which ought to be done by the Grantor under this deed or any other Finance Document;

(b) exercise any right, power, authority, discretion or remedy of the Grantor under:

(1) this deed;

(2) any other Finance Document; or

(3) any agreement forming part of the Mortgaged Property;

(c) do any thing which in the opinion of the Secured Party, Receiver or Attorney is necessary or expedient for securing or perfecting the Mortgage and any Collateral Security;

(d) execute in favour of the Secured Party any legal mortgage, transfer, assignment and any other assurance of any of the Mortgaged Property;

(e) execute deeds of assignment, composition or release;

(f) do all things necessary to enable a transfer to be registered in favour of the Secured Party, its nominee or any other person as the Secured Party directs and deliver any Title Documents as the Secured Party directs;

(g) sell or otherwise part with the possession of any of the Mortgaged Property; and

(h) generally, do any other thing, whether or not of the same kind as those set out in clause 9.2(a) to 9.2(g), which in the opinion of the Secured Party, Receiver or Attorney is necessary or expedient:

(1) to more satisfactorily secure to the Secured Party the payment of the Secured Moneys; or

(2) in relation to any of the Mortgaged Property.

9.3 Exercise after Event of Default

An Attorney must not exercise any Power under clause 9.2 until an Event of Default occurs but a breach of this clause 9.3 does not affect the validity of the Attorney's act.

9.4 Delegation and substitution

The Attorney may appoint a substitute attorney.

10 Protection

10.1 Protection of third parties

(a) No person dealing with the Secured Party, Receiver or Attorney is bound to enquire whether:

(1) the Mortgage has become enforceable;

(2) the Receiver or Attorney is duly appointed; or

(3) any Power has been properly or regularly exercised.

(b) No person dealing with the Secured Party, Receiver or Attorney is affected by express notice that the exercise of any Power was unnecessary or improper.

(c) The irregular or improper exercise of any Power is, as regards the protection of any person, regarded as authorised by the Grantor and this deed and is valid.

10.2 Protection of the Secured Party, Receiver and Attorney

(a) The Secured Party, Receiver or Attorney is not liable for any loss or damage, including consequential loss or damage, arising directly or indirectly from:

(1) any omission or delay in the exercise or non exercise of any Power; or

(2) the neglect, default or dishonesty of any manager, Officer, employee, agent, accountant, auctioneer or solicitor of the Grantor, the Secured Party, the Receiver or Attorney.

(b) Clause 10.2(a) does not apply:

(1) in respect of the Secured Party, to any loss or damage which arises from the wilful default, fraud or gross negligence of the Secured Party; and

(2) in respect of a Receiver or Attorney, to any loss or damage which arises from the wilful default, fraud or gross negligence of the Receiver or Attorney.

11 Saving provisions

11.1 Statutory powers

(a) Subject to clause 11.1(b), the powers of the Secured Party under this deed or any Collateral Security are in addition to any powers the Secured Party has under applicable law.

(b) If the Secured Party exercises a Power in connection with this deed, that exercise is taken not to be an exercise of a Power under the PPSA unless the Secured Party states otherwise at the time of exercise. However, this clause 11.1(b) does not apply to a right, power or remedy which can only be exercised under the PPSA.

11.2 No notice required unless mandatory

To the extent the law permits, the Grantor waives:

(a) its rights to receive any notice that is required by:

(1) any provision of the PPSA (including a notice of a verification statement); or

(2) any other law, before a secured party or Receiver exercises a right, power or remedy; and

(b) any time period that must otherwise lapse under any law before a secured party or receiver exercises a right, power or remedy.

If the law which requires a period of notice or a lapse of time cannot be excluded, but the law provides that the period of notice or lapse of time may be agreed, that period or lapse is one day or the minimum period the law allows to be agreed (whichever is the longer).

However, nothing in this clause prohibits the Secured Party or any Receiver from giving a notice under the PPSA or any other law.

11.3 Continuing security

The Mortgage is a continuing security despite:

(a) any settlement of account; or

(b) the occurrence of any other thing,

and remains in full force and effect until the Secured Party has given a discharge of the Mortgage in respect of all the Mortgaged Property under clause 3.

11.4 No merger of security

(a) Nothing in this deed merges, extinguishes, postpones, lessens or otherwise prejudicially affects:

(1) any Encumbrance or indemnity in favour of the Secured Party contained in any Finance Document; or

(2) any Power.

(b) No other Encumbrance or Finance Document which the Secured Party has the benefit of in any way prejudicially affects any Power.

11.5 Exclusion of moratorium

Without limiting clause 11.6 to the extent not excluded by law, a provision of any legislation (other than a provision of the PPSA mentioned in section 115(1) of the PPSA) which directly or indirectly:

(a) lessens, varies or affects in favour of the Grantor any obligations under this deed or any Finance Document;

(b) stays, postpones or otherwise prevents or prejudicially affects the exercise by the Secured Party, Receiver or Attorney of any Power; or

(c) confers any right on the Grantor or imposes any obligation on the Secured Party or a Receiver or Attorney in connection with the exercise of any Power,

is negatived and excluded from this deed and any Finance Document and all relief and protection conferred on the Grantor by or under that legislation is also negatived and excluded.

11.6 Exclusion of PPSA provisions

To the extent the law permits:

(a) the provisions of the PPSA specified in section 115(1) of that Act (except sections 121(4) (enforcement of security interests in liquid assets-notice to higher priority parties and grantor), 123 (right to seize collateral), 128 (secured party may dispose of collateral), 129 (disposal by purchase), 134 (retention of collateral), 135 (notice of retention)) are excluded in full and will not apply to the Mortgage;

(b) in the circumstances permitted under section 115(7) of the PPSA, sections 132 (secured party to give statement of account) and 137(3) (obligation to sell) of the PPSA are also excluded and will not apply to the Mortgage; and

(c) the Grantor agrees not to exercise its rights to make any request of the Secured Party under section 275 of the PPSA, to authorise the disclosure of any information under that section or to waive any duty of confidence that would otherwise permit non-disclosure under that section.

11.7 Conflict

Where any right, power, authority, discretion or remedy of the Secured Party, Receiver or an Attorney under this deed or any Finance Document is inconsistent with the powers conferred by applicable law then, to the extent not prohibited by that law, the powers conferred by applicable law are regarded as negatived or varied to the extent of the inconsistency.

11.8 Consent of Secured Party

(a) Whenever the doing of any thing by the Grantor is dependent upon the consent or approval of the Secured Party, the Secured Party may withhold its consent or give it conditionally or unconditionally in its absolute discretion unless expressly stated otherwise in a Finance Document.

(b) Any conditions imposed on the Grantor under clause 11.8(a) must be complied with by the Grantor.

11.9 Completion of blank securities

(a) The Secured Party, a Receiver, Attorney or any Officer of the Secured Party may complete, in favour of the Secured Party, any appointee of the Secured Party or any purchaser, any instrument executed in blank by or on behalf of the Grantor and deposited with the Secured Party as security under this deed or under any Collateral Security.

(b) The Secured Party, a Receiver, Attorney or any Officer of the Secured Party must not exercise any Power under clause 11.9(a) until an Event of Default occurs but a breach of this clause 11.9(b) does not affect the validity of the act of the Secured Party, Receiver, Attorney or Officer of the Secured Party.

11.10 Principal obligations

The Mortgage and each Collateral Security is:

(a) a principal obligation and is not ancillary or collateral to any other Encumbrance (other than another Collateral Security) or other obligation; and

(b) independent of, and unaffected by, any other Encumbrance or other obligation which the Secured Party may hold at any time in respect of the Secured Moneys.

11.11 No obligation to marshal

Before the Secured Party enforces the Mortgage, it is not required, to marshal or to enforce or apply under, or appropriate, recover or exercise:

(a) any Encumbrance or Collateral Security held, at any time, by the Secured Party; or

(b) any moneys or assets which the Secured Party, at any time, holds or is entitled to receive.

11.12 Non-avoidance

If any payment by the Grantor to the Secured Party is at any time avoided for any reason including any legal limitation, disability or incapacity of or affecting the Grantor or any other thing, and whether or not:

(a) any transaction relating to the Secured Moneys was illegal, void or substantially avoided; or

(b) any thing was or ought to have been within the knowledge of the Secured Party,

the Grantor:

(c) as an additional, separate and independent obligation, indemnifies the Secured Party against that avoided payment; and

(d) acknowledges that any liability of the Grantor under the Finance Documents and any Power is the same as if that payment had not been made.

11.13 Increase in financial accommodation

The Secured Party may at any time increase the financial accommodation provided under any Finance Document or otherwise provide further financial accommodation.

12 General

12.1 Confidential information

The Secured Party must not disclose to any person:

(a) this Deed; or

(b) any information about the Grantor,

except as permitted in the Principal Agreement.

12.2 Performance by Secured Party of the Grantor's obligations

If the Grantor defaults in fully and punctually performing any obligation contained or implied in any Finance Document, the Secured Party may, without prejudice to any Power, do all things necessary or desirable, in the opinion of the Secured Party, to make good or attempt to make good that default to the satisfaction of the Secured Party.

12.3 Grantor to bear cost

Any thing which must be done by the Grantor under this deed, whether or not at the request of the Secured Party, must be done at the cost of the Grantor.

12.4 Notices

Any notice or other communication including any request, demand, consent or approval, to or by a party to this deed must be given in accordance with the notice requirements of the Principal Agreement.

12.5 Governing law and jurisdiction

(a) This deed is governed by the laws of Victoria, Australia.

(b) The parties irrevocably submit to the non exclusive jurisdiction of the courts of Victoria, Australia.

(c) The parties irrevocably waive any objection to the venue of any legal process on the basis that the process has been brought in an inconvenient forum.

(d) The parties irrevocably waive any immunity in respect of its obligations under this deed that it may acquire from the jurisdiction of any court or any legal process for any reason including the service of notice, attachment before judgment, attachment in aid of execution or execution.

(e) The Grantor appoints Discovery Energy SA Pty Ltd of Level 8, 350 Collins Street, Melbourne, 3000 in relation to proceedings in Victoria as its agent to receive service of any legal process on its behalf without excluding any other means of service permitted by the law of the relevant jurisdiction.

12.6 Prohibition and enforceability

(a) Any provision of, or the application of any provision of, any Finance Document or any Power which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.

(b) Any provision of, or the application of any provision of, any Finance Document which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.

12.7 Waivers

(a) Waiver of any right arising from a breach of this deed or of any Power arising upon default under this deed or upon the occurrence of an Event of Default must be in writing and signed by the party granting the waiver.

(b) A failure or delay in exercise, or partial exercise, of:

(1) a right arising from a breach of this deed or the occurrence of an Event of Default; or

(2) a Power created or arising upon default under this deed or upon the occurrence of an Event of Default,

does not result in a waiver of that right or Power.

(c) A party is not entitled to rely on a delay in the exercise or non exercise of a right or Power arising from a breach of this deed or on a default under this deed or on the occurrence of an Event of Default as constituting a waiver of that right or Power.

(d) A party may not rely on any conduct of another party as a defence to exercise of a right or Power by that other party.

(e) This clause may not itself be waived except by writing.

12.8 Variation

A variation of any term of this deed must be in writing and signed by the parties.

12.9 Cumulative rights

The Powers are cumulative and do not exclude any other right, power, authority, discretion or remedy of the Secured Party, Receiver or Attorney.

12.10 Assignment

(a) Subject to any Finance Document, the Secured Party may assign its rights under this deed and each Collateral Security without the consent of the Grantor.

(b) The Grantor may not assign any of its rights under this deed or any Collateral Security without the prior written consent of the Secured Party.

12.11 Counterparts

This deed may be executed in any number of counterparts. All counterparts taken together constitute one instrument. A party may execute this deed by signing any counterpart.

12.12 Attorneys

Each of the attorneys executing this deed states that the attorney has no notice of the revocation of the power of attorney appointing that attorney.

HERBERT SMITH FREEHILLS

Schedules

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HERBERT SMITH FREEHILLS

Schedule 1

Notice details

	Discovery Energy Corp.
Address	One Riverway Drive, Suite 1700, Houston, Texas 77056
Attention	Keith Spickelmier
Phone	(713) 248-5981
Fax	(713) 622-1937
Email	kspickelmier1@comcast.net and kjm@discoveryenergy.com

	DEC Funding LLC
Address	c/o Avista Capital Partners, 1000 Louisiana Street, Suite 3700, Houston, Texas 77002
Attention	Steven Webster
Phone	(713) 328-1051
Fax	(713) 328-1097
Email	webster@avistacap.com

HERBERT SMITH FREEHILLS

Schedule 2

Notice of lodgment of Deposit Documents

Clause 2.1(b)(2)

To: DEC Funding LLC

We refer to the Specific Security Agreement (Shares) dated 27 May 2016 between you and us (**Mortgage**).

Attached to this notice is the Share Certificate for Discovery Energy SA Pty Ltd which we now lodge with you for the purposes of the Mortgage as required by clause 2.1(b) of the Mortgage.

We represent and warrant to you that the equity capital of Discovery Energy SA Limited is fully represented by 1,000,000 Ordinary Fully Paid Shares and that we are registered as the holder of 1,000,000 Ordinary Fully Paid Shares.

date ► May 27, 2016

Executed for Discovery Energy Corp. by its authorised signatory:

sign here ► /s/ Michael D. Dahlke

HERBERT SMITH FREEHILLS

Schedule 3

Irrevocable direction from Grantor

Clause 5.12 (Irrevocable direction)

DISCOVERY ENERGY CORP.

May 27, 2016

The Share Registrar

Discovery Energy SA Pty Ltd (**Company**)

Dear Sir

We refer to the 1,000,000 Ordinary Fully Paid Shares (**Shares**) that we acquired in the Company on 15 May 2012.

Under section 1071H of the Corporations Act you are irrevocably directed to deliver to DEC Funding LLC (at **[** ***insert address of Secured Party*** **]** , Attention: **[** ***insert details of to whose attention the share scrip should be delivered*** **]**) all certificates and other documents of title in relation to the Shares, and any shares, debentures or interests issued or made available in relation to the Shares.

Yours faithfully

for and on behalf of

Discovery Energy Corp.

/s/ Michael D. Dahlke
Attorney/Director

print name _____

HERBERT SMITH FREEHILLS

Signing page

Executed as a deed

Grantor

Signed by
Discovery Energy Corp.
by

Seal

sign here ► /s/ Keith D. Spickelmier
Authorised Signatory

print name _____

in the presence of: _____

sign here ► _____
witness

print name _____

Secured Party

Signed sealed and delivered for
DEC Funding LLC

Seal

sign here ► /s/ Steven Webster
Authorised Signatory

print name _____

in the presence of

sign here ► _____
Witness

print name _____

print address _____

Exhibit 10.06

Deed

27 May 2016

General security agreement

Discovery Energy SA Pty Ltd

DEC Funding LLC

MLC Centre Martin Place Sydney NSW 2000 Australia
GPO Box 4227 Sydney NSW 2001 Australia

Telephone +61 2 9225 5000 Facsimile +61 2 9322 4000
www.herbertsmithfreehills.com DX 361 Sydney

HERBERT SMITH FREEHILLS

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General security agreement

Date ► 27 May 2016

Between the parties

Grantor	**Discovery Energy SA Pty Ltd** ABN 89 158 204 052 of Level 8, 350 Collins Street, Melbourne 3000 Australia
Secured Party	**DEC Funding LLC** Company number 802464276 (Texas) c/o Avista Capital Partners, 1000 Louisiana Street, Suite 3700, Houston, Texas 77002
Recitals	1 The Grantor is, or will be, the legal and beneficial owner of or otherwise has or will have sufficient right, interest or power to grant a security interest in the Secured Property. 2 The Grantor has agreed to create the Security to secure the payment of the Secured Moneys.
This deed witnesses	that, for valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

HERBERT SMITH FREEHILLS

1 Definitions, interpretation and deed components

1.1 Definitions

The meanings of the terms used in this deed are set out below.

Term	Meaning
Attorney	an attorney appointed under this deed.
Australian Guarantee	the document entitled 'Deed of Guarantee and Indemnity' between the Grantor and the Secured Party dated on or about the date of this deed.
Australian Specific Security Agreement	the document entitled 'Specific Security Deed (Shares)' between the Principal Debtor and the Secured Party dated on or about the date of this deed.
Collateral Security	any present or future Encumbrance, Guarantee or other document or agreement created or entered into by a Transaction Party or any other person as security for, or to credit enhance, the payment of any of the Secured Moneys.
Controlled Account	a bank account opened by the Grantor in accordance with clause 2.4.
Control Event	1 In respect of any Secured Property that is, or would have been, a Revolving Asset: • the Grantor breaches, or attempts to breach clause 4.6(a) in respect of the Secured Property or takes any step which would result in it doing so; • a person takes a step (including signing a notice or direction) which may result in Taxes or an amount owing to a Government Agency, ranking ahead of the Security; or • the Secured Party gives a notice to the Grantor that the Secured Property is not a Revolving Asset. (However, the Secured Party may only give a notice if the Secured Party reasonably considers that it is necessary to do so to protect its rights under this document or if an Event of Default is continuing); or 2 In respect of all Secured Property that is or would have been Revolving Assets:

Term	Meaning
	• an administrator, liquidator or provisional liquidator is appointed in respect of the Grantor or the winding up of the Grantor begins; • a receiver, receiver and manager or Controller is appointed to any of the Grantor's property; or • something having a substantially similar effect to the above 2 paragraphs or either of them happens under any law.
Corporations Act	the *Corporations Act 2001* (Cth).
debt	includes debts owing by a bank or other financial institution, including in relation to a current trading account.
Designated Bank	the bank with which a Controlled Account is maintained.
Disclosed Contract	a contract described in Schedule 4 or any other contract which the Secured Party and the Grantor agree is a Disclosed Contract for the purposes of this deed.
Event of Default	an Event of Default as defined in the Principal Agreement and any other event of default (however described) under, or as defined in, any Finance Document.
Finance Document	1 this deed; 2 each Collateral Security; 3 the Principal Agreement; 4 the Australian Guarantee; 5 the Australian Specific Security Agreement; 6 the US Security Agreement; 7 the Securities Purchase Agreement; 8 any other Finance Document as defined in the Principal Agreement; 9 any document which the Grantor and the Secured Party agree, now or in the future, is a Finance Document for the purposes of this deed, or any document or agreement entered into or given under any of the above.
Intellectual Property Rights	all patents, trade marks, service marks, designs, copyrights, business names, trade secrets, know how and other intellectual property rights and interests (in each case whether registered under any statute or not).

Term	Meaning
Marketable Securities	1 marketable securities as defined in section 9 of the Corporations Act; and 2 any units (whatever called) in a trust estate which represent a legal or beneficial interest in any of the income or assets of that trust estate and includes any options to acquire any units as described.
Permitted Encumbrance	the meaning given to the term "Permitted Lien" in the Debentures (as defined in the Securities Purchase Agreement).
Petroleum Exploration Licence	as defined in the Principal Agreement.
Power	any right, power, authority, discretion or remedy conferred on the Secured Party, a Receiver or an Attorney by any Finance Document or any applicable law.
PPSA	the *Personal Property Securities Act 2009* (Cth).
PPSA Security Interest	a security interest as defined in the PPSA.
Principal Agreement	the terms of the Senior Secured Convertible Debenture issued by the Principal Debtor to the Secured Party dated 27 May 2016.
Principal Debtor	Discovery Energy Corporation
Priority Encumbrance	1 a mandatorily preferred by law; or 2 approved by the Secured Party as a Priority Encumbrance for the purposes of this deed.
Receiver	a receiver or receiver and manager appointed under this deed.
Related Body Corporate	a "related body corporate" as defined in section 50 of the Corporations Act.

Term	Meaning
Revolving Asset	any Secured Property: • which is; – inventory; – a negotiable instrument; – machinery, plant, or equipment which is not inventory and has a value of less than A$1,000 or its equivalent; – money (including money withdrawn or transferred to a third party from an account of the Grantor with a bank or other financial institution); and • in relation to which no Control Event has occurred, subject to clause 4.9.
Secured Moneys	all debts and monetary liabilities of the Grantor and the Principal Debtor to the Secured Party under or in relation to any Finance Document and in any capacity, irrespective of whether the debts or liabilities: 1 are present or future; 2 are actual, prospective, contingent or otherwise; 3 are at any time ascertained or unascertained; 4 are owed or incurred by or on account of the Grantor or the Principal Debtor alone, or severally or jointly with any other person; 5 are owed to or incurred for the account of the Secured Party alone, or severally or jointly with any other person; 6 are owed to any other person as agent (whether disclosed or not) for or on behalf of the Secured Party; 7 are owed or incurred as principal, interest, fees, charges, Taxes, damages (whether for breach of contract or tort or incurred on any other ground), losses, costs or expenses, or on any other account; 8 are owed to or incurred for the account of the Secured Party directly or as a result of: • the assignment or transfer to the Secured Party of any debt or liability of the Grantor or the Principal Debtor; or • any other dealing with any such debt or liability; 9 are owed to or incurred for the account of the Secured Party before the date of this deed or before the date of any assignment of this deed to the Secured Party by any other person or otherwise; or 10 comprise any combination of the above.
Secured Property	all the Grantor's present and after-acquired property. It includes anything in respect of which the Grantor has at any time sufficient right, interest or power to grant a security interest, excluding for all purposes, the Petroleum Exploration Licence, but including any proceeds thereof.

Term	Meaning
Securities Purchase Agreement	the purchase agreement for the Senior Secured Convertible Debentures dated 27 May 2016 between the Principal Debtor and the Secured Party.
Security	the security created or expressed to be created by this deed.
Title Document	any original, duplicate or counterpart certificate or document of title including any real property certificate of title, a certificate of units in a unit trust, share certificate or certificate evidencing an Investment Instrument or Negotiable Instrument.
Transaction Party	1 the Grantor; or 2 the Principal Debtor.
US Security Agreement	the security agreement for the Senior Secured Convertible Debentures dated 27 May 2016 between the Principal Debtor, all of the Principal Debtor's subsidiaries and the Noteholder.

1.2 Interpretation

In this deed:

(a) Headings and bold type are for convenience only and do not affect the interpretation of this deed.

(b) The singular includes the plural and the plural includes the singular.

(c) Words of any gender include all genders.

(d) Other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning.

(e) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual.

(f) A reference to any thing (including any right) includes a part of that thing but nothing in this clause 1.2(f) implies that performance of part of an obligation constitutes performance of the obligation.

(g) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this deed.

(h) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(i) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.

(j) A reference to a party to a document includes that party's successors and permitted assignees.

(k) A promise on the part of 2 or more persons binds them jointly and severally.

(l) A reference to an agreement other than this deed includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing.

(m) A reference to property or an asset includes any real or personal, present or future, tangible or intangible property, asset or undertaking (including Intellectual Property Rights) and any right, benefit, interest or revenue in, under or derived from the property or asset.

(n) A reference to liquidation or insolvency includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding-up, dissolution, deregistration, assignment for the benefit of creditors, scheme, composition or arrangement with creditors, insolvency, bankruptcy, or any similar procedure or, where applicable, changes in the constitution of any partnership or person, or death.

(o) A reference to a document includes any agreement in writing, or any certificate, notice, deed, instrument or other document of any kind.

(p) No provision of this deed will be construed adversely to a party because that party was responsible for the preparation of this deed or that provision.

(q) A reference to a body, other than a party to this deed (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body which replaces it or which substantially succeeds to its powers or functions.

(r) References to time are to Melbourne time.

(s) Where this deed confers any power or authority on a person that power or authority may be exercised by that person acting personally or through an agent or attorney.

(t) An Event of Default is 'continuing' or 'subsisting' if it has not been:

(1) remedied to the satisfaction of the Secured Party before a Power relating to that Event of Default is exercised; or

(2) waived in writing by the Secured Party.

1.3 Interpretation of inclusive expressions

Specifying anything in this deed after the words 'include' or 'for example' or similar expressions does not limit what else is included unless there is express wording to the contrary.

1.4 Incorporated definitions from Principal Agreement

A word or phrase (other than one defined in clause 1.1) defined in the Principal Agreement has the same meaning in this deed.

1.5 PPSA incorporated definitions

The following words and phrases defined in the PPSA have the same meaning in this deed:

(a) Accession;

(b) Account;

(c) Chattel Paper;

(d) Commingled;

(e) Investment Instrument; and

(f) Negotiable Instrument.

1.6 Deed components

This deed includes any schedule.

2 Security

2.1 Security interest

(a) The Grantor grants a security interest in the Secured Property to the Secured Party to secure payment of the Secured Moneys.

(b) This security interest is a transfer by way of security of Secured Property consisting of Accounts and Chattel Paper which are not, or cease to be, Revolving Assets.

(c) To the extent any Secured Property is not transferred, this security interest is a charge. If for any reason it is necessary to determine the nature of this charge, it is a floating charge over Revolving Assets and a fixed charge over all other Secured Property.

2.2 Priority

(a) The parties intend that the Security take priority over all other Encumbrances and other interests in the Secured Property at any time other than any Priority Encumbrance.

(b) Nothing in this deed will be construed as an agreement by the Secured Party to subordinate the Security to any other Encumbrance or interest affecting the Secured Property at any time.

2.3 Collection of proceeds of debts

The Grantor may collect as agent for the Secured Party for this purpose the proceeds of any debts or other amounts now or in the future payable to the Grantor subject to using those proceeds as permitted under the Finance Documents.

2.4 Controlled Account

(a) The Secured Party may require the Grantor to open and maintain a bank account at a bank and branch approved by the Secured Party on terms that:

(1) nominated Officers of the Secured Party must be signatories to the Controlled Account;

(2) no withdrawals can be made from the Controlled Account without the signature of one of those Officers;

(3) funds may be disposed of from the Controlled Account at the direction of the Secured Party without further consent by the Grantor; and

(4) depositing an amount in the Controlled Account will not result in any person coming under a present liability (within the meaning of section 341(3)(d) of the PPSA) to pay:

- the Grantor; or
- a Related Body Corporate of the Grantor.

(b) If the Secured Party is not the Designated Bank, the Grantor must cause the Designated Bank to enter into an agreement between the Designated Bank, the Grantor and the Secured Party in form and substance satisfactory to the Secured Party in which the Designated Bank agrees that:

(1) it will comply with and give effect to the terms set out in clause 2.4(a);

(2) it has no Encumbrance or other interest in the Controlled Account and it waives all rights of set-off and combination in respect of the Controlled Account;

(3) if despite clause 2.4(b)(2) it has any Encumbrance or other interest in the Controlled Account, that Encumbrance or other interest is subordinated in right and priority of payment to the Secured Party's Encumbrance or other interest and will not be exercised without the Secured Party's consent; and

(4) it agrees that the laws specified in clause 12.5(b) will govern the Secured Party's PPSA Security Interest in the Controlled Account.

2.5 Proceeds

(a) If a Control Event occurs in respect of any proceeds or in respect of any Secured Property the Grantor must immediately and until notified otherwise by the Secured Party deposit in the Controlled Account any proceeds the Grantor receives in respect of any book debt, insurance policy in relation to the Secured Property or any other debts or other amounts now or in the future payable to the Grantor which are Secured Property.

(b) Clause 2.5(a) does not apply to proceeds received from any workers' compensation or public liability policy or reinstatement policy to the extent that the proceeds are paid to a person:

(1) entitled to be compensated under the workers' compensation or public liability policy; or

(2) under a contract for the reinstatement of the Secured Property.

(c) The Grantor must give all notices and directions and execute all necessary documents as requested by the Secured Party to ensure clause 2.5(a) is complied with.

(d) A Power created under this clause 2.5 is not waived by any failure or delay in exercise, or by the partial exercise, of that Power.

2.6 Authorisation

(a) The Grantor must ensure that it obtains all Authorisations (other than an Authorisation that would be required under a Disclosed Contract) necessary to permit the grant of the Security in respect of any asset before it acquires any rights in that asset.

(b) Without limiting clauses 2.6(a) and 12.6, if the grant of the Security in respect of an asset would:

(1) invalidate, avoid or render ineffective any Security, whether in respect of that asset only or otherwise; or

(2) breach any Disclosed Contract relating to that asset,

then that asset is excluded from the Security, but only for so long as that effect prevails.

(c) If the Security could be granted in respect of an asset referred to in clause 2.6(b) without clause 2.6(b) applying if an Authorisation was obtained or other action taken, the Grantor must promptly obtain that Authorisation (other than an Authorisation under a Disclosed Contract) or take that action).

3 Discharge of the Security

3.1 Discharge

Subject to clause 3.2, at the written request of the Grantor, the Secured Party must discharge the Security and retransfer to the Grantor its right and interest in all Accounts and Chattel Paper transferred under clause 2.1(b) (or clause 4.8(c)) if:

(a) the Secured Moneys have been paid in full; and

(b) the Grantor and each other Transaction Party has fully observed and performed its respective obligations under this deed and each other Finance Document.

3.2 Final discharge

(a) The Secured Party is not obliged to discharge the Security under clause 3.1 if, at the time the requirements of clause 3.1 are satisfied, the Secured Party (acting reasonably) is of the opinion that the Grantor or any other Transaction Party owes further Secured Moneys contingently or otherwise to the Secured Party.

(b) Clause 3.2(a) overrides any other clause to the contrary in this deed.

4 Representations and warranties, undertakings

4.1 Representations and warranties

The Grantor represents and warrants that:

(a) **representations true** : each of its representations and warranties contained in the Finance Documents is correct and not misleading when made or repeated;

(b) **legal and beneficial owner** : it is the legal and beneficial owner of or otherwise has sufficient right, interest or power to grant a security interest in the Secured Property;

(c) **no other interests** :

(1) no person other than the Secured Party holds or has the benefit of an Encumbrance or other interest in the Secured Property other than under a Disclosed Contract;

(2) there is no agreement, filing or registration that would enable another person to obtain a priority over the Security which is inconsistent with the priority contemplated by this deed;

(d) **Security** :

(1) this deed creates the Encumbrance purported to be created by it over the assets purported to be encumbered by it; and

(2) all information supplied by the Grantor in connection with a registration is accurate and up to date and that the Grantor has taken all steps required by the Secured Party under clause 4.13; and

(3) the Security has the priority contemplated by this deed;

(e) **serial numbers** : Schedule 2 shows accurate serial numbers for each item of Secured Property (if any) other than property the Grantor acquired for disposal in the ordinary course of the Grantor's ordinary business, if any which the PPSA Regulations require to be described by serial number in a registration under the PPSA;

(f) **location of assets** : Schedule 3 shows all Secured Property with a value greater than $25,000 located outside Australia (if any);

(g) **Authorisations** : it has obtained all Authorisations (other than an Authorisation that would be required under a Disclosed Contract) necessary to permit the grant of the Security in respect of any asset in which it presently has rights; and

perfection by control :

(h) Schedule 5 shows all Secured Property in relation to which the Security may be perfected by control other than Marketable Securities issued by a Transaction Party.

4.2 Survival of representations and warranties

The representations and warranties given under this deed survive the execution of this deed.

4.3 Reliance

(a) The Grantor acknowledges that it has not entered into this deed or any Finance Document in reliance on any representation, warranty, promise or statement made by the Secured Party or any person on behalf of the Secured Party.

(b) The Grantor acknowledges that the Secured Party has entered into each Finance Document in reliance on the representations and warranties given by the Grantor under this deed.

4.4 Performance under the Finance Documents

(a) The Grantor must fully and punctually perform its obligations under each Finance Document.

(b) Without limiting the generality of clause 4.4(a), the Grantor must pay the Secured Moneys to the Secured Party in accordance with this deed, each other Finance Document and each other obligation under which the Secured Moneys are payable.

(c) The Grantor must ensure that no Event of Default occurs. Without affecting the liability of the Grantor or the Powers in any other respect (including where a breach of this clause 4.4(c) is also a breach of another provision of a Finance Document), the Grantor is not liable in damages for breach of this clause 4.4(c) but the Secured Party may exercise its Powers consequent upon or following that breach.

4.5 Notices to the Secured Party

In addition to its obligations in any other Finance Document, the Grantor must notify the Secured Party as soon as the Grantor becomes aware of any of the following:

(a) the acquisition by it of, or the entry by it into, an agreement to acquire:

(1) any interest in real property;

(2) any Marketable Securities or other property in relation to which the Security may be perfected by control;

(3) any motor vehicles or other property with a value greater than $25,000 which the PPS Regulations provide may or must be described by serial number in a registration under the PPSA;

(4) any property with a value greater than $25,000 which is situated outside Australia;

(b) any change of the jurisdiction in which any of the Secured Property with a value greater than $25,000 is situated; and

(c) any data contained in a registration under the PPSA with respect to the Security being or becoming incorrect.

4.6 Negative pledge and disposal of assets

(a) The Grantor must not do, or agree to do, any of the following unless it is permitted to do so by clause 4.7 or another provision in a Finance Document:

(1) create or allow another interest in any Secured Property which is not a Permitted Encumbrance; or

(2) dispose, or part with possession, of any Secured Property ; or

(3) enter into any agreement which causes further debt to accrue which is not a Permitted Indebtedness.

(b) The Grantor must not permit any of the Secured Property to become:

(1) Commingled with any asset that is not Secured Property except in the ordinary course of the Grantor's ordinary business; or

(2) an Accession to or to be affixed to any asset that is not Secured Property.

4.7 Permitted dealings

The Grantor may do any of the following in the ordinary course of the Grantor's ordinary business unless it is prohibited from doing so by another provision in a Finance Document:

(a) create or allow another interest in, or dispose or part with possession of, any Secured Property which is a Revolving Asset; or

(b) withdraw or transfer money from an account with a bank or other financial institution.

4.8 Revolving Assets

If a Control Event occurs in respect of any Secured Property then automatically:

(a) that Secured Property is not (and immediately ceases to be) a Revolving Asset;

(b) any floating charge over that Secured Property immediately operates as a fixed charge;

(c) if the Secured Property is Accounts or Chattel Paper it is transferred to the Secured Party by way of security; and

(d) the Grantor may no longer deal with the Secured Property under clause 4.7.

4.9 Conversion to Revolving Assets

If any Secured Property is not or ceases to be a Revolving Asset, and becomes subject to a fixed charge or transfer under clause 4.8, the Secured Party may give the Grantor a notice stating that, from a date specified in the notice, the Secured Property specified in the notice is a Revolving Asset, or becomes subject to a floating charge or is transferred back to the Grantor. This may occur any number of times.

4.10 Inventory

Any inventory which is not, or ceases to be, a Revolving Asset is specifically appropriated to a security interest under this document. The Grantor may not remove it without obtaining the specific and express authority of the Secured Party to do so.

4.11 Further assurances

The Grantor must:

(a) do anything which the Secured Party reasonably requests to:

(1) ensure, or enable the Secured Party to ensure, that this deed, the Security and the Powers are fully effective, enforceable and perfected with the contemplated priority;

(2) more satisfactorily assure or secure to the Secured Party the Secured Property in a manner consistent with the Finance Documents; or

(3) aid the exercise of any Power,

including executing any document, delivering Title Documents or Chattel Paper, executing and delivering blank transfers or giving notice of the Security to any third party;

(b) without limiting clause 4.11(a), when the Secured Party requests, execute:

(1) a legal or statutory mortgage in favour of the Secured Party over any real property; or

(2) any other form of security which the Secured Party considers appropriate for the property to be subject to that security,

each in form and substance required by the Secured Party and

(c) without limiting clause 4.11(a), cause a third party to provide any Authorisation (other than an Authorisation that would be required under a Disclosed Contract) or take any other action (including executing any document) required to give effect to clause 4.11(a).

4.12 Title Documents and Chattel Paper

(a) The Grantor must deposit with the Secured Party, or as the Secured Party directs, all the Title Documents in respect of any of the Secured Property together with executed blank transfers in respect of the Secured Property to which the Title Documents relate and all Chattel Paper forming part of the Secured Property with a value greater than $25,000 immediately on:

(1) its execution of this deed; and

(2) acquisition of any asset which forms part of the Secured Property.

(b) At any time after an Event of Default occurs, if required by the Secured Party, the Grantor must deposit with the Secured Party all Chattel Paper which forms part of the Secured Property regardless of value and which has not already been deposited under clause 4.12(a).

(c) Subject to clause 4.12(d), the Secured Party may retain the Title Documents and Chattel Paper deposited with the Secured Party until the Security in respect of all the Secured Property is discharged under clause 3.

(d) If the Security is enforced by the Secured Party, the Secured Party, Receiver or Attorney is entitled:

(1) to deal with the Title Documents and the Chattel Paper as if it was the absolute and unencumbered owner of the Secured Property to which the Title Documents relate and of the Chattel Paper; and

(2) in exercising a power of sale, to deliver any Title Document or Chattel Paper to a purchaser of the Secured Property to which the Title Document relates or of the Chattel Paper.

4.13 Perfection, registration and protection of Security

(a) 4.13(a)(b)(c)4.13(a)4.1(d)(2)4.13The Grantor must take all steps reasonably required by the Secured Party to ensure that:

(1) the Security is perfected in relation to all the Secured Property in all jurisdictions; and

(2) this deed and the Security are registered and filed in all registers in all jurisdictions

in which it must be perfected, registered and filed, to ensure its enforceability, validity, perfection and priority against all persons and to be effective as a security.

(b) Whenever the Secured Party requires that the Security be perfected in a particular way in relation to any part of the Secured Property, the Grantor must ensure that the Security is perfected in that way.

(c) The Grantor will not be in breach of its obligation under this clause 4.13 and its representation and warranty under clause 4.1(d)(2) will not be incorrect or misleading if the Secured Party fails to take any action which can only be taken by the Secured Party to enable the Security to be perfected as required under this clause 4.13, after written request from the Grantor to take that action.

(d) Whenever any part of the Secured Property is transferred to or retained in a place where this deed or the Security, because of an increase in the Secured Moneys or otherwise, bears insufficient stamp duty or is not registered or recorded, or for any other reason is of limited or of no force or effect, unenforceable, inadmissible in evidence or of reduced priority, the Grantor must within 14 days after that transfer or retention ensure that:

(1) this deed is stamped to the satisfaction of the Secured Party;

(2) this deed is in full force and effect, enforceable, perfected, admissible in evidence and not of reduced priority; and

(3) this deed and the Security are registered in that place, or that part of the Secured Property is removed from that place.

4.14 No caveats

The Grantor must ensure that any caveat lodged in respect of the Secured Property, other than a caveat lodged by the Secured Party, is removed as soon as reasonably practicable but in any event within 5 days after the date that it becomes aware of its existence.

4.15 Term of undertakings

Each of the Grantor's undertakings in this clause 4 continue in full force and effect from the date of this deed until the Security in respect of all the Secured Property is discharged under clause 3.

HERBERT SMITH FREEHILLS

5 Enforcement

5.1 When enforceable

(a) If an Event of Default occurs:

(1) the Security and each Collateral Security are immediately enforceable without the need for any demand or notice to be given to the Grantor or any other person; and

(2) the Secured Moneys are immediately due and payable by the Grantor without the need for any demand or notice to be given to the Grantor or any other person other than a notice expressly required by a Finance Document.

(b) The Secured Party agrees that it will not exercise any Power to enforce the Security under Chapter 4 of the PPSA until an Event of Default occurs.

5.2 No dealing with assets

Any right of the Grantor to deal, for any purpose, with any asset which forms part of the Secured Property (including under clause 2.3), other than by or through a Receiver appointed under this deed, immediately ceases if:

(a) the Secured Party declares that the Secured Moneys are immediately due and payable; or

(b) the Secured Party takes any step to enforce the Security; or

(c) subject to clause 4.9 a Control Event occurs in relation to the asset.

5.3 Assistance in realisation

After the Security has become enforceable, the Grantor must take all action required by the Secured Party, Receiver or Attorney to assist any of them to realise the Secured Property and exercise any Power including:

(a) executing all transfers, conveyances, assignments and assurances of any of the Secured Property;

(b) doing anything necessary or desirable under the law in force in any place where the Secured Property is situated;

(c) giving all notices, orders, directions and consents which the Secured Party, Receiver or Attorney thinks expedient; and

(d) doing anything necessary:

(1) for a call to be made on the uncalled capital of the Grantor; or

(2) to collect all called but unpaid capital of the Grantor.

5.4 Postponing or delaying realisation or enforcement

The Secured Party, a Receiver or Attorney may postpone or delay the exercise of any Power for such period as the Secured Party, Receiver or Attorney may in its absolute discretion decide.

6 Receiver

6.1 Appointment of Receiver

If an Event of Default occurs, the Secured Party may at any time after its occurrence:

(a) appoint any person or any 2 or more persons jointly, or severally, or jointly and severally to be a receiver or a receiver and manager of the Secured Property;

(b) remove any Receiver and on the removal, retirement or death of any Receiver, appoint another Receiver; and

(c) fix the remuneration and direct payment of that remuneration and any costs, charges and expenses of the Receiver out of the proceeds of any realisation of the Secured Property.

6.2 Agency of Receiver

(a) Subject to clause 6.5, each Receiver is the agent of the Grantor.

(b) The Grantor is responsible for the acts, defaults and remuneration of the Receiver.

6.3 Powers of Receiver

Subject to any express exclusion by the terms of the Receiver's appointment, the Receiver has, in addition to any powers conferred on the Receiver by applicable law, and whether or not in possession of the Secured Property, or any part of it, the following powers:

(a) **manage, possession or control** : to manage, enter into possession or assume control of any of the Secured Property;

(b) **lease or licence** : to accept the surrender of, determine, grant or renew any lease or licence in respect of the use or occupation of any of the Secured Property:

(1) on any terms or special conditions that the Secured Party or Receiver thinks fit; and

(2) in conjunction with the sale, lease or licence of any other property by any person;

(c) **sale** : to sell or concur in selling any of the Secured Property to any person:

(1) by auction, private treaty or tender;

(2) on such terms and special conditions as the Secured Party or the Receiver thinks fit;

(3) for cash or for a deferred payment of the purchase price, in whole or in part, with or without interest or security;

(4) in conjunction with the sale of any property by any other person; and

(5) in one lot or in separate parcels;

(d) **grant options to purchase** : to grant to any person an option to purchase any of the Secured Property;

(e) **acquire property:** to acquire any interest in any property, in the name or on behalf of the Grantor, which on acquisition forms part of the Secured Property;

(f) **carry on business:** to carry on or concur in carrying on any business of the Grantor in respect of the Secured Property;

(g) **borrowings and security:**

(1) to raise or borrow any money, in its name or the name or on behalf of the Grantor, from the Secured Party or any person approved by the Secured Party in writing; and

(2) to secure money raised or borrowed under clause 6.3(g)(1) by an Encumbrance over any of the Secured Property, ranking in priority to, equal with, or after, the Security or any Collateral Security;

(h) **maintain or improve Secured Property** : to do anything to maintain, protect or improve any of the Secured Property including completing, repairing, erecting a new improvement on, demolishing or altering any of the Secured Property;

(i) **income and bank accounts** : to do anything to manage or obtain income or revenue from any of the Secured Property including operating any bank account which forms part of the Secured Property or opening and operating a new bank account;

(j) **access to Secured Property** : to have access to any of the Secured Property, the premises at which the business of the Grantor is conducted and any of the administrative services of the business of the Grantor;

(k) **insure Secured Property** : to insure any of the Secured Property;

(l) **sever fixtures** : to sever fixtures in respect of any of the Secured Property;

(m) **compromise** : to make or accept any compromise or arrangement;

(n) **surrender Secured Property** : to surrender or transfer any of the Secured Property to any person;

(o) **exchange Secured Property** : to exchange with any person any of the Secured Property for any other property whether of equal value or not;

(p) **employ or discharge** : to employ or discharge any person as an employee, contractor, agent, professional advisor or auctioneer for any of the purposes of this deed;

(q) **delegate** : to delegate to any person any Power of the Receiver;

(r) **perform or enforce documents** : to observe, perform, enforce, exercise or refrain from exercising any right, power, authority, discretion or remedy of the Grantor under, or otherwise obtain the benefit of:

(1) any document, agreement or right which attaches to or forms part of the Secured Property; and

(2) any document or agreement entered into in exercise of any Power by the Receiver;

(s) **receipts** : to give effectual receipts for all moneys and other assets which may come into the hands of the Receiver;

(t) **take proceedings** : to commence, discontinue, prosecute, defend, settle or compromise in its name or the name or on behalf of the Grantor, any proceedings including proceedings in relation to any insurance in respect of any of the Secured Property;

(u) **insolvency proceedings** : to make any debtor bankrupt, wind-up any company, corporation or other entity and do all things in relation to any bankruptcy or winding-up which the Receiver thinks necessary or desirable including attending and voting at creditors' meetings and appointing proxies for those meetings;

(v) **execute documents** : to enter into and execute any document or agreement in the name of the Receiver or the name or on behalf of the Grantor including bills of exchange, cheques or promissory notes for any of the purposes of this deed;

(w) **make calls** : to make calls on any member of the Grantor in respect of uncalled capital of the Grantor;

(x) **vote** : to exercise any voting rights or powers in respect of any part of the Secured Property;

(y) **collect called capital** : to collect or enforce payment of any called but unpaid capital of the Grantor whether or not the calls were made by the Receiver;

(z) **ability of Grantor** : to do anything the Grantor could do in relation to the Secured Property; and

(aa) **incidental power** : to do anything necessary or incidental to the exercise of any Power of the Receiver.

6.4 Nature of Receiver's Powers

The Powers of the Receiver must be construed independently and no one Power limits the generality of any other Power. Any dealing under any Power of the Receiver will be on the terms and conditions the Receiver thinks fit.

6.5 Status of Receiver after commencement of winding-up

(a) The power to appoint a Receiver under clause 6.1 may be exercised even if, at the time an Event of Default occurs or if at the time a Receiver is appointed, an order has been made or a resolution has been passed for the winding-up of the Grantor.

(b) If for any reason, including operation of law, a Receiver:

(1) appointed in the circumstances described in clause 6.5(a); or

(2) appointed at any other time,

ceases to be the agent of the Grantor as a result of an order being made or a resolution being passed for the winding-up of the Grantor, then the Receiver immediately becomes the agent of the Secured Party.

6.6 Powers exercisable by the Secured Party

(a) Whether or not a Receiver is appointed under clause 6.1, the Secured Party may, on or after the occurrence of an Event of Default and without giving notice to any person, exercise any Power that could be conferred on a Receiver in addition to any Power of the Secured Party.

(b) The exercise of any Power by the Secured Party, Receiver or Attorney does not cause or deem the Secured Party, Receiver or Attorney:

(1) to be a mortgagee in possession;

(2) to account as mortgagee in possession; or

(3) to be answerable for any act or omission for which a mortgagee in possession is liable.

6.7 Set-off

If any Event of Default is subsisting, the Secured Party may apply any credit balance in any currency in any of the Grantor's accounts with the Secured Party in and towards satisfaction of any of the Secured Moneys.

6.8 Notice of exercise of rights

The Secured Party, Receiver or Attorney is not required:

(a) to give notice of the Security or any Collateral Security to any debtor or creditor of the Grantor or to any other person;

(b) to enforce payment of any money payable to the Grantor including any of the debts or monetary liabilities secured by this deed or by any Collateral Security; or

(c) to obtain the consent of the Grantor to any exercise of a Power.

6.9 Termination of receivership and possession

The Secured Party may, at any time, terminate the appointment of a Receiver and may, at any time, give up, or re-take, possession of the Secured Property.

7 Application and receipts of money

7.1 Order of application

(a) At any time after the Security is enforceable, all money received by the Secured Party, Receiver, Attorney or any other person acting on their behalf under this deed or any Collateral Security may be appropriated and applied towards any amount and in any order that the Secured Party, Receiver, Attorney or that other person determines in its absolute discretion, to the extent not prohibited by law.

(b) Failing a determination under clause 7.1(a), the money must be applied in the following manner and order:

(1) first, in payment of all costs, charges and expenses (including any GST) of the Secured Party, Receiver or Attorney incurred in or incidental to the exercise or performance or attempted exercise or performance of any Power;

(2) second, in payment of any other outgoings the Secured Party, Receiver or Attorney thinks fit to pay;

(3) third, in payment to the Receiver of his remuneration;

(4) fourth, in payment and discharge, in order of their priority, of any Encumbrances of which the Secured Party, Receiver or Attorney is aware and which have priority to the Security;

(5) fifth, in payment to the Secured Party towards satisfaction of the Secured Moneys and applied against interest, principal or any other amount the Secured Party, Receiver or Attorney thinks fit;

(6) sixth, in payment only to the extent required by law, in order of their priority, of other Encumbrances in respect of the Secured Property of which the Secured Party, Receiver or Attorney is aware and which are due and payable in accordance with their terms; and

(7) seventh, in payment of the surplus, if any, without interest to the Grantor. The Secured Party, Receiver or Attorney may pay the surplus to the credit of an account in the name of the Grantor in the books of any bank carrying on business within Australia and having done so is under no further liability in respect of that surplus.

(c) Any amount required by law to be paid in priority to any amount specified in clause 7.1(b) must be paid before any money is applied in payment of the amount specified in clause 7.1(b).

7.2 Money actually received

In applying any money towards satisfaction of the Secured Moneys, the Grantor is to be credited only with so much of the money which is available for that purpose (after deducting any GST imposed) and which is actually received by the Secured Party, Receiver or Attorney. The credit dates from the time of receipt.

7.3 Amounts contingently due

(a) If at the time of a distribution of any money under clause 7.1 any part of the Secured Moneys is contingently owing to the Secured Party, the Secured Party, Receiver or Attorney may retain an amount equal to the amount contingently owing or any part of it.

(b) If the Secured Party, Receiver or Attorney retains any amount under clause 7.3(a) it must place that amount on short-term interest bearing deposit until the amount contingently owing becomes actually due and payable or otherwise ceases to be contingently owing at which time the Secured Party, Receiver or Attorney must:

(1) pay to the Secured Party the amount which has become actually due to it; and

(2) apply the balance of the amount retained, together with any interest on the amount contingently owing, in accordance with clause 7.1.

7.4 Notice of an Encumbrance

(a) If the Secured Party receives actual or constructive notice of an Encumbrance over the Secured Property or of the perfection of an Encumbrance, the Secured Party:

(1) may open a new account in the name of the Grantor in its books; or

(2) is regarded as having opened a new account in the name of the Grantor in its books,

on the date it received or was regarded as having received notice of the Encumbrance or perfection.

(b) From the date on which that new account is opened or regarded as opened:

(1) all payments made by the Grantor to the Secured Party; and

(2) all financial accommodation and advances by the Secured Party to the Grantor, are or are regarded as credited and debited, as the case may be, to the new account unless otherwise specified by the Secured Party.

(c) The payments by the Grantor under clause 7.4(b) must be applied in the manner determined by the Secured Party or, failing a determination:

(1) first, in reduction of the debit balance, if any, in the new account; and

(2) second, if there is no debit balance in the new account, in reduction of the Secured Moneys which have not been debited or regarded as debited to the new account.

7.5 Secured Party's statement of indebtedness

A certificate signed by any Officer of the Secured Party stating:

(a) the amount of the Secured Moneys due and payable; or

(b) the amount of the Secured Moneys, whether currently due and payable or not,

is sufficient evidence of that amount as at the date stated on the certificate, or failing that as at the date of the certificate, unless the contrary is proved.

7.6 Secured Party's receipts

(a) The receipt of any Officer of the Secured Party for any money payable to or received by the Secured Party under this deed exonerates the payer from all liability to enquire whether any of the Secured Moneys have become payable.

(b) Every receipt of an Officer of the Secured Party effectually discharges the payer from:

(1) any future liability to pay the amount specified in the receipt; and

(2) being concerned to see to the application of, or being answerable or accountable for any loss or misapplication of, the amount specified in the receipt.

7.7 Conversion of currencies on application

In making an application under clause 7.1, the Secured Party, Receiver or Attorney may itself, or through its bankers, purchase one currency with another, whether or not through an intermediate currency, whether spot or forward, in the manner and amounts and at the time it thinks fit.

7.8 Amounts payable on demand

If an amount payable under a Finance Document is not expressed to be payable on a specified date, that amount is payable by the Grantor on demand by the Secured Party.

8 Power of attorney

8.1 Appointment of Attorney

For consideration received, the Grantor irrevocably appoints the Secured Party and each Receiver severally its attorney for the purposes set out in clause 8.2.

8.2 Purposes of appointment

The Attorney may, in its name or in the name of the Grantor, Secured Party or Receiver, do any of the following:

(a) do any thing which ought to be done by the Grantor under this deed or any other Finance Document;

(b) exercise any right, power, authority, discretion or remedy of the Grantor under:

(1) this deed;

(2) any other Finance Document; or

(3) any agreement forming part of the Secured Property;

(c) do any thing which in the opinion of the Secured Party, Receiver or Attorney is necessary or desirable for securing or perfecting the Security and any Collateral Security;

(d) execute in favour of the Secured Party any legal mortgage, transfer, assignment and any other assurance of any of the Secured Property;

(e) execute deeds of assignment, composition or release;

(f) sell or otherwise part with the possession of any of the Secured Property; and

(g) generally, do any other thing, whether or not of the same kind as those set out in clause 8.2(a) to (f), which in the opinion of the Secured Party, Receiver or Attorney is necessary or desirable:

(1) to more satisfactorily secure to the Secured Party the payment of the Secured Moneys; or

(2) in relation to any of the Secured Property.

8.3 Exercise after Event of Default

An Attorney must not exercise any Power under clause 8.2 until an Event of Default occurs but a breach of this clause 8.3 does not affect the validity of the Attorney's act.

8.4 Delegation and substitution

The Attorney may appoint a substitute attorney to perform any of its Powers.

9 Protection

9.1 Protection of third parties

(a) No person dealing with the Secured Party, Receiver or Attorney is bound to enquire whether:

(1) the Security has become enforceable;

(2) the Receiver or Attorney is duly appointed; or

(3) any Power has been properly or regularly exercised.

(b) No person dealing with the Secured Party, Receiver or Attorney is affected by express notice that the exercise of any Power was unnecessary or improper.

(c) The irregular or improper exercise of any Power is, as regards the protection of any person, regarded as authorised by the Grantor and this deed, and is valid.

9.2 Protection of the Secured Party, Receiver and Attorney

(a) The Secured Party, Receiver or Attorney is not liable for any loss or damage including consequential loss or damage, arising directly or indirectly from:

(1) any omission or delay in the exercise or non-exercise of any Power; or

(2) the neglect, default or dishonesty of any manager, Officer, employee, agent, accountant, auctioneer or solicitor of the Grantor, the Secured Party, Receiver or Attorney.

(b) Clause 9.2(a) does not apply:

(1) in respect of the Secured Party, to any loss or damage which arises from the wilful default, fraud or gross negligence of the Secured Party; and

(2) in respect of a Receiver or Attorney, to any loss or damage which arises from the wilful default, fraud or gross negligence of the Receiver or Attorney.

10 Savings provisions

10.1 Statutory powers

(a) Subject to clause 10.1(b), the powers of the Secured Party under this deed or any Collateral Security are in addition to any powers the Secured Party has under applicable law.

(b) If the Secured Party exercises a Power in connection with this deed, that exercise is taken not to be an exercise of a Power under the PPSA unless the Secured Party states otherwise at the time of exercise. However, this clause 10.1(b) does not apply to a right, power or remedy which can only be exercised under the PPSA.

10.2 No notice required unless mandatory

To the extent the law permits, the Grantor waives:

(a) its rights to receive any notice that is required by:

(1) any provision of the PPSA (including a notice of a verification statement); or

(2) any other law, before a secured party or Receiver exercises a right, power or remedy; and

(b) any time period that must otherwise lapse under any law before a secured party or receiver exercises a right, power or remedy.

If the law which requires a period of notice or a lapse of time cannot be excluded, but the law provides that the period of notice or lapse of time may be agreed, that period or lapse is one day or the minimum period the law allows to be agreed (whichever is the longer).

However, nothing in this clause prohibits the Secured Party or any Receiver from giving a notice under the PPSA or any other law.

10.3 Appointment of nominee for PPSA registration

For the purposes of section 153 of the PPSA, the Secured Party appoints the Grantor as its nominee, and authorises the Grantor to act on its behalf, in connection with a registration under the PPSA of any security interest in favour of the Grantor which is:

(a) evidenced or created by Chattel Paper;

(b) perfected by registration under the PPSA; and

(c) transferred to the Secured Party under this document.

This authority ceases when the registration is transferred to the Secured Party.

10.4 Continuing security

The Security is a continuing security despite:

(a) any settlement of account; or

(b) the occurrence of any other thing,

and remains in full force and effect until the Secured Party has given a discharge of the Security in respect of all the Secured Property under clause 3.

10.5 No merger of security

(a) Nothing in this deed merges, extinguishes, postpones, lessens or otherwise prejudicially affects:

(1) any Encumbrance or indemnity in favour of the Secured Party; or

(2) any Power.

(b) No other Encumbrance or Finance Document which the Secured Party has the benefit of in any way prejudicially affects any Power.

10.6 Exclusion of moratorium

Without limiting clause 10.7, to the extent not excluded by law, a provision of any legislation (other than a provision of the PPSA mentioned in section 115(1) of the PPSA) which directly or indirectly:

(a) lessens, varies or affects in favour of the Grantor any obligations under this deed or any Finance Document;

(b) stays, postpones or otherwise prevents or prejudicially affects the exercise by the Secured Party, Receiver or Attorney of any Power; or

(c) confers any right on the Grantor or imposes any obligation on the Secured Party or a Receiver or Attorney in connection with the exercise of any Power,

is negatived and excluded from this deed and any Finance Document and all relief and protection conferred on the Grantor by or under that legislation is also negatived and excluded.

10.7 Exclusion of PPSA provisions

To the extent the law permits:

(a) for the purposes of sections 115(1) and 115(7) of the PPSA:

(1) the Secured Party need not comply with sections 95, 118, 121(4), 125, 132(3)(d) or 132(4); and

(2) section 143 is excluded;

(b) for the purposes of section 115(7) of the PPSA, the Secured Party need not comply with sections 132 and 137(3);

(c) if the PPSA is amended after the date of this document to permit the Grantor and the Secured Party to agree to not comply with or to exclude other provisions of the PPSA, the Secured Party may notify the Grantor that any of these provisions are excluded or that the Secured Party need not comply with any of those provisions as notified to the Grantor by the Secured Party; and

(d) the Grantor agrees not to exercise its rights to make any request of the Secured Party under section 275 of the PPSA, to authorise the disclosure of any information under that section or to waive any duty of confidence that would otherwise permit non-disclosure under that section.

10.8 Conflict

Where any right, power, authority, discretion or remedy conferred on the Secured Party, Receiver or Attorney by this deed or any Finance Document is inconsistent with the powers conferred by applicable law then, to the extent not prohibited by that law, those powers conferred by applicable law are regarded as negatived or varied to the extent of the inconsistency.

10.9 Consent of Secured Party

(a) Whenever the doing of any thing by the Grantor is dependent on the consent of the Secured Party, the Secured Party may withhold its consent or give it conditionally or unconditionally in its absolute discretion unless expressly stated otherwise in a Finance Document.

(b) Any conditions imposed on the Grantor under clause 10.9(a) must be complied with by the Grantor.

10.10 Completion of blank securities

(a) The Secured Party, a Receiver, Attorney or any Officer of the Secured Party may at any time complete, in favour of the Secured Party, any appointee of the Secured Party or any purchaser, any instrument executed in blank by or on behalf of the Grantor and deposited with the Secured Party as security under this deed or under any Collateral Security.

(b) The Secured Party, a Receiver, Attorney or any Officer of the Secured Party must not exercise any Power under clause 10.10(a) until an Event of Default occurs but a breach of this clause 10.10(b) does not affect the validity of the act of the Secured Party, Receiver, Attorney or Officer of the Secured Party.

10.11 Principal obligations

The Security and each Collateral Security is:

(a) a principal obligation and is not ancillary or collateral to any other Encumbrance (other than another Collateral Security) or other obligation; and

(b) independent of, and unaffected by, any other Encumbrance or other obligation which the Secured Party may hold at any time in respect of the Secured Moneys.

10.12 No obligation to marshal

The Secured Party is not required to marshal or to enforce or apply under, or appropriate, recover or exercise:

(a) any Encumbrance or Collateral Security held, at any time, by the Secured Party; or

(b) any moneys or assets which the Secured Party, at any time, holds or is entitled to receive.

10.13 Non avoidance

If any payment by the Grantor to the Secured Party is at any time avoided for any reason including any legal limitation, disability or incapacity of or affecting the Grantor or any other thing, and whether or not:

(a) any transaction relating to the Secured Moneys was illegal, void or substantially avoided; or

(b) any thing was or ought to have been within the knowledge of the Secured Party,

the Grantor:

(c) as an additional, separate and independent obligation, indemnifies the Secured Party against that avoided payment; and

(d) acknowledges that any liability of the Grantor under the Finance Documents and any Power is the same as if that payment had not been made.

10.14 Increase in financial accommodation

The Secured Party may at any time increase the financial accommodation provided under any Finance Document or otherwise provide further financial accommodation.

11 Third party provisions

11.1 Suspense account

(a) The Secured Party may apply to the credit of a suspense account any:

(1) amounts received under this deed;

(2) dividends, distributions or other amounts received in respect of the Secured Moneys in any liquidation; and

(3) other amounts received from any Transaction Party or any other person in respect of the Secured Moneys.

(b) The Secured Party may retain the amounts in the suspense account for as long as it determines and is not obliged to apply them in or towards satisfaction of the Secured Moneys.

11.2 Independent obligations

This deed is enforceable against the Grantor:

(a) without first having recourse to any Collateral Security;

(b) whether or not the Secured Party or any other person has:

(1) made demand on any Transaction Party other than the Grantor;

(2) given notice to any Transaction Party (other than the Grantor) or any other person in respect of any thing; or

(3) taken any other steps against any Transaction Party (other than the Grantor) or any other person;

(c) whether or not any Secured Moneys is then due and payable; and

(d) despite the occurrence of any event described in clause 11.3.

11.3 Unconditional nature of obligations

(a) The Security and the obligations of the Grantor under the Finance Documents are absolute, binding and unconditional in all circumstances and are not released or discharged or otherwise affected by anything which but for this provision might have that effect, including:

(1) the grant to any Transaction Party or any other person of any time, waiver, covenant not to sue or other indulgence;

(2) the release (including a release as part of any novation) or discharge of any Transaction Party or any other person;

(3) the cessation of the obligations, in whole or in part, of any Transaction Party or any other person under any Finance Document or any other document or agreement;

(4) the liquidation of any Transaction Party or any other person;

(5) any arrangement, composition or compromise entered into by the Secured Party, any Transaction Party or any other person;

(6) any Finance Document or any other document or agreement being in whole or in part illegal, void, voidable, avoided, unenforceable or otherwise of limited force or effect;

(7) any extinguishment, failure, loss, release, discharge, abandonment, impairment, compounding, composition or compromise, in whole or in part of any Finance Document or any other document or agreement;

(8) any Collateral Security being given to the Secured Party, or any other person by any Transaction Party or any other person;

(9) any alteration, amendment, variation, supplement, renewal or replacement of any Finance Document or any other document or agreement or any increase in the limit or maximum principal amount available under the Finance Documents;

(10) any moratorium or other suspension of any Power;

(11) the Secured Party, Receiver or Attorney exercising or enforcing, delaying or refraining from exercising or enforcing, or being not entitled or unable to exercise or enforce any Power;

(12) the Secured Party obtaining a judgment against any Transaction Party or any other person for the payment of any of the Secured Moneys;

(13) any transaction, agreement or arrangement that may take place with the Secured Party, any Transaction Party or any other person;

(14) any payment to the Secured Party, Receiver or Attorney including any payment which at the payment date or at any time after the payment date is, in whole or in part, illegal, void, voidable, avoided or unenforceable;

(15) any failure to give effective notice to any Transaction Party or any other person of any default under any Finance Document or any other document or agreement;

(16) any legal limitation, disability or incapacity of any Transaction Party or of any other person;

(17) any breach of any Finance Document or any other document or agreement;

(18) the acceptance of the repudiation of, or termination of, any Finance Document or any other document or agreement;

(19) any Secured Moneys being irrecoverable for any reason;

(20) any disclaimer by any Transaction Party or any other person of any Finance Document or any other document or agreement;

(21) any assignment, novation, assumption or transfer of, or other dealing with, any Powers or any other rights or obligations under any Finance Document or any other document or agreement;

(22) the opening of a new account of any Transaction Party with the Secured Party or any transaction on or relating to the new account;

(23) any prejudice (including material prejudice) to any person as a result of any thing done, or omitted by the Secured Party, any Transaction Party or any other person;

(24) any prejudice (including material prejudice) to any person as a result of the Secured Party, Receiver, Attorney or any other person selling or realising any property the subject of a Collateral Security at less than the best price;

(25) any prejudice (including material prejudice) to any person as a result of any failure or neglect by the Secured Party, Receiver, Attorney or any other person to recover the Secured Moneys from any Transaction Party or by the realisation of any property the subject of a Collateral Security;

(26) any prejudice (including material prejudice) to any person as a result of any other thing;

(27) the receipt by the Secured Party of any dividend, distribution or other payment in respect of any liquidation;

(28) the capacity in which a Transaction Party executed a Finance Document not being the capacity disclosed to the Secured Party before the execution of the Finance Document;

(29) the failure of any other Transaction Party or any other person who is intended to become a co-surety or co-indemnifier of that Transaction Party to execute any Finance Document or any other document; or

(30) any other act, omission, matter or thing whether negligent or not.

(b) Clause 11.3(a) applies irrespective of:

(1) the consent or knowledge or lack of consent or knowledge, of the Secured Party, any Transaction Party or any other person of any event described in clause 11.3(a) (and the Grantor irrevocably waives any duty on the part of the Secured Party to disclose such information); or

(2) any rule of law or equity to the contrary.

11.4 No competition

(a) Until the Secured Moneys have been fully paid and the Security has been finally discharged under clause 3, the Grantor is not entitled to:

(1) be subrogated to the Secured Party;

(2) claim or receive the benefit of any Encumbrance, Guarantee (including any Finance Document) or other document or agreement of which the Secured Party has the benefit;

(3) claim or receive the benefit of any moneys held by the Secured Party;

(4) claim or receive the benefit of any Power;

(5) either directly or indirectly prove in, claim or receive the benefit of any distribution, dividend or payment arising out of or relating to the liquidation of any Transaction Party, except in accordance with clause 11.4(b);

(6) make a claim or exercise or enforce any right, power or remedy (including under an Encumbrance or Guarantee or by way of contribution) against any Transaction Party liable to pay the Secured Moneys or against any asset of any such Transaction Party, whether such right, power or remedy arises under or in connection with this deed, any other Finance Document or otherwise;

(7) accept, procure the grant of, or allow to exist any Encumbrance in favour of the Grantor from any Transaction Party liable to pay the Secured Moneys;

(8) exercise or attempt to exercise any right of set-off against, nor realise any Encumbrance taken from, any Transaction Party liable to pay the Secured Moneys; or

(9) raise any defence or counterclaim in reduction or discharge of its obligations under the Finance Documents.

(b) If required by the Secured Party, the Grantor must prove in any liquidation of a Transaction Party liable to pay the Secured Moneys for all moneys owed to the Grantor.

(c) All moneys recovered by the Grantor from a Transaction Party liable to pay the Secured Moneys from any liquidation or under any Encumbrance or Guarantee (whether the Encumbrance or Guarantee is a Finance Document or otherwise) must be paid to the Secured Party to the extent of the unsatisfied liability of the Grantor under the Finance Documents.

(d) The Grantor must not do or seek, attempt or purport to do anything referred to in clause 11.4(a).

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12 General

12.1 Confidential information

The Secured Party must not disclose to any person:

(a) this deed; or

(b) any information about any Transaction Party,

except where permitted under the Principal Agreement.

12.2 Performance by Secured Party of the Grantor's obligations

If the Grantor defaults in fully and punctually performing any obligation contained or implied in any Finance Document, the Secured Party may, without prejudice to any Power, do all things necessary or desirable, in the opinion of the Secured Party, to make good or attempt to make good that default to the satisfaction of the Secured Party.

12.3 Grantor to bear cost

Any thing which must be done by the Grantor under this deed, whether or not at the request of the Secured Party, must be done at the cost of the Grantor.

12.4 Notices

Any notice or other communication including any request, demand, consent or approval, to or by a party to this deed must be given in accordance with the notice requirements of the Principal Agreement to the addressees set out in Schedule 1.

12.5 Governing law and jurisdiction

(a) This deed is governed by the laws of Victoria.

(b) Without limiting clause 12.5(a), for the purposes of section 237 of the PPSA, the law of the Commonwealth of Australia as that law applies in the jurisdiction specified in clause 12.5(a) governs the Security to the extent it is permitted to apply to the Secured Property under that section.

(c) The parties irrevocably submit to the non-exclusive jurisdiction of the courts of Victoria.

(d) The parties irrevocably waive any objection to the venue of any legal process on the basis that the process has been brought in an inconvenient forum.

(e) The parties irrevocably waive any immunity in respect of its obligations under this deed that it may acquire from the jurisdiction of any court or any legal process for any reason including the service of notice, attachment before judgment, attachment in aid of execution or execution.

12.6 Prohibition and enforceability

(a) Any provision of, or the application of any provision of, any Finance Document or any Power which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.

(b) Any provision of, or the application of any provision of, any Finance Document which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.

12.7 Waivers

(a) Waiver of any right arising from a breach of this deed or of any Power arising upon default under this deed or upon the occurrence of an Event of Default must be in writing and signed by the party granting the waiver.

(b) A failure or delay in exercise, or partial exercise, of:

(1) a right arising from a breach of this deed or the occurrence of an Event of Default; or

(2) a Power created or arising upon default under this deed or upon the occurrence of an Event of Default,

does not result in a waiver of that right or Power.

(c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right or Power arising from a breach of this deed or on a default under this deed or on the occurrence of an Event of Default as constituting a waiver of that right or Power.

(d) A party may not rely on any conduct of another party as a defence to exercise of a right or Power by that other party.

(e) This clause may not itself be waived except by writing.

12.8 Variation

A variation of any term of this deed must be in writing and signed by the parties.

12.9 Cumulative rights

The Powers are cumulative and do not exclude any other right, power, authority, discretion or remedy of the Secured Party, Receiver or Attorney.

12.10 Assignment

(a) Subject to any Finance Document, the Secured Party may assign its rights under this deed and each Collateral Security without the consent of the Grantor.

(b) The Grantor must not assign any of its rights under this deed or any Collateral Security without the prior written consent of the Secured Party.

12.11 Counterparts

This deed may be executed in any number of counterparts. All counterparts taken together, constitute one instrument. A party may execute this deed by signing any counterpart.

12.12 Attorneys

Each of the attorneys executing this deed states that the attorney has no notice of the revocation of the power of attorney appointing that attorney.

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Schedules

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Schedule 1

Notice details

	Discovery Energy SA Pty Ltd
Address	Level 8, 350 Collins Street, Melbourne 3000 Australia
Attention	Andrew Adams and Keith Spickelmier
Phone	+61.3.8601.1131
Fax	+61.3.8601.1180 (713) 622-1937
Email	Andrew@adamsmanagement.com.au; kspickelmier1@comcast.net ; kim@discoveryenergy.com

	DEC Funding LLC
Address	c/o Avista Capital Partners 1000 Louisiana Street, Suite 3700 Houston, Texas 77002 United States of America
Attention	Steven Webster
Phone	(713) 328-1051
Fax	(713) 328-1097
Email	webster@avistacap.com

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Schedule 2

Serial numbered goods or intangible property

Clause 4.1(e)

Goods	Serial Number
Motor vehicle : Vehicle identification number (VIN) If no VIN, chassis number If no chassis number, manufacturer's number	None
Watercraft : official number if none, the hull identification number If an outboard motor, manufacturer's number	None
Aircraft: **For engine, airframe or helicopter** : manufacturer's serial number manufacturer's name manufacturer's generic model description	None
Goods For small aircraft: nationality and registration marks assigned to it under the Chicago Convention	None

Intangible property	Serial Number
Trade mark : IP Australia trade mark number/trade mark application number	None
Patent : IP Australia patent number/patent application number	None

Intangible property	Serial Number
Design : IP Australia design number/design application number	None
Plant breeder's right : IP Australia plant breeder's right number/plant breeder's right application number	None
Licence over a Trade Mark, Patent, Design or Plant Breeder's right	None
IP Australia serial number (use serial number of corresponding trade mark, patent, design or plant breeder's right)	None

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Schedule 3

Secured Property with a value greater than $25,000 located outside Australia

None

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Schedule 4

Disclosed Contracts

None.

Schedule 5

Secured Property in relation to which the Security may be perfected by control

None

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Signing page

Executed as a deed

Grantor

Signed sealed and delivered by
Discovery Energy SA Pty Ltd
by

sign here ► /s/ William E. Begley
Company Secretary/Director

print name _____

sign here ► /s/ Michael D. Dahlke
Director

print name _____

Secured Party

Signed sealed and delivered for
DEC Funding LLC

sign here ► /s/ Steven Webster
Authorised Signatory

print name _____

in the presence of

sign here ► _____
Witness

print name _____

print address _____

Exhibit 10.07

HERBERT
SMITH
FREEHILLS

Deed

Deed of guarantee and indemnity

Discovery Energy SA Pty Ltd

DEC Funding LLC

ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia
GPO Box 4227 Sydney NSW 2001 Australia

T +61 2 9225 5000 **F** +61 2 9322 4000
herbertsmithfreehills.com DX 361 Sydney

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Deed of guarantee and indemnity

Date ► 27 May 2016

Between the parties

Guarantor	**Discovery Energy SA Pty Ltd** ABN 89 158 204 052 of Level 8, 350 Collins Street, Melbourne 3000 Australia
Noteholder	**DEC Funding LLC,** a Texas limited liability company c/o Avista Capital Partners, 1000 Louisiana Street, Suite 3700, Houston, Texas 77002
Recitals	The Guarantor agrees to grant the guarantee and indemnities in this deed.
This deed witnesses:	that, for valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

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1 Definitions, interpretation and deed components

1.1 Definitions

The meanings of the terms used in this deed are set out below.

Term	Meaning
Accounting Standards	generally accepted accounting principles in Australia.
Attorney	an attorney appointed under any Transaction Document.
Australian Security Agreement	the general security deed between the Guarantor and the Noteholder dated on or about the date of this deed.
Authorisation	1 any consent, registration, filing, agreement, notice of non-objection, notarisation, certificate, licence, approval, permit, authority or exemption; or 2 in relation to anything that a Government Agency may prohibit or restrict within a specific period, the expiry of that period without intervention or action or notice of intended intervention or action.
Business Day	1 for the purposes of clause 11.3, a day on which banks are open for business in the city where the notice or other communication is received excluding a Saturday, Sunday or public holiday; and 2 for all other purposes, a day on which banks are open for business in New York excluding a Saturday, Sunday or public holiday.
Collateral Security	any present or future Encumbrance, Guarantee or other document or agreement created or entered into by a Transaction Party or any other person as security for, or to credit enhance the payment of any of the Guaranteed Moneys.
Corporations Act	the *Corporations Act 2001* (Cth).
Debtor	Discovery Energy Corp., a Nevada corporation, having its principal place of business at One Riverway Drive, Suite 1700, Houston, Texas 77056

Term	Meaning
Dollars, A$** and **$	the lawful currency of the Commonwealth of Australia.
Encumbrance	an interest or power: 1 reserved in or over an interest in any asset including any retention of title; or. 2 created or otherwise arising in or over any interest in any asset under a security agreement, bill of sale, mortgage, charge, lien, pledge, trust or power or any other agreement having similar effect, by way of, or having similar commercial effect to, security for the payment of a debt, any other monetary obligation or the performance of any other obligation, and includes any agreement to grant or create any of the above and includes a security interest within the meaning of section 12(1) of the PPSA.
Event of Default	has the same meaning as in the Principal Agreement.
Excluded Tax	a Tax imposed by any jurisdiction on the net income of the Noteholder but not a Tax: 1 calculated on or by reference to the gross amount of any payment (without allowance for any deduction) derived by the Noteholder under a Transaction Document or any other document referred to in a Transaction Document; or 2 imposed as a result of the Noteholder being considered a resident of or organised or doing business in that jurisdiction solely as a result of it being a party to a Transaction Document or any transaction contemplated by a Transaction Document.
Financial Report	in relation to an entity, the following financial statements and information in relation to the entity, prepared for its financial half year or financial year: 1 a statement of financial performance; 2 a statement of financial position; and 3 a statement of cashflows, together with any notes to those documents and any accompanying reports, statements, declarations and other documents or information.
Government Agency	any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity.

Term	Meaning
GST	the goods and services tax levied under the GST Act.
GST Act	the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).
Guarantee	any guarantee, suretyship, letter of credit, letter of comfort or any other obligation: 1 to provide funds (whether by the advance or payment of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or discharge of;3 2 to indemnify any person against the consequences of default in the payment of; or 3 to be responsible for, any debt or monetary liability or obligation (whether or not it involves the payment of money) of another person or the assumption of any responsibility or obligation in respect of the insolvency or the financial condition of any other person but excludes this deed.
Guaranteed Moneys	all debts and monetary liabilities of the Debtor to the Noteholder under or in relation to any Transaction Document, and in any capacity, irrespective of whether the debts or liabilities: 1 are present or future; 2 are actual, prospective, contingent or otherwise; 3 are at any time ascertained or unascertained; 4 are owed or incurred by or on account of the Debtor alone, or severally or jointly with any other person; 5 are owed to or incurred for the account of the Noteholder alone, or severally or jointly with any other person; 6 are owed or incurred as principal, interest, fees, charges, Taxes, damages (whether for breach of contract or tort or incurred on any other ground), losses, costs or expenses, or on any other account; 7 are owed to or incurred for the account of the Noteholder directly or as a result of: • the assignment or transfer to the Noteholder of any debt or liability of the Debtor (whether by way of assignment, transfer or otherwise); or • any other dealing with any such debt or liability; or 8 comprise any combination of the above.
Loss	any claim, action, damage, loss, liability, cost, charge, expense, outgoing or payment.

Term	Meaning
Marketable Securities	marketable securities as defined in section 9 of the Corporations Act.
Material Adverse Effect	a material adverse effect on: 1 the ability of the Guarantor to perform any of its payment obligations under any Transaction Document to which it is a party; 2 the enforceability or priority of a Transaction Document or any Encumbrance provided for by a Transaction Document; or 3 the assets, business or operations of the Guarantor.
Officer	1 in relation to the Guarantor, a director or a secretary or a person notified to the Noteholder to be an authorised officer of the Guarantor; and 2 in relation to the Noteholder, any person whose title includes the word 'Director', 'Managing Director', 'Manager' or 'Vice President', and any other person appointed by the Noteholder to act as its authorised officer for the purposes of this deed.
Payment Currency	the currency in which a payment is actually made.
Power	any right, power, authority, discretion or remedy conferred on the Noteholder by any Transaction Document or any applicable law.
PPSA	the *Personal Property Securities Act 2009* (Cth).
PPSA Security Interest	a security interest as defined in the PPSA.
Principal Agreement	the terms of the Senior Secured Convertible Debentures issued by the Debtor to the Noteholder on [#] 2016 and thereafter.
Receiver	a receiver or receiver and manager appointed under a Transaction Document.
Related Body Corporate	a 'related body corporate' as defined in section 50 of the Corporations Act.
Relevant Currency	the currency in which a payment is required to be made under the Transaction Documents and, if not expressly stated to be another currency, is US Dollars.

Term	Meaning
Same Day Funds	immediately available and freely transferable funds.
Securities Purchase Agreement	the purchase agreement for the Senior Secured Convertible Debentures dated 27 May 2016 between the Debtor and the Noteholder.
Specific Security Agreement	the document entitled 'Specific Security Agreement (Shares)' between the Guarantor and the Noteholder dated on or about the date of this deed.
Subsidiary	a subsidiary as defined in section 46 of the Corporations Act.
Tax	1 any tax including GST, levy, charge, impost, duty, fee, deduction, compulsory loan or withholding; or 2 any income, stamp or transaction duty, tax or charge, which is assessed, levied, imposed or collected by any Government Agency and includes any interest, fine, penalty, charge, fee or other amount imposed on, or in respect of, any of the above.
Transaction Document	1 this deed; 2 the Principal Agreement; 3 the US Security Agreement; 4 the Securities Purchase Agreement; 5 the Australian Security Agreement; 6 the Specific Security Agreement, or any document or agreement entered into or given under any of the above.
Transaction Party	1 the Guarantor; or 2 the Debtor.
US Security Agreement	the security agreement for the Senior Secured Convertible Debentures dated 27 May 2016 between the Debtor, all of the Debtor's subsidiaries and the Noteholder.

1.2 Interpretation

In this deed:

(a) Headings and bold type are for convenience only and do not affect the interpretation of this deed.

(b) The singular includes the plural and the plural includes the singular.

(c) Words of any gender include all genders.

(d) Other parts of speech and grammatical forms of a word or phrase defined in this deed have a corresponding meaning.

(e) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual.

(f) A promise on the part of 2 or more persons binds them jointly and severally.

(g) A reference to any thing (including any right) includes a part of that thing but nothing in this clause 1.2(g) implies that performance of part of an obligation constitutes performance of the obligation.

(h) A reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this deed.

(i) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.

(j) A reference to a document includes all amendments or supplements to, or replacements or novations of, that document.

(k) A reference to a party to a document includes that party's successors and permitted assignees.

(l) A reference to an agreement other than this deed includes a deed and any legally enforceable undertaking, agreement, arrangement or understanding, whether or not in writing.

(m) A reference to an asset includes all property of any nature, including a business, and all rights, revenues and benefits.

(n) A reference to liquidation or insolvency includes appointment of an administrator, compromise, arrangement, merger, amalgamation, reconstruction, winding up, dissolution, deregistration, assignment for the benefit of creditors, scheme, composition or arrangement with creditors, insolvency, bankruptcy, or a similar procedure or, where applicable, changes in the constitution of any partnership or person, or death.

(o) A reference to a document includes any agreement in writing, or any certificate, notice, instrument or other document of any kind.

(p) No provision of this deed will be construed adversely to a party because that party was responsible for the preparation of this deed or that provision.

(q) A reference to a body, other than a party to this deed (including an institute, association or authority), whether statutory or not:

(1) which ceases to exist; or

(2) whose powers or functions are transferred to another body,

is a reference to the body that replaces it or that substantially succeeds to its powers or functions.

(r) References to time are to Melbourne time.

(s) Where this deed confers any power or authority on a person that power or authority may be exercised by that person acting personally or through an agent or attorney.

1.3 Incorporated definitions

A word or phrase (other than one defined in clause 1.1) defined in the Principal Agreement has the same meaning in this deed.

1.4 Interpretation of inclusive expressions

Specifying anything in this deed after the words 'include' or 'for example' or similar expressions does not limit what else is included unless there is express wording to the contrary.

1.5 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

1.6 Unconditional and irrevocable obligations

Each of the obligations of the Guarantor under this deed is unconditional and irrevocable.

1.7 Accounting Standards

Any accounting practice or concept relevant to this deed is to be construed or determined in accordance with the Accounting Standards.

1.8 Deed components

This deed includes any schedule.

2 Guarantee

2.1 Guarantee

The Guarantor guarantees to the Noteholder the payment of the Guaranteed Moneys.

2.2 Payment

(a) If the Guaranteed Moneys are not paid when due, the Guarantor must immediately on demand from the Noteholder pay to the Noteholder the Guaranteed Moneys in the same manner and currency as the Guaranteed Moneys are required to be paid.

(b) A demand under clause 2.2(a) may be made at any time and from time to time.

3 Payments

3.1 Manner of payment

All payments to the Noteholder under this deed must be made:

(a) in Same Day Funds;

(b) in the Relevant Currency;

(c) not later than 11.00am on the date specified in the demand made under clause 2.2,

to the Noteholder's account as specified by the Noteholder to the Guarantor or in any other manner the Noteholder directs from time to time.

3.2 Payments in gross

All payments which the Guarantor is required to make under this deed must be without:

(a) any set off, counterclaim or condition; and

(b) any deduction or withholding for any Tax or any other reason, unless the Guarantor is required to make a deduction or withholding by applicable law.

3.3 Additional payments

If:

(a) the Guarantor is required to make a deduction or withholding in respect of Tax (other than an Excluded Tax) from any payment it is required to make to the Noteholder under this deed; or

(b) the Noteholder is required to pay any Tax (other than an Excluded Tax) in respect of any payment it receives from the Guarantor under this deed,

the Guarantor:

(c) indemnifies the Noteholder against that Tax; and

(d) must pay to the Noteholder an additional amount that the Noteholder determines to be necessary to ensure that the Noteholder receives when due a net amount (after payment of any Tax (other than an Excluded Tax) in respect of each additional amount) that is equal to the full amount it would have received if a deduction or withholding or payment of Tax had not been made.

3.4 Taxation deduction procedures

If clause 3.3 applies:

(a) the Guarantor must pay the amount deducted or withheld to the appropriate Government Agency as required by law; and

(b) the Guarantor must:

(1) use reasonable endeavours to obtain a payment receipt or from the Government Agency (and any other documentation ordinarily provided by the Government Agency in connection with the payment); and

(2) within 2 Business Days after receipt of the documents referred to in clause 3.4(b)(1), deliver copies to the Noteholder.

3.5 Tax Credit

If the Guarantor makes an additional payment under clause 3.3, and the Noteholder determines that:

(a) a credit against, relief or remission for, or repayment of any Tax (**Tax Credit**) is attributable to that additional payment; and

(b) the Noteholder has obtained, utilised and retained that Tax Credit,

then the Noteholder must pay an amount to the Guarantor which the Noteholder determines will leave it (after that payment) in the same after Tax position as it would have been in had the additional payment not been made by the Guarantor.

3.6 Tax affairs

Nothing in clause 3.5:

(a) interferes with the right of the Noteholder to arrange its tax affairs in any manner it thinks fit;

(b) obliges the Noteholder to investigate the availability of, or claim, any Tax Credit; or

(c) obliges the Noteholder to disclose any information relating to its tax affairs or any tax computations.

3.7 Noteholder's statement of indebtedness

A certificate signed by an Officer of the Noteholder stating:

(a) the amount of the Guaranteed Moneys due and payable;

(b) the amount due and payable by the Guarantor under this deed; or

(c) the amount of the Guaranteed Moneys, whether currently due and payable or not,

is sufficient evidence, unless the contrary is proved, of that amount at the date stated on the certificate or failing that as at the date of that certificate.

3.8 Securities for other moneys

(a) The Noteholder may apply any amounts received by it or recovered under:

(1) any Collateral Security; and

(2) any other document or agreement,

that is a security for any of the Guaranteed Moneys and any other moneys in such manner as it determines in its absolute discretion.

(b) The Noteholder need not apply any amounts referred to in clause 3.8(a) in or towards satisfaction of the Guaranteed Moneys.

(c) Clause 3.8(b) does not limit clause 3.8(a).

3.9 Amounts payable on demand

If any amount payable by the Guarantor under this deed is not expressed to be payable on a specified date, that amount is payable by the Guarantor on demand by the Noteholder.

3.10 Set off

If the Guarantor or the Debtor fails to pay any Guaranteed Moneys when due, the Noteholder may:

(a) apply any credit balance in any currency in any account of the Guarantor with the Noteholder in and towards satisfaction of the Guaranteed Moneys; and

(b) effect any currency conversion that may be required to make any application under clause 3.10(a).

4 Representations and warranties

4.1 Representations and warranties

The Guarantor represents and warrants that:

(a) **registration** : it is a corporation, duly incorporated or registered (or taken to be registered) and validly existing under the Corporations Act;

(b) **corporate power** : it has the corporate power to own its assets and to carry on its business as it is now being conducted;

(c) **authority** : it has power and authority to enter into and perform its obligations under the Transaction Documents to which it is expressed to be a party;

(d) **authorisations** : it has taken all necessary action to authorise the execution, delivery and performance of the Transaction Documents to which it is expressed to be a party;

(e) **binding obligations** : the Transaction Documents to which it is expressed to be a party constitute its legal, valid and binding obligations and, subject to any necessary stamping and registration, are enforceable in accordance with their terms subject to laws generally affecting creditors' rights and to principles of equity;

(f) **transaction permitted** : the execution, delivery and performance by it of the Transaction Documents to which it is expressed to be a party will not breach, or result in a contravention of:

(1) any law, regulation or Authorisation;

(2) its constitution or other constituent documents; or

(3) any Encumbrance or agreement that is binding on the Guarantor;

and will not result in:

(4) the creation or imposition of any Encumbrance on any assets of the Guarantor other than as permitted under a Transaction Document; or

(5) the acceleration of the date of payment of any obligation under any agreement that is binding upon the Guarantor;

(g) **financial information** : the most recent Financial Reports and any other information that it and any of its Subsidiaries have provided to the Noteholder before the execution of this deed or under clause 5.6:

(1) give a true and fair view of the financial condition and state of affairs of it as at the date they were prepared and of the results of its operations for the period they cover; and

(2) were prepared in accordance with the Accounting Standards;

(h) **no change in affairs** : there has been no change in its state of affairs since the end of the accounting period for its most recent Financial Reports referred to in clause 4.1(g) which has had or is likely to have a Material Adverse Effect;

(i) **representations true** : each of its representations and warranties contained in the Transaction Documents is correct and not misleading when made or repeated;

(j) **disclosure** : all information provided to the Noteholder by or on its behalf in relation to it, its assets, business or affairs or the Transaction Documents was correct and not misleading (by omission or otherwise) as at the time it was provided;

(k) **no failure to disclose** : it has not withheld from the Noteholder any information material to the decision of the Noteholder to enter into the Transaction Documents to which the Noteholder is a party;

(l) **not a trustee:** it does not enter into any Transaction Document as trustee of any trust or settlement **;** and

(m) **commercial benefit** : the entering into and performance by it of its obligations under the Transaction Documents to which it is expressed to be a party is for its commercial benefit and is in its commercial interests.

4.2 Survival of representations and warranties

The representations and warranties in clause 4.1:

(a) survive the execution of this deed; and

(b) (except for the representations and warranties in clauses 4.1(i) and 4.1(j) are regarded as repeated on each describe event with respect to the facts and circumstances then subsisting.

4.3 Reliance by the Noteholder

The Guarantor acknowledges that the Noteholder has entered into each Transaction Document in reliance on the representations and warranties given under this deed.

4.4 No reliance on the Noteholder

The Guarantor acknowledges that it has not entered into this deed or any Transaction Document in reliance on any representation, warranty, promise or statement of the Noteholder or of any person on behalf of the Noteholder.

5 Undertakings, consents and acknowledgments

5.1 Amount of the Guaranteed Moneys

(a) This deed applies to any amount that forms part of the Guaranteed Moneys from time to time.

(b) The obligations of the Guarantor under this deed extend to any increase in the Guaranteed Moneys as a result of:

(1) any amendment, supplement, renewal or replacement of any Transaction Document to which a Transaction Party and the Noteholder is a party; or

(2) the occurrence of any other thing.

(c) Clause 5.1(b):

(1) applies regardless of whether the Guarantor is aware of, has consented to, or is given notice of any amendment, supplement, renewal or replacement of any agreement to which a Transaction Party and the Noteholder is a party or the occurrence of any other thing; and

(2) does not limit the obligations of the Guarantor under this deed.

5.2 Proof by Noteholder

In the event of the liquidation of the Debtor or any other person liable to pay the Guaranteed Moneys, the Guarantor authorises the Noteholder to prove for all moneys that the Guarantor has paid or is or may be obliged to pay under any Transaction Document, any other document or agreement or otherwise in respect of the Guaranteed Moneys.

5.3 Retention of deed

The Noteholder may retain this deed for:

(a) 7 months after the payment in full of the Guaranteed Moneys; or

(b) if anything referred to in clause 9.9 has occurred or in the opinion of the Noteholder may occur, such longer period as the Noteholder determines.

5.4 Further assurances

The Guarantor must:

(a) do anything which the Noteholder requests to:

(1) ensure or enable the Noteholder to ensure that this deed, any PPSA Security Interest under this deed and the Powers are fully effective, enforceable and perfected with the contemplated priority; or

(2) aid the exercise of any Power,

including the execution of any document or agreement;

(b) without limiting clause 5.4(a)(1), obtain and renew when necessary all Authorisations required under any law or document or agreement, or require a third party to take any other action (including executing any document):

(1) to enable the Guarantor to perform the obligations of the Guarantor under this deed;

(2) for the validity or enforceability perfection or priority of this deed or any PPSA Security Interest under this deed; or

(3) as required to give effect to clause 5.4(a)(1); and

(c) comply with the terms of the Authorisations referred to in clause 5.4(b).

5.5 Negative pledge

The Guarantor must not:

(a) sell, assign, transfer or otherwise dispose of or part with possession of;

(b) create or allow to exist, or agree to, any Encumbrance (other than an Encumbrance in favour of the Noteholder) over; or

(c) attempt to do anything listed in clause 5.5(a) and 5.5(b) in respect of,

any of its assets, except in the ordinary course of its ordinary business, without the prior written consent of the Noteholder.

5.6 Provision of information and reports

The Guarantor must provide to the Noteholder the following:

(a) **documents issued** : copies of all documents issued by it to holders of its Marketable Securities;

(b) **Know your client** : documentation and other evidence requested by the Noteholder which is required to satisfy or comply with the 'know your customer', 'know your client' or 'client vetting' procedures of the Noteholder or any potential assignee or any other person who is considering contracting with the Noteholder in connection with a Transaction Document; and

(c) **other information** : any other information that the Noteholder requests in relation to it or any of its assets.

5.7 Proper accounts

The Guarantor must keep accounting records that give a true and fair view of the financial condition and state of affairs of it and its Subsidiaries.

5.8 Notices to the Noteholder

The Guarantor must notify the Noteholder as soon as it becomes aware of:

(a) any Event of Default occurring;

(b) any litigation, arbitration, administration or other proceeding in respect of it or any of its assets being commenced or threatened that is if adversely determined would have or be likely to have a Material Adverse Effect;

(c) any Encumbrance or Guarantee, other than any Transaction Document, being created or entered into by the Guarantor or any Subsidiary of the Guarantor; and

(d) any proposal of any Government Agency to compulsorily acquire any asset of the Guarantor or any Subsidiary of the Guarantor.

5.9 Term of undertakings

Each of the Guarantor's undertakings in this clause 5 continues in full force and effect for the term of this deed.

6 Indemnities

6.1 General indemnity

(a) The Guarantor indemnifies the Noteholder against any Loss which the Noteholder pays, suffers, incurs or is liable for, in respect of any of the following:

(1) the occurrence of any Event of Default;

(2) the Noteholder exercising its Powers consequent upon or arising out of the occurrence of any Event of Default;

(3) the non-exercise, attempted exercise, exercise or delay in exercising of any Power;

(4) any failure by the Debtor to pay any of the Guaranteed Moneys when due or in the manner or currency in which they were required to be paid;

(5) any failure of the Debtor or the Guarantor or any other person to observe, perform or comply with any provision of any Transaction Document or any other document or agreement;

(6) any fact or circumstance not being as represented or warranted to the Noteholder by the Debtor or the Guarantor or any Transaction Party; and

(7) the Noteholder acting in connection with this deed or a Transaction Document in good faith on fax instructions purporting to originate from the offices of the Guarantor or a Transaction Party or to be given by the Guarantor or the Transaction Party.

(b) The indemnity contained in clause 6.1(a) includes:

(1) the amount determined by the Noteholder as being incurred by reason of the liquidation or re-employment of deposits or other funds acquired or contracted for by the Noteholder to fund or maintain the Guaranteed Moneys; and

(2) loss of margin.

6.2 Indemnity for avoidance of Guaranteed Moneys

(a) If any of the Guaranteed Moneys (or moneys that would have been Guaranteed Moneys had they not been irrecoverable) are irrecoverable by the Noteholder:

(1) from the Debtor; or

(2) from the Guarantor on the footing of a guarantee,

the Guarantor, as a separate and principal obligation:

(3) indemnifies the Noteholder against any Loss suffered, paid or incurred by the Noteholder in relation to the non-payment of that money; and

(4) must pay the Noteholder an amount equal to that money.

(b) Clause 6.2(a) applies to the Guaranteed Moneys (or moneys that would have been Guaranteed Moneys had they not been irrecoverable) that are or may be irrecoverable irrespective of whether:

(1) they are or may be irrecoverable by reason of any event described in clause 10.3;

(2) they are or may be irrecoverable by reason of any other fact or circumstance;

(3) the transactions or any of them relating to those moneys are void or illegal or avoided or otherwise unenforceable; and

(4) any matters relating to the Guaranteed Moneys are or should have been within the knowledge of the Noteholder.

6.3 Foreign currency indemnity

If, at any time:

(a) the Noteholder receives or recovers any part of the Guaranteed Moneys or any amount payable by the Guarantor under this deed including:

(1) under any judgment or order of any Government Agency;

(2) for any breach of any Transaction Document;

(3) on the liquidation of the Debtor, the Guarantor or any other person liable to pay the Guaranteed Moneys or any proof or claim in that liquidation; or

(4) any other thing into which the obligations of the Guarantor, Debtor or other person liable to pay the Guaranteed Moneys may have become merged, and

(b) the Payment Currency is not the Relevant Currency,

the Guarantor indemnifies the Noteholder against any shortfall between the amount payable in the Relevant Currency and the amount actually received or recovered by the Noteholder after the Payment Currency is converted or translated into the Relevant Currency in accordance with clause 6.4.

6.4 Conversion of Currencies

The Noteholder may itself or through its bankers purchase one currency with another, whether or not through an intermediate currency, whether spot or forward, in the manner and amounts and at the times it thinks fit.

6.5 Indemnity payment

The Guarantor must pay to the Noteholder upon demand all amounts that the Noteholder states are owing to it under any indemnity under this deed.

7 Tax, costs and expenses

7.1 Tax

(a) The Guarantor must pay any Tax (other than an Excluded Tax) that is payable in respect of a Transaction Document (including in respect of the execution, delivery, performance, release, discharge, amendment or enforcement of a Transaction Document).

(b) The Guarantor must pay any fine, penalty or other cost in respect of a failure to pay any Tax described in clause 7.1(a) except to the extent that the fine, penalty or other cost is caused by the Noteholder's failure to lodge moneys received from the Guarantor within 5 Business Days before the due date for lodgment.

(c) The Guarantor indemnifies the Noteholder against any amount payable under clause 7.1(a) or clause 7.1(b).

7.2 Costs and expenses

The Guarantor must pay to the Noteholder:

(a) all costs and expenses of the Noteholder in relation to the negotiation, preparation, execution, delivery, stamping, registration, perfection, completion, variation and discharge of any Transaction Document or any Encumbrance provided for by a Transaction Document;

(b) all costs and expenses of the Noteholder in relation to the enforcement, protection or waiver, or attempted or contemplated enforcement or protection, of any rights under any Transaction Document;

(c) all costs and expenses of the Noteholder in relation to the consent or approval of the Noteholder given under any Transaction Document; and

(d) all costs and expenses of the Noteholder in relation to any enquiry by a Government Agency involving the Guarantor,

including:

(e) any administration costs of the Noteholder in connection with the matters described in clauses 7.2(b) and 7.2(d); and

(f) any legal costs and expenses and any professional consultant's fees on a full indemnity basis.

7.3 GST

(a) If GST is or will be imposed on a supply made under or in connection with this deed by the Noteholder, the Noteholder may, to the extent that the consideration otherwise provided for that supply is not stated to include an amount in respect of GST on the supply:

(1) increase the consideration otherwise provided for that supply under this deed by the amount of that GST; or

(2) otherwise recover from the recipient of the supply the amount of that GST.

(b) The Noteholder must issue a Tax Invoice to the recipient of the supply no later than 5 Business Days after payment to the Noteholder of the GST inclusive consideration for that supply.

8 Interest on overdue amounts

8.1 Payment of interest

(a) Subject to clause 8.1(b), the Guarantor must pay interest:

(1) on any amount due and payable under this deed but unpaid; and

(2) on any interest payable under this clause 8.

(b) Clause 8.1(a) does not apply to any amount due under clause 2 where interest continues to be payable by the Debtor on the corresponding part of the Guaranteed Moneys and accordingly forms part of the Guaranteed Moneys.

8.2 Accrual of interest

The interest payable under clause 8.1:

(a) accrues from day to day from and including the due date for payment up to the actual date of payment, before and, as an additional and independent obligation, after any judgment or other thing into which the liability to pay any amount under this deed becomes merged; and

(b) may be capitalised by the Noteholder at monthly intervals.

8.3 Rate of interest

The rate of interest payable under this clause 8 is the higher of:

(a) any rate specified in a Transaction Document; and

(b) the rate fixed or payable under a judgment, decree or order referred to in clause 8.2(a).

9 Saving provisions

9.1 No merger of security

(a) Nothing in this deed merges, extinguishes, postpones, lessens or otherwise prejudicially affects:

(1) any Encumbrance or indemnity in favour of the Noteholder; or

(2) any Power.

(b) No other Encumbrance or Transaction Document which the Noteholder has the benefit of in anyway prejudicially affects any Power.

9.2 Exclusion of moratorium

To the extent not excluded by law, a provision of any legislation that directly or indirectly:

(a) lessens, varies or affects in favour of the Guarantor any obligations under this deed or any Collateral Security;

(b) stays, postpones or otherwise prevents or prejudicially affects the exercise by the Noteholder of any Power; or

(c) confers any right on the Guarantor or imposes any obligation on the Noteholder or an Attorney in connection with the exercise of any Power,

is negatived and excluded from this deed and any Collateral Security and all relief and protection conferred on the Guarantor by or under that legislation is also negatived and excluded.

9.3 Exclusion of PPSA provisions

Without limiting clause 9.2, except as set forth in the Australian Security Agreement and the Specific Security Agreement:

(a) the provisions of the PPSA specified in section 115(1) of that Act and (in the circumstances permitted under section 115(7) of the PPSA) section 115(7) of that Act are excluded and will not apply to any PPSA Security Interest under this deed; and

(b) to the extent not prohibited by the PPSA, the Guarantor waives its right to receive any notice otherwise required to be given by the Noteholders under section 157 (verification statements) or any other provision of the PPSA.

9.4 Conflict

Where any right, power, authority, discretion or remedy conferred on the Noteholder under this deed or any Collateral Security is inconsistent with the powers conferred by applicable law then, to the extent not prohibited by that law, those powers conferred by applicable law are regarded as negatived or varied to the extent of the inconsistency.

9.5 Consent of Noteholder

(a) Whenever the doing of any thing by the Guarantor is dependent on the consent or approval of the Noteholder, the Noteholder may withhold its consent or approval or give it conditionally or unconditionally in its absolute discretion unless expressly stated otherwise in this deed.

(b) Any conditions imposed on the Guarantor by the Noteholder under clause 9.5(a) must be complied with by the Guarantor.

9.6 Non-exercise of Guarantor's rights

The Guarantor must not exercise any right it may have (whether arising under this deed, any other Transaction Document or otherwise) inconsistent with this deed.

9.7 Principal obligations

This deed and each Collateral Security is:

(a) a principal obligation and is not to be treated as ancillary or collateral to any other right or obligation; and

(b) independent of and unaffected by any other Collateral Security that the Noteholder may hold in respect of the Guaranteed Moneys or any obligations of any Transaction Party or any other person.

9.8 No obligation to marshal

The Noteholder is not required to marshal or to enforce or apply under, appropriate, recover or exercise:

(a) any Encumbrance, Guarantee or Collateral Security or other document or agreement held, at any time, by the Noteholder; or

(b) any money or asset that the Noteholder, at any time, holds or is entitled to receive.

9.9 Non avoidance

(a) If any payment, conveyance, transfer or other transaction relating to or affecting the Guaranteed Moneys is:

(1) void, voidable or unenforceable in whole or in part; or

(2) claimed to be void, voidable or unenforceable and that claim is upheld, conceded or compromised in whole or in part,

the liability of the Guarantor under this deed and any Power is the same as if:

(3) that payment, conveyance, transfer or transaction (or the void, voidable or unenforceable part of it); and

(4) any release, settlement or discharge made in reliance on any thing referred to in clause 9.9(a)(3),

had not been made and the Guarantor must immediately take all action and sign all documents necessary or required by the Noteholder to restore to the Noteholder this deed and any Encumbrance held by the Noteholder immediately before the payment, conveyance, transfer or transaction.

(b) Clause 9.9(a) applies whether or not the Noteholder knew, or ought to have known, of anything referred to in clause 9.9(a).

9.10 Continuing guarantee and indemnities

(a) The guarantee and each indemnity contained in this deed is a continuing obligation of the Guarantor, despite:

(1) any settlement of account; or

(2) the occurrence of any other thing,

and remains in full force and effect until:

(3) the Guaranteed Moneys and all other moneys owing, contingently or otherwise, under any of the Transaction Documents, have been paid in full; and

(4) this deed has been finally discharged by the Noteholder.

(b) The guarantee and each indemnity contained in this deed is an additional, separate and independent obligation of the Guarantor and neither the guarantee nor any indemnity limits the general nature of the guarantee or any other indemnity.

(c) The guarantee and each indemnity contained in this deed survives the termination of any Transaction Document.

10 Third party provisions

10.1 Suspense account

(a) The Noteholder may apply to the credit of a suspense account any:

(1) amounts received under this deed;

(2) dividends, distributions or other amounts received in respect of the Guaranteed Moneys in any liquidation; and

(3) other amounts received from the Guarantor, the Debtor, Transaction Party or any other person in respect of the Guaranteed Moneys.

(b) The Noteholder may retain the amounts in the suspense account for as long as it determines and is not obliged to apply them in or towards satisfaction of the Guaranteed Moneys.

(c) The Noteholder may apply the amounts referred to in clause 10.1(b) in or towards satisfaction of the Guaranteed Moneys in such manner as it determines.

10.2 Independent obligations

This deed is enforceable against the Guarantor:

(a) without first having recourse to any Collateral Security;

(b) whether or not the Noteholder has:

(1) made demand on any Transaction Party other than the Guarantor (other than any demand specifically required to be given, or notice required to be issued, to the Guarantor under clause 2.2 or any other provision of a Transaction Document);

(2) given notice to any Transaction Party (other than the Guarantor) or any other person in respect of any thing; or

(3) taken any other steps against any Transaction Party or any other person;

(c) whether or not any Guaranteed Moneys are then due and payable; and

(d) despite the occurrence of any event described in clause 10.3.

10.3 Unconditional nature of obligations

(a) The Transaction Documents and the obligations of the Guarantor under the Transaction Documents are absolute, binding and unconditional in all circumstances and are not released, discharged or otherwise affected by anything that but for this provision might have that effect, including:

(1) the grant to any Transaction Party or any other person of any time, waiver, covenant not to sue or other indulgence;

(2) the release (including a release as part of any novation) or discharge of any Transaction Party or any other person;

(3) the cessation of the obligations, in whole or in part, of any Transaction Party or any other person under any Transaction Document or any other document or agreement;

(4) the liquidation of the Noteholder or any Transaction Party or any other person;

(5) any arrangement, composition or compromise entered into by the Noteholder, any Transaction Party or any other person;

(6) any Transaction Document or any other document or agreement being in whole or in part illegal, void, voidable, avoided, unenforceable or otherwise of limited force or effect;

(7) any extinguishment, failure, loss, release, discharge, abandonment, impairment, compounding, composition or compromise, in whole or in part, of any Transaction Document or any other document or agreement;

(8) any Collateral Security being given to the Noteholder by any Transaction Party or any other person;

(9) any alteration, amendment, variation, supplement, renewal or replacement of any Transaction Document or any other document or agreement or any increase in the limit or maximum principal amount available under such document;

(10) any moratorium or other suspension of any Power;

(11) the Noteholder exercising or enforcing, delaying or refraining from exercising or enforcing, or being not entitled or unable to exercise or enforce, any Power;

(12) the Noteholder obtaining a judgment against any Transaction Party or any other person for the payment of any of the Guaranteed Moneys;

(13) any transaction, agreement or arrangement that may take place with the Noteholder, any Transaction Party or any other person;

(14) any payment to the Noteholder, a Receiver or an Attorney, including any payment that at the payment date or at any time after the payment date is, in whole or in part, illegal, void, voidable, avoided or unenforceable;

(15) any failure to give effective notice to any Transaction Party or any other person of any default under any Transaction Document or any other document or agreement;

(16) any legal limitation, disability or incapacity of the Noteholder, or any Transaction Party or of any other person;

(17) any breach of any Transaction Document or any other document or agreement;

(18) the acceptance of the repudiation of, or termination of, any Transaction Document or any other document or agreement;

(19) any Guaranteed Moneys being irrecoverable for any reason;

(20) any disclaimer by any Transaction Party or any other person of any Transaction Document or any other document or agreement;

(21) any assignment, novation, assumption or transfer of, or other dealing with, any Powers or any other rights or obligations under any Transaction Document or any other document or agreement;

(22) the opening of a new account of the Debtor (whether alone or with others) with the Noteholder or any transaction on or relating to the new account;

(23) any prejudice (including material prejudice) to any person as a result of any thing done, or omitted by the Noteholder, any Transaction Party or any other person;

(24) any prejudice (including material prejudice) to any person as a result of the Noteholder, Receiver, Attorney or any other person selling or realising any property the subject of a Collateral Security at less than the best price;

(25) any prejudice (including material prejudice) to any person as a result of any failure or neglect by the Noteholder, Receiver, Attorney or any other person to recover the Guaranteed Moneys from the Debtor or by the realisation of any property the subject of a Collateral Security;

(26) any prejudice (including material prejudice) to any person as a result of any other thing;

(27) the receipt by the Noteholder of any dividend, distribution or other payment in respect of any liquidation;

(28) the capacity in which a Transaction Party executed a Transaction Document not being the capacity disclosed to the Noteholder before the execution of the Transaction Document;

(29) the failure of any other Transaction Party or any other person to execute any Transaction Document or any other document; or

(30) any other act, omission, matter or thing whether negligent or not.

(b) Clause 10.3(a) applies irrespective of:

(1) the consent or knowledge or lack of consent or knowledge, of the Noteholder, any Transaction Party or any other person of any event described in clause 10.3(a) (and the Guarantor irrevocably waives any duty on the part of the Noteholder to disclose such information); or

(2) any rule of law or equity to the contrary.

10.4 No competition

(a) Until the Guaranteed Moneys have been fully paid and this deed has been finally discharged, the Guarantor is not entitled to:

(1) be subrogated to the Noteholder;

(2) claim or receive the benefit of any Encumbrance, Guarantee (including any Transaction Document) or other document or agreement of which the Noteholder has the benefit;

(3) claim or receive the benefit of any moneys held by the Noteholder;

(4) claim or receive the benefit of any Power;

(5) except in accordance with clause 10.4(b), either directly or indirectly prove in, claim or receive the benefit of any distribution, dividend or payment arising out of or relating to the liquidation of the Debtor or any other person liable to pay the Guaranteed Moneys;

(6) make a claim or exercise or enforce any right, power or remedy (including under an Encumbrance or Guarantee or by way of contribution) against the Debtor or any other person liable to pay the Guaranteed Moneys or against any asset of the Debtor or any other person liable to pay the Guaranteed Moneys, whether such right power or remedy arises under or in connection with this deed, any other Transaction Document or otherwise;

(7) accept, procure the grant of, or allow to exist any Encumbrance in favour of the Guarantor from the Debtor or any other person liable to pay the Guaranteed Moneys;

(8) exercise or attempt to exercise any right of set off against, nor realise any Encumbrance taken from, the Debtor or any other person liable to pay the Guaranteed Moneys; or

(9) raise any defence or counterclaim in reduction or discharge of its obligations under the Transaction Documents.

(b) If required by the Noteholder, the Guarantor must prove in any liquidation of the Debtor or any other person liable to pay the Guaranteed Moneys for all moneys owed to the Guarantor.

(c) All moneys recovered by the Guarantor from the Debtor or any other person liable to pay the Guaranteed Moneys from any liquidation or under any Encumbrance (whether the Encumbrance is a Transaction Document or otherwise) must be paid to the Noteholder to the extent of the unsatisfied liability of the Guarantor under the Transaction Documents.

(d) The Guarantor must not do, or seek, attempt or purport to do, any thing referred to in clause 10.4(a).

11 General

11.1 Confidential information

The Noteholder must not disclose to any person:

(a) this deed; or

(b) any information about any Transaction Party,

except:

(c) in connection with an actual or proposed permitted assignment, novation, participation or securitisation or entry by the Noteholder into a credit default swap where the disclosure is made on the basis that the recipient of the information will comply with this clause 11.1 in the same way that the Noteholder is required to do;

(d) to any professional or other adviser consulted by it in relation to any of its rights or obligations under the Transaction Documents;

(e) to the Reserve Bank of Australia, the Australian Tax Office, the Australian Transaction Reports and Analysis Centre or any Government Agency in Australia or elsewhere requiring or requesting disclosure of the information;

(f) in connection with the enforcement of its rights under this deed or the Transaction Documents;

(g) to any Related Body Corporate of the Noteholder where the disclosure is made on the basis that the recipient of the information will comply with this clause 11.1 in the same way that the Noteholder is required to do;

(h) where the information is already in the public domain, or where the disclosure would not otherwise breach any duty of confidentiality;

(i) if required by law in Australia or elsewhere (other than under section 275 of the PPSA to the extent that disclosure would not be required under that section if the disclosure would breach a duty of confidence); or

(j) otherwise with the prior written consent of the relevant Transaction Party (such consent not to be unreasonably withheld or delayed).

11.2 Guarantor to bear cost

Any thing that must be done by the Guarantor under this deed, whether or not at the request of the Noteholder, is to be done at the cost of the Guarantor.

11.3 Notices

(a) Any notice or other communication including any request, demand, consent or approval, to or by a party to this deed must be in legible writing and in English addressed as shown below:

(1) if to the Guarantor:

Address:	Level 8, 350 Collins Street, Melbourne, Australia.
Attention:	Keith Spickelmier and Andrew Adams
Email:	andrew@adamsmanagement.com.au : kspickelmier1@comcast.net and kim@discoveryenergy.com

if to the Noteholder:

Address:	DEC Funding LLC, c/o Avista Capital Partners, 1000 Louisiana Street, Suite 3700, Houston, Texas 77002
Attention:	Steven Webster
Email:	webster@avistacap.com

or as specified to the sender by the party by notice.

(b) If the sender is a company, any such notice or other communication must be signed by an Officer of the sender.

(c) Any such notice or other communication is regarded as being given by the sender and received by the addressee:

(1) if by delivery in person, when delivered to the addressee;

(2) if by post, on delivery to the addressee; or

(3) if by facsimile when received by the addressee in legible form,

but if the delivery or receipt is on a day that is not a Business Day or is after 4.00pm (addressee's time) it is regarded as received at 9.00am on the following Business Day.

(d) Any such notice or other communication can be relied upon by the addressee and the addressee is not liable to any other person for any consequences of that reliance if the addressee believes it to be genuine, correct and authorised by the sender.

(e) A facsimile transmission is regarded as legible unless the addressee telephones the sender within 2 hours after the transmission is received or regarded as received under clause 11.3(c)(3) and informs the sender that it is not legible.

11.4 Governing law and jurisdiction

(a) This deed is governed by the laws of Victoria.

(b) The parties irrevocably submit to the non-exclusive jurisdiction of the courts of Victoria.

(c) The parties irrevocably waive any objection to the venue of any legal process on the basis that the process has been brought in an inconvenient forum.

(d) The parties irrevocably waive any immunity in respect of its obligations under this deed that it may acquire from the jurisdiction of any court or any legal process for any reason including the service of notice, attachment before judgment, attachment in aid of execution or execution.

11.5 Prohibition and enforceability

(a) Any provision of, or the application of any provision of, this deed or any Power that is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.

(b) Any provision of, or the application of any provision of, this deed that is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.

11.6 Waivers

(a) Waiver of any right arising from a breach of this deed or of any Power arising upon default under this deed or upon the occurrence of an Event of Default must be in writing and signed by the party granting the waiver.

(b) A failure or delay in exercise, or partial exercise, of:

(1) a right arising from a breach of this deed or the occurrence of an Event of Default; or

(2) a Power created or arising upon default under this deed or upon the occurrence of an Event of Default,

does not result in a waiver of that right or Power.

(c) A party is not entitled to rely on a delay in the exercise or non-exercise of a right or Power arising from a breach of this deed or on a default under this deed or on the occurrence of an Event of Default as constituting a waiver of that right or Power.

(d) A party may not rely on any conduct of another party as a defence to exercise of a right or Power by that other party.

(e) This clause 11.6 may not itself be waived except by writing.

11.7 Variation

A variation of any term of this deed must be in writing and signed by the parties.

11.8 Cumulative rights

The Powers in this deed are cumulative and do not exclude any other right, power, authority, discretion or remedy of the Noteholder.

HERBERT SMITH FREEHILLS

11.9 Assignment

(a) Subject to any Transaction Document, the Noteholder may assign its rights under this deed or any Transaction Document without the consent of the Guarantor.

(b) The Guarantor may not assign any of its rights under this deed or any other Transaction Document without the prior written consent of the Noteholder.

11.10 Counterparts

(a) This deed may be executed in any number of counterparts.

(b) All counterparts, taken together, constitute one instrument.

(c) A party may execute this deed by signing any counterpart.

11.11 Attorneys

Each of the attorneys executing this deed states that the attorney has no notice of the revocation of the power of attorney appointing that attorney.

HERBERT SMITH FREEHILLS

Signing page

Executed as a deed

Guarantor

Signed sealed and delivered by
Discovery Energy SA Pty Ltd
by

sign here ► /s/ William E. Begley
Company Secretary/Director

print name _____

sign here ► /s/ Michael D. Dahlke
Director

print name _____

Noteholder

Signed sealed and delivered by
DEC Funding LLC
by

sign here ► /s/ Steven Webster
Director

print name _____

Exhibit 10.08

EXECUTION COPY

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this " Agreement ") is made and entered into as of May 27, 2016, between Discovery Energy Corp., a Nevada corporation (the " Company "), DEC Funding LLC, a Texas limited liability corporation (" Original Purchaser ") and each of the several other purchasers from time to time who become a party to the Purchase Agreement (defined below).

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of the date hereof, between Company and each Purchaser (the " Purchase Agreement ").

Company and each Purchaser hereby agree as follows:

1. Definitions . **Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement shall have the meanings given such terms in the Purchase Agreement.** As used in this Agreement, the following terms shall have the following meanings:

" Advice " shall have the meaning set forth in Section 7(d).

" Effectiveness Date " means, with respect to any Registration Statement required to be filed hereunder other than a Registration Statement filed pursuant to an Underwriting Request, the 30 th calendar day following the Filing Date (or, in the event of a "full review" by the Commission, the 90 th calendar day following the Filing Date) and with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 4(c), the 30 th calendar day following the date on which an additional Registration Statement is required to be filed hereunder (or, in the event of a "full review" by the Commission, the 90 th calendar day following the date such additional Registration Statement is required to be filed hereunder); provided , however , that in the event Company is notified by the Commission that one or more of the above Registration Statements will not be reviewed or is no longer subject to further review and comments, the Effectiveness Date as to such Registration Statement shall be the fifth Trading Day following the date on which Company is so notified if such date precedes the dates otherwise required above (unless Company is required to update its financial statements prior to requesting acceleration of such Registration Statement, which will require Company to file an amendment to such Registration Statement, in which case Company shall file any necessary amendment to such Registration Statement and request effectiveness thereof as soon as reasonably practicable and in no event later than the dates set forth above), provided, further, if such Effectiveness Date falls on a day that is not a Trading Day, then the Effectiveness Date shall be the next succeeding Trading Day.

" Effectiveness Period " shall have the meaning set forth in Section 2(a).

" Event " shall have the meaning set forth in Section 2(d).

" Event Date " shall have the meaning set forth in Section 2(d).

" Filing Date " means, with respect to any Registration Statement required hereunder other than pursuant to an Underwriting Request, the 30 th calendar day following the date on which Company receives a written request to file the Initial Registration Statement from the Holders of 50% or more of the then outstanding Registrable Securities, subject to Section 2(f) herein; provided , however , that in the case of an Underwriting Request, the Filing Date shall mean the date as soon as practicable following the Underwriting Request; and provided , further , that in either case, such written request by the Holders shall not be made until (i) six months from the date of this Agreement and (ii) the 90 th calendar day following the date on which a registration statement relating to an offering by Company for its own account or the account of others under the Securities Act of any of Company's equity securities is declared effective by the Commission, and, with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 4(c), the earliest practical date on which Company is permitted by SEC Guidance to file such additional Registration Statement related to the Registrable Securities, and provided , further that, if the written request to file the Initial Registration Statement from the Holders of 50% or more of the then outstanding Registrable Securities or the Underwriting Request is given more than 45 days after the end of Company's fiscal year, then the Filing Date shall be the earlier of five days after the filing of the Company's Annual Report on Form 10-K for the past fiscal year or five days after such Report should have been filed, taking into account any permitted extensions.

" Holder " or " Holders " means the holder or holders, as the case may be, from time to time of Registrable Securities.

" Indemnified Party " shall have the meaning set forth in Section 6(c).

" Indemnifying Party " shall have the meaning set forth in Section 6(c).

" Initial Registration Statement " means the initial Registration Statement filed pursuant to this Agreement.

" Losses " shall have the meaning set forth in Section 6(a).

" Participating Stockholders " shall have the meaning set forth in Section 3(b).

" Plan of Distribution " shall have the meaning set forth in Section 2(a).

" Prospectus " means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated by the Commission pursuant to the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

" Registrable Securities " means, as of any date of determination, (a) all of the shares of Common Stock then issuable upon conversion in full of the Debentures (assuming on such date the Debentures are converted in full without regard to any conversion limitations therein), (b) all Warrant Shares then issuable upon exercise of the Warrants (assuming on such date the Warrants are exercised in full without regard to any exercise limitations therein), (c) any additional shares of Common Stock issuable in connection with any anti-dilution provisions in the Debentures or the Warrants (in each case, without giving effect to any limitations on conversion set forth in the Debentures or limitations in exercise set forth in the Warrants) and (d) any securities issued or then issuable upon any stock split, dividend or other distribution, recapitalization or similar event with respect to the foregoing; provided, however , that any such Registrable Securities shall cease to be Registrable Securities (and Company shall not be required to maintain the effectiveness of any, or file another, Registration Statement hereunder with respect thereto) for so long as (a) a Registration Statement with respect to the sale of such Registrable Securities is declared effective by the Commission under the Securities Act and such Registrable Securities have been disposed of by the Holder in accordance with such effective Registration Statement, (b) such Registrable Securities have been previously sold in accordance with Rule 144, or (c) such securities become eligible for resale by the affected Holders without volume or manner-of-sale restrictions and without current public information pursuant to Rule 144 as set forth in a written opinion letter to such effect, addressed, delivered and reasonably acceptable to the Transfer Agent and the affected Holders.

" Registration Statement " means any registration statement required to be filed hereunder pursuant to Section 2(a) and any additional registration statements contemplated by Section 2(c) or Section 4(c), including (in each case) the Prospectus, amendments and supplements to any such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in any such registration statement.

" Requesting Stockholders " shall have the meaning set forth in Section 3(a).

" Rule 415 " means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

" Rule 424 " means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

" Selling Stockholder Questionnaire " shall have the meaning set forth in Section 4(a).

" SEC Guidance " means (i) any publicly-available written or oral guidance of the Commission staff, or any comments, requirements or requests of the Commission staff and (ii) the Securities Act.

" Underwriting Request " shall have the meaning set forth in Section 3(a).

" Underwritten Registration Cutback " shall have the meaning set forth in Section 3(a).

2. Resale Registration .

(a) On or prior to each Filing Date, Company shall prepare and file with the Commission a Registration Statement covering the resale of all of the Registrable Securities that are not then registered on an effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415 (except in connection with an Underwriting Request under Section 3(a)). Each Registration Statement filed hereunder shall be on Form S-3 (except if Company is not then eligible to register for resale the Registrable Securities on Form S-3, in which case such registration shall be on another appropriate form in accordance herewith, subject to the provisions of Section 2(e)) and shall contain (unless otherwise directed by at least 60% in interest of the Holders and except in connection with an Underwriting Request) substantially the " Plan of Distribution " attached hereto as Annex A . Subject to the terms of this Agreement, Company shall use its reasonable best efforts to cause a Registration Statement filed under this Agreement (including, without limitation, under Section 4(c)) to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event no later than the applicable Effectiveness Date, and, in the case of an offering to be made on a continuous basis under Rule 415 or any other registration hereunder not involving an Underwriting Request, shall use its reasonable best efforts to keep such Registration Statement continuously effective under the Securities Act until all Registrable Securities covered by such Registration Statement (i) have been sold, thereunder or pursuant to Rule 144, or (ii) may be sold without volume or manner-of-sale restrictions pursuant to Rule 144 and without the requirement for Company to be in compliance with the current public information requirement under Rule 144, as determined by the counsel to Company pursuant to a written opinion letter to such effect, addressed and acceptable to the Transfer Agent and the affected Holders (the " Effectiveness Period "). Company shall telephonically request effectiveness of a Registration Statement as of 5:00 p.m. Eastern Time on a Trading Day. Company shall immediately notify the Holders via facsimile or by e-mail of the effectiveness of a Registration Statement on the same Trading Day that Company telephonically confirms effectiveness with the Commission, which shall be the date requested for effectiveness of such Registration Statement. Company shall, by 9:30 a.m. Eastern Time on the Trading Day after the effective date of such Registration Statement, file a final Prospectus with the Commission as required by Rule 424. Failure to so notify the Holder within one (1) Trading Day of such notification of effectiveness or failure to file a final Prospectus as foresaid shall be deemed an Event under Section 2(d).

(b) Notwithstanding the registration obligations set forth in Section 2(a), if the Commission informs Company that all of the Registrable Securities cannot, as a result of the application of Rule 415, be registered for resale as a secondary offering on a single registration statement, Company agrees to promptly inform each of the Holders thereof and use its commercially reasonable efforts to file amendments to the Initial Registration Statement as required by the Commission, covering the maximum number of Registrable Securities permitted to be registered by the Commission, on Form S-3 or such other form available to register for resale the Registrable Securities as a secondary offering, subject to the provisions of Section 2(e); provided , however , that prior to filing such amendment, Company shall be obligated to use diligent efforts to advocate with the Commission for the registration of all of the Registrable Securities in accordance with the SEC Guidance, including without limitation, Compliance and Disclosure Interpretation 612.09.

(c) Notwithstanding any other provision of this Agreement and subject to the payment of liquidated damages pursuant to Section 2(d), if the Commission or any SEC Guidance sets forth a limitation on the number of Registrable Securities permitted to be registered on a particular Registration Statement as a secondary offering (and notwithstanding that Company used diligent efforts to advocate with the Commission for the registration of all or a greater portion of Registrable Securities), unless otherwise directed in writing by a Holder as to its Registrable Securities, the number of Registrable Securities to be registered on such Registration Statement will be reduced as follows:

(i) First, Company shall reduce or eliminate any securities to be included by any Person other than a Holder;

(ii) Second, Company shall reduce Registrable Securities represented by Warrant Shares (applied, in the case that some Warrant Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Warrant Shares held by such Holders); and

(iii) Third, Company shall reduce Registrable Securities represented by Conversion Shares (applied, in the case that some Conversion Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Conversion Shares held by such Holders).

In the event of a cutback hereunder, Company shall give the Holder at least five (5) Trading Days prior written notice along with the calculations as to such Holder's allotment. In the event Company amends the Initial Registration Statement in accordance with the foregoing, Company will use its reasonable best efforts to file with the Commission, as promptly as allowed by Commission or SEC Guidance provided to Company or to registrants of securities in general, one or more registration statements on Form S-3 or such other form available to register for resale those Registrable Securities that were not registered for resale on the Initial Registration Statement, as amended.

(d) If: (i) the Initial Registration Statement is not filed on or prior to its Filing Date (if Company files the Initial Registration Statement without affording the Holders the opportunity to review and comment on the same as required by Section 4(a) herein, Company shall be deemed to have not satisfied this clause (i)), or (ii) Company fails to file with the Commission a request for acceleration of a Registration Statement in accordance with Rule 461 promulgated by the Commission pursuant to the Securities Act, within five Trading Days of the date that Company is notified (orally or in writing, whichever is earlier) by the Commission that such Registration Statement will not be "reviewed" or will not be subject to further review, or (iii) prior to the effective date of a Registration Statement, Company fails to file a pre-effective amendment and otherwise respond in writing to comments made by the Commission in respect of such Registration Statement within twenty (20) calendar days after the receipt of comments by or notice from the Commission that such amendment is required in order for such Registration Statement to be declared effective (provided that, if such amendment or response requires year-end financial statements, such filing or response shall be within ten (10) calendar days following the filing of such year-end financial statements with the Commission), or (iv) a Registration Statement registering for resale all of the Registrable Securities is not declared effective by the Commission by the Effectiveness Date of the Initial Registration Statement, or (v) after the effective date of a Registration Statement, such Registration Statement ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement, or the Holders are otherwise not permitted to utilize the Prospectus therein to resell such Registrable Securities, for more than ten (10) consecutive calendar days or more than an aggregate of fifteen (15) calendar days (which need not be consecutive calendar days) during any 12-month period, or (vi) Company shall fail for any reason to satisfy the current public information requirement under Rule 144 as to the applicable Registrable Securities (any such failure or breach being referred to as an " Event ", and for purposes of clauses (i), (iv), and (vi), the date on which such Event occurs, and for purposes of clause (ii) the date on which such five (5) Trading Day period is exceeded, and for purpose of clause (iii) the date which such twenty (20) or ten (10) calendar day period is exceeded, and for purpose of clause (v) the date on which such ten (10) or fifteen (15) calendar day period, as applicable, is exceeded being referred to as " Event Date "), then, in addition to any other rights the Holders may have hereunder or under applicable law, on each such Event Date and on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, Company shall pay to each Holder an amount in cash, as partial liquidated damages and not as a penalty, equal to 1.0% of the aggregate purchase price paid by such Holder pursuant to the Purchase Agreement. The parties agree that the maximum aggregate liquidated damages payable to a Holder under this Agreement shall be 6% of the aggregate Subscription Amount paid by such Holder pursuant to the Purchase Agreement. If Company fails to pay any partial liquidated damages pursuant to this Section in full within seven days after the date payable, Company will pay interest thereon at a rate of 18% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the Holder, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro rata basis for any portion of a month prior to the cure of an Event.

(e) If Form S-3 is not available for the registration of the resale of Registrable Securities hereunder, Company shall (i) register the resale of the Registrable Securities on another appropriate form and (ii) undertake to register the Registrable Securities on Form S-3 as soon as such form is available, provided that Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form S-3 covering the Registrable Securities has been declared effective by the Commission.

(f) Notwithstanding anything herein to the contrary, if (i) the Board of Directors, using good faith judgment, determines that the filing of the Initial Registration Statement covering the Registrable Securities would be detrimental to Company and it is in the best interests of Company to delay the filing of the Initial Registration Statement, and (ii) Company furnishes to such Holders a written certification by Company's Chief Executive Officer of the determinations by the Board of Directors described in clause (i) herein, then Company shall have the right to delay the filing of the Initial Registration Statement for a period of not more than ninety (90) days after receipt of the request of the Holders, provided that Company shall not delay the filing of the Initial Registration Statement in this manner more than once in any twelve-month period.

3. Underwritten Offerings .

(a) At the request (an " Underwriting Request ") of the Holders of at least a majority of the then outstanding Registrable Securities (the " Requesting Stockholders "), the distribution of the Registrable Securities covered by a Registration Statement filed or to be filed pursuant to Section 2 hereof shall be effected by means of an underwriting.

(b) In the event of an Underwriting Request, Company, together with all Holders proposing to distribute their securities through such underwriting (the " Participating Stockholders "), shall enter into an underwriting agreement in customary form with the managing underwriter(s) selected for such underwriting by the Requesting Stockholders, which underwriter(s) shall be reasonably acceptable to Company; provided, however, that no Holder shall be required to make any representations or warranties concerning Company or its business, properties, prospects, financial condition or related matters. Notwithstanding any other provision of this Section 3, if the managing underwriter(s) advises Company and the Participating Stockholders in writing that because the number of shares requested by the Participating Stockholders to be included in the registration exceeds the number which can be sold in an orderly manner in such offering within a price range acceptable to the Requesting Stockholders or that marketing factors require a limitation of the number of shares to be underwritten on behalf of the Participating Stockholders (the " Underwritten Registration Cutback "), and such Underwritten Registration Cutback results in less than all of the Registrable Securities of the Participating Stockholders that are requested to be included in such registration to actually be included in such registration, then Company will include in such registration, to the extent of the number which Company is so advised can be sold in (or during the time of) such offering without such interference or effect on the price or sale, such number of Registrable Securities shared pro rata among all of the Participating Stockholders based on the total number of Registrable Securities held by each such Participating Stockholder. For the avoidance of doubt, Company shall not sell shares in any underwritten offering in connection with a Registration Statement filed pursuant to Section 2 in the event of an Underwritten Registration Cutback.

(c) In the event of an Underwriting Request, in addition to and not in limitation of the requirements of Section 4 below, Company shall:

(i) cooperate with the Participating Stockholders, the underwriters participating in the offering and their counsel in any due diligence investigation reasonably requested by the Participating Stockholders or the underwriters in connection therewith, and participate, to the extent reasonably requested by the Participating Stockholders and the underwriter for the offering, in efforts to sell the Registrable Securities under the offering (including, without limitation, participating in "roadshow" meetings with prospective investors) that would be customary for underwritten primary offerings of a comparable amount of equity securities by Company;

(ii) cooperate, to the extent reasonably requested, with each underwriter participating in the disposition of such Registrable Securities and their respective counsel in connection with any filings required to be made with each Trading Market;

(iii) afford the underwriters and any Participating Stockholder owning at least 25% of the Registrable Securities being included in the Registration Statement with the opportunity to participate in the drafting of the registration statement and the documentation relating thereto;

(iv) furnish, on the date on which such Registrable Securities are sold to the underwriter, (A) an opinion, dated such date, of the counsel representing Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, and (B) a "comfort" letter dated such date, from the independent certified public accountants of Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters; and

(v) take all other steps reasonably necessary to effect the registration of the Registrable Securities contemplated hereby.

4. Registration Procedures .

In connection with Company's registration obligations hereunder, Company shall:

(a) Not less than five (5) Trading Days prior to the filing of each Registration Statement and not less than one (1) Trading Day prior to the filing of any related Prospectus or any amendment or supplement thereto (including any document that would be incorporated or deemed to be incorporated therein by reference), (i) furnish to each Holder copies of all such documents proposed to be filed, which documents (other than those incorporated or deemed to be incorporated by reference) will be subject to the review of such Holders, and (ii) cause its officers and directors, counsel and independent registered public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of respective counsel to each Holder, to conduct a reasonable investigation within the meaning of the Securities Act. Notwithstanding the above, Company shall not be obligated to provide the Holders advance copies of any universal shelf registration statement registering securities in addition to those required hereunder, or any Prospectus prepared thereto. Company shall not file a Registration Statement or any such Prospectus or any amendments or supplements thereto to which the Holders of a majority of the Registrable Securities shall reasonably object in good faith, provided that, Company is notified of such objection in writing no later than five (5) Trading Days after the Holders have been so furnished copies of a Registration Statement or one (1) Trading Day after the Holders have been so furnished copies of any related Prospectus or amendments or supplements thereto. Each Holder agrees to furnish to Company a completed questionnaire in the form attached to this Agreement as Annex B (a " Selling Stockholder Questionnaire ") on a date that is not less than two (2) Trading Days prior to the Filing Date or by the end of the fourth (4 th) Trading Day following the date on which such Holder receives draft materials in accordance with this Section, whichever is earlier.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to a Registration Statement and the Prospectus used in connection therewith as may be necessary (in the case of an offering to be made on a continuous basis under Rule 415) to keep a Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities, (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement (subject to the terms of this Agreement), and, as so supplemented or amended, to be filed pursuant to Rule 424, (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to a Registration Statement or any amendment thereto and provide as promptly as reasonably possible to the Holders true and complete copies of all correspondence from and to the Commission relating to a Registration Statement (provided that, Company shall excise any information contained therein which would constitute material non-public information regarding Company or any of its Subsidiaries), and (iv) comply in all material respects with the applicable provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by a Registration Statement during the applicable period in accordance (subject to the terms of this Agreement) with the intended methods of disposition by the Holders thereof set forth in such Registration Statement as so amended or in such Prospectus as so supplemented.

(c) In the case of an offering to be made on a continuous basis under Rule 415, if during the Effectiveness Period, the number of Registrable Securities at any time exceeds 100% of the number of shares of Common Stock then registered in a Registration Statement, then Company, upon notice from the Holders, shall file as soon as reasonably practicable, but in any case by the applicable Filing Date, an additional Registration Statement covering the resale by the Holders of not less than the number of such Registrable Securities.

(d) Notify the Holders of Registrable Securities to be sold (which notice shall, pursuant to clauses (iii) through (vi) hereof, be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) as promptly as reasonably possible (and, in the case of (i)(A) below, not less than one (1) Trading Day prior to such filing) and (if requested by any such Person) confirm such notice in writing no later than one (1) Trading Day following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to a Registration Statement is proposed to be filed, (B) when the Commission notifies Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement, and (C) with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or Prospectus or for additional information, (iii) of the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose, (iv) of the receipt by Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose, (v) of the occurrence of any event or passage of time that makes the financial statements included in a Registration Statement ineligible for inclusion therein or any statement made in a Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to a Registration Statement, Prospectus or other documents so that, in the case of a Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vi) of the occurrence or existence of any pending corporate development with respect to Company that Company believes may be material and that, in the determination of Company, makes it not in the best interest of Company to allow continued availability of a Registration Statement or Prospectus, provided , however , in no event shall any such notice contain any information which would constitute material, non-public information regarding Company or any of its Subsidiaries.

(e) Use its reasonable best efforts to obtain the withdrawal of (i) any order stopping or suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(f) Furnish to each Holder, without charge, at least one conformed copy of each such Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference to the extent requested by such Person, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission; provided, that any such item which is available on the EDGAR system (or successor thereto) need not be furnished in physical form.

(g) Subject to the terms of this Agreement, Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto, except after the giving of any notice pursuant to Section 4(d).

(h) Company shall cooperate with any broker-dealer through which a Holder proposes to resell its Registrable Securities in effecting a filing with the FINRA Corporate Financing Department pursuant to FINRA Rule 5110, as requested by any such Holder, and Company shall pay the filing fee required by such filing within two (2) Business Days of request therefor.

(i) Prior to any resale of Registrable Securities by a Holder, use its commercially reasonable efforts to register or qualify or cooperate with the selling Holders in connection with the registration or qualification (or exemption from the Registration or qualification) of such Registrable Securities for the resale by the Holder under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder reasonably requests in writing, to keep each registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things reasonably necessary to enable the disposition in such jurisdictions of the Registrable Securities covered by each Registration Statement; provided, that, Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified, subject Company to any material tax in any such jurisdiction where it is not then so subject or file a general consent to service of process in any such jurisdiction.

(j) If requested by a Holder, cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by the Purchase Agreement, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holder may request.

(k) Upon the occurrence of any event contemplated by Section 4(d), as promptly as reasonably possible under the circumstances taking into account Company's good faith assessment of any adverse consequences to Company and its stockholders of the premature disclosure of such event, prepare a supplement or amendment, including a post-effective amendment, to a Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither a Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) Comply with all applicable rules and regulations of the Commission.

(m) Once Company becomes eligible to use a Form S-3 (or any successor form thereto) for the registration of the resale of Registrable Securities, Company shall use its reasonable best efforts to maintain such eligibility.

(n) Company may require each selling Holder to furnish to Company a certified statement as to the number of shares of Common Stock beneficially owned by such Holder and, if required by the Commission, the natural persons thereof that have voting and dispositive control over the shares. During any periods that Company is unable to meet its obligations hereunder with respect to the registration of the Registrable Securities solely because any Holder fails to furnish such information within three Trading Days of Company's request, any liquidated damages that are accruing at such time as to such Holder only shall be tolled and any Event that may otherwise occur solely because of such delay shall be suspended as to such Holder only, until such information is delivered to Company.

5. Registration Expenses . All fees and expenses incident to the performance of or compliance with this Agreement by Company shall be borne by Company whether or not any Registrable Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses of Company's counsel and independent registered public accountants) (A) with respect to filings made with the Commission, (B) with respect to filings required to be made with any Trading Market on which the Common Stock is then listed for trading, (C) in compliance with applicable state securities or Blue Sky laws reasonably agreed to by Company in writing (including, without limitation, fees and disbursements of counsel for Company in connection with Blue Sky qualifications or exemptions of the Registrable Securities) and (D) if not previously paid by Company, with respect to any filing that may be required to be made by any broker through which a Holder intends to make sales of Registrable Securities with FINRA pursuant to FINRA Rule 5110, so long as the broker is receiving no more than a customary brokerage commission in connection with such sale, (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for Company, (v) Securities Act liability insurance, if Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. In no event shall Company be responsible for any underwriting, broker or similar commissions of any Holder or, except to the extent provided for in the Transaction Documents, any legal fees or other costs of the Holders; the Holders shall be responsible for any and all underwriting, broker or similar commissions, and any and all legal fees or other costs incurred by them except to the extent provided otherwise in the Transaction Documents.

6. Indemnification .

(a) Indemnification by Company . Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, members, partners, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of Common Stock), investment advisors and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, stockholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, " Losses "), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading or (2) any violation or alleged violation by Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under this Agreement, except to the extent, but only to the extent, that (i) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement, such Prospectus or in any amendment or supplement thereto (it being understood that the Holder has approved Annex A hereto for this purpose) or (ii) in the case of an occurrence of an event of the type specified in Section 4(d)(iii)-(vi), the use by such Holder of an outdated, defective or otherwise unavailable Prospectus after Company has notified such Holder in writing that the Prospectus is outdated, defective or otherwise unavailable for use by such Holder and prior to the receipt by such Holder of the Advice contemplated in Section 7(d), but only if and to the extent that following the receipt of the Advice the misstatement or omission giving rise to such Loss would have been corrected. Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding arising from or in connection with the transactions contemplated by this Agreement of which Company is aware. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified person and shall survive the transfer of any Registrable Securities by any of the Holders in accordance with Section 7(h).

(b) Indemnification by Holders . Each Holder shall, severally and not jointly, indemnify and hold harmless Company, its directors, officers, agents and employees, each Person who controls Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons, to the fullest extent permitted by applicable law, from and against all Losses, as incurred, to the extent arising out of or based solely upon: (x) such Holder's failure to comply with any applicable prospectus delivery requirements of the Securities Act through no fault of Company or (y) any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any Prospectus, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading (i) to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to Company expressly for inclusion in such Registration Statement or such Prospectus or (ii) to the extent, but only to the extent, that such information relates to such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement (it being understood that the Holder has approved Annex A hereto for this purpose), such Prospectus or in any amendment or supplement thereto or (iii) in the case of an occurrence of an event of the type specified in Section 4(d)(iii)-(vi), to the extent, but only to the extent, related to the use by such Holder of an outdated, defective or otherwise unavailable Prospectus after Company has notified such Holder in writing that the Prospectus is outdated, defective or otherwise unavailable for use by such Holder and prior to the receipt by such Holder of the Advice contemplated in Section 7(d), but only if and to the extent that following the receipt of the Advice the misstatement or omission giving rise to such Loss would have been corrected. In no event shall the liability of any selling Holder under this Section 6(b) be greater in amount than the dollar amount of the net proceeds received by such Holder upon the sale of the Registrable Securities giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings . If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an " Indemnified Party "), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the " Indemnifying Party ") in writing, and the Indemnifying Party shall have the right to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof; provided, that, the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have materially and adversely prejudiced the Indemnifying Party. An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses, (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding, or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and counsel to the Indemnified Party shall reasonably believe that a material conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the reasonable fees and expenses of no more than one separate counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding. Subject to the terms of this Agreement, all reasonable fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten Trading Days of written notice thereof to the Indemnifying Party; provided, that, the Indemnified Party shall promptly reimburse the Indemnifying Party for that portion of such fees and expenses applicable to such actions for which such Indemnified Party is finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) not to be entitled to indemnification hereunder.

(d) Contribution . If the indemnification under Section 6(a) or 6(b) is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in this Agreement, any reasonable attorneys' or other fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 6(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 6(d), no Holder shall be required to contribute pursuant to this Section 6(d), in the aggregate, any amount in excess of the amount by which the net proceeds actually received by such Holder from the sale of the Registrable Securities subject to the Proceeding exceeds the amount of any damages that such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

7. Miscellaneous .

(a) Remedies . In the event of a breach by Company or by a Holder of any of their respective obligations under this Agreement, each Holder or Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, shall be entitled to specific performance of its rights under this Agreement. Each of Company and each Holder agrees that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall not assert or shall waive the defense that a remedy at law would be adequate.

(b) No Piggyback on Registrations . Subject to the registration rights agreements disclosed in the Purchase Agreement or a schedule thereto (which do not currently permit the stockholders who are a party thereto to participate in a piggyback registration in view of the availability of Rule 144(b)(1)(i) under the Securities Act), neither Company nor any of its security holders (other than the Holders in such capacity pursuant hereto) may include securities of Company in any Registration Statements other than the Registrable Securities.

(c) Compliance . Each Holder covenants and agrees that it will comply with the prospectus delivery requirements of the Securities Act as applicable to it (unless an exemption therefrom is available) in connection with sales of Registrable Securities pursuant to a Registration Statement.

(d) Discontinued Disposition . By its acquisition of Registrable Securities, each Holder agrees that, upon receipt of a notice from Company of the occurrence of any event of the kind described in Section 4(d)(iii) through (vi), such Holder will forthwith discontinue disposition of such Registrable Securities under a Registration Statement until it is advised in writing (the " Advice ") by Company that the use of the applicable Prospectus (as it may have been supplemented or amended) may be resumed. Company will use its reasonable best efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. Company agrees and acknowledges that any periods during which the Holder is required to discontinue the disposition of the Registrable Securities hereunder shall be subject to the provisions of Section 2(d). Company shall be entitled to exercise its right under this Section 7(d) to suspend the availability of a Registration Statement and Prospectus, subject to the payment of partial liquidated damages otherwise required pursuant to Section 2(d), for a period not to exceed 60 calendar days (which need not be consecutive days) in any 12-month period.

(e) Piggy-Back Registrations . If there is not an effective Registration Statement covering all of the Registrable Securities and Company shall determine to prepare and file with the Commission a registration statement relating to an offering for its own account or the account of others under the Securities Act of any of its equity securities (other than a registration (i) pursuant to a Registration Statement on Form S-8 or other registration solely relating to an offering or sale of equity securities to employees or directors of the Company pursuant to an employee stock plan or other employee benefit arrangement, or (ii) pursuant to a Registration Statement on Form S-4 or other registration solely relating to a transaction subject to Rule 145 under the Securities Act or otherwise covering equity securities to be issued solely in connection with any acquisition of any entity or business), then Company shall deliver to each Holder a written notice of such determination and, if within fifteen days after the date of the delivery of such notice, any such Holder shall so request in writing, Company shall include in such registration statement all or any part of such Registrable Securities such Holder requests to be registered; provided , however , that Company shall not be required to register any Registrable Securities pursuant to this Section 7(e) that are eligible for resale pursuant to Rule 144 (without volume restrictions or current public information requirements) promulgated by the Commission pursuant to the Securities Act or that are the subject of a then effective Registration Statement. Notwithstanding the foregoing, if Company's proposed registration of equity securities hereunder is, in whole or in part, an underwritten public offering, and the managing underwriter of such proposed registration determines and advises in writing that the inclusion of all Registrable Securities proposed to be included in the underwritten public offering, together with any other issued and outstanding shares of Company's common stock proposed to be included therein (such other shares hereinafter collectively referred to as the " Other Shares "), would interfere with the successful marketing of Company's securities, then the total number of such securities proposed to be included in such underwritten public offering shall be reduced, (i) first by the shares requested to be included in such registration by the holders of Other Shares, and (ii) second, if necessary, (A) one-half (½) by the securities proposed to be issued by Company, and (B) one-half (½) by the Registrable Securities proposed to be included in such registration by the Holders, on a pro rata basis, based upon the number of Registrable Securities then held by each such Holder.

(f) Amendments and Waivers . The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by Company and the Holders of 60% or more of the then outstanding Registrable Securities (for purposes of clarification, this includes any Registrable Securities issuable upon exercise or conversion of any security), provided that this Agreement may not be amended in a manner adversely affecting the rights or obligations of any Holder which does not adversely affect the rights or obligations of all similarly situated Holders in the same manner without the consent of such Holder. If a Registration Statement does not register all of the Registrable Securities pursuant to a waiver or amendment done in compliance with the previous sentence, then the number of Registrable Securities to be registered for each Holder shall be reduced pro rata among all Holders and each Holder shall have the right to designate which of its Registrable Securities shall be omitted from such Registration Statement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder or some Holders and that does not directly or indirectly affect the rights of other Holders may be given only by such Holder or Holders of all of the Registrable Securities to which such waiver or consent relates; provided , however , that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the first sentence of this Section 7(f). No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

(g) Notices . Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be delivered as set forth in the Purchase Agreement.

(h) Successors and Assigns . This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of each Holder. Company may not assign (except by merger) its rights or obligations hereunder without the prior written consent of all of the Holders of the then outstanding Registrable Securities. Each Holder may assign their respective rights hereunder in the manner and to the Persons as permitted under Section 5.7 of the Purchase Agreement.

(i) No Inconsistent Agreements. Neither Company nor any of its Subsidiaries has entered, as of the date hereof, nor shall Company or any of its Subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities, that would have the effect of impairing the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof.

(j) Execution and Counterparts. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

(k) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be determined in accordance with the provisions of the Purchase Agreement.

(l) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

(m) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(n) Headings. The headings in this Agreement are for convenience only, do not constitute a part of the Agreement and shall not be deemed to limit or affect any of the provisions hereof.

(o) Independent Nature of Holders' Obligations and Rights. The obligations of each Holder hereunder are several and not joint with the obligations of any other Holder hereunder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Holder pursuant hereto or thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Holders are in any way acting in concert or as a group or entity with respect to such obligations or the transactions contemplated by this Agreement or any other matters, and Company acknowledges that the Holders are not acting in concert or as a group, and Company shall not asset any such claim, with respect to such obligations or transactions. Each Holder shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose. The use of a single agreement with respect to the obligations of Company contained was solely in the control of Company, not the action or decision of any Holder, and was done solely for the convenience of Company and not because it was required or requested to do so by any Holder. It is expressly understood and agreed that each provision contained in this Agreement is between Company and a Holder, solely, and not between Company and the Holders collectively and not between and among Holders.

(p) Entire Agreement. This Agreement, together with the exhibits hereto, constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

DISCOVERY ENERGY CORP.

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

DEC FUNDING LLC

By: /s/ Steven Webster
Steven Webster, Manager

Annex A

Plan of Distribution

Each Selling Stockholder (the " Selling Stockholders ") of the securities and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the [principal Trading Market] or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Stockholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- in transactions through broker-dealers that agree with the Selling Stockholders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Stockholders may also sell securities under Rule 144 under the Securities Act of 1933, as amended (the " Securities Act "), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Stockholders (or, if any broker-dealer acts as agent for Purchaser of securities, from Purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with FINRA IM-2440.

In connection with the sale of the securities or interests therein, the Selling Stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Stockholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

[Registration Rights Agreement]

The Selling Stockholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Stockholder has informed Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities. In no event shall any broker-dealer receive fees, commissions and markups which, in the aggregate, would exceed eight percent (8%).

Company is required to pay certain fees and expenses incurred by Company incident to the registration of the securities. Company has agreed to indemnify the Selling Stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because Selling Stockholders may be deemed to be "underwriters" within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. The Selling Stockholders have advised us that there is no underwriter or coordinating broker acting in connection with the proposed sale of the resale securities by the Selling Stockholders.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the securities may be resold by the Selling Stockholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of securities of the common stock by the Selling Stockholders or any other person. We will make copies of this prospectus available to the Selling Stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

[Registration Rights Agreement]

Annex B

DISCOVERY ENERGY CORP.

Selling Stockholder Notice and Questionnaire

The undersigned beneficial owner of common stock (the " Registrable Securities ") of Discovery Energy Corp., a Delaware corporation (the " Company "), understands that Company has filed or intends to file with the Securities and Exchange Commission (the " Commission ") a registration statement (the " Registration Statement ") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the " Securities Act "), of the Registrable Securities, in accordance with the terms of the Registration Rights Agreement (the " Registration Rights Agreement ") to which this document is annexed. A copy of the Registration Rights Agreement is available from Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Certain legal consequences arise from being named as a selling stockholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling stockholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the " Selling Stockholder ") of Registrable Securities hereby elects to include the Registrable Securities owned by it in the Registration Statement.

The undersigned hereby provides the following information to Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.

(a) Full Legal Name of Selling Stockholder

_____

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities are held:

_____

(c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire):

_____

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2. Address for Notices to Selling Stockholder:

Telephone:

Fax:

Contact Person:

3. Broker-Dealer Status:

(a) Are you a broker-dealer?

Yes ☐ No ☐

(b) If "yes" to Section 3(a), did you receive your Registrable Securities as compensation for investment banking services to Company?

Yes ☐ No ☐

Note: If "no" to Section 3(b), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(c) Are you an affiliate of a broker-dealer?

Yes ☐ No ☐

(d) If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

Yes ☐ No ☐

Note: If "no" to Section 3(d), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

4. Beneficial Ownership of Securities of Company Owned by the Selling Stockholder.

Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of Company other than the securities issuable pursuant to the Purchase Agreement.

(a) Type and Amount of other securities beneficially owned by the Selling Stockholder:

5. Relationships with Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

The undersigned agrees to promptly notify Company of any inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto. The undersigned understands that such information will be relied upon by Company in connection with the preparation or amendment of the Registration Statement and the related prospectus.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Date: Beneficial Owner: _____

By: _____

Name:

Title:

PLEASE FAX A COPY OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE, AND RETURN THE ORIGINAL BY OVERNIGHT MAIL, TO: