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

FORM 10-K

(MARK ONE)

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

For the fiscal year ended February 29, 2016

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

For the transition period from to

Commission file number 000-53520

DISCOVERY ENERGY CORP.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (Do not check if smaller reporting company)	☐	Smaller reporting company	☒

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $31,035,125.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 140,189,501 as of June 10, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

None.

DISCOVERY ENERGY CORP.
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CAUTIONARY STATEMENT FOR FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "continue," or the negative of such terms or other similar expressions. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those described in this Annual Report on Form 10-K and in our other Securities and Exchange Commission filings.

PART I

Item 1. Business.

General

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

We made significant strides in our business plan during our fiscal 2013, including the formal grant of the License after the satisfaction of a number of significant preconditions. During our fiscal 2014, we focused our efforts on completing a major capital raising transaction or procuring one or more major joint venture partners to further our business plan. We continued these efforts throughout our fiscal 2015 and 2016.

Beginning in the second quarter of fiscal 2015 a significant decline in the price of oil has affected the oil and gas industry worldwide. This decline began in June 2014 when the price of Brent oil was above US$110 per barrel and continued to a low of US$27 per barrel in January of 2016. Since then prices have recovered somewhat with the recent Nymex Futures trading near US$45 per barrel. While the effect of this price drop has worldwide implications, we believe that it has not affected the oil and gas industry in Australia as adversely as it has in other parts of the world. However, current oil prices will make our ability to complete a capital raising transaction or procure a joint venture partner more difficult. Although we believe that we will continue to be challenged by low oil prices for the near future, we are not currently in a position to determine the full extent of that impact. As a result of the decline in oil prices we have been and are making changes to our ongoing business strategy to best position ourselves for when the markets improve.

Although we are continuing efforts to complete a major capital raising transaction, we are shifting our emphasis away from a single capital raising transaction that would meet our financial needs for an extended period of time. Our new emphasis will be on obtaining sufficient funds for us to complete the second year of our work commitment and positioning ourselves to exploit commercially the Prospect at the appropriate time in the future. This shift in strategy will minimize the dilution to shareholders and is partly due to depressed energy prices which presently do not justify efforts to produce hydrocarbons and that presently have made more difficult capital raising transactions under acceptable terms. Our strategy will be to position ourselves to begin the development of the Prospect after energy prices have recovered sufficiently. Part of our posturing includes the following:

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

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

Our fiscal 2016 did have several positive developments. One such development was an extension of our year two of the five-year work commitment relating to the License from April 26, 2016 to April 26, 2017. The one-year extension of the work commitment allows us additional time to pursue capital raising transactions or procure a major joint venture partner, and perhaps benefit from a recovery in the price of oil. Moreover, one benefit of lower oil and gas prices is that the costs of third party service providers (such as seismic firms and contract drillers) have declined significantly as well, creating a more favorable business environment when we are able to take advantage of it.

Moreover, on May 27, 2016, we completed a debt financing transaction that provides to us funds to commence our 3D seismic survey and complete a significant portion of it, while also providing operating capital for a number of months. This financing is discussed in the section captioned “Recent Financing” below. We will continue to seek a major capital transaction on acceptable/attractive terms for the development of the Prospect. While we are seeking this transaction, we still have regular and ongoing payments and expenditures. These payments and expenditures and non-payment consequences (which could be materially adverse to our interests) are discussed in detail herein. So far we have been successful in satisfying or deferring the most important of these payments and expenditures, and we expect to continue to do so in the future. However, while we have been successful in this regard to date, we have no assurance that we will continue to be successful in this regard in the future.

In the remainder of this Report, Australian dollar amounts are prefaced by "AU$" while United States dollar amounts are prefaced simply by "$" or (when used in close proximity to Australian dollar amounts) by "US$." When United States dollar amounts are given as equivalents of Australian dollar amounts, such United States dollar amounts are approximations only and not exact figures. During the past year, that exchange rate has varied from a low of US$1.00/AU$1.2312 to a high of US$1.00/AU$1.4562. At the close of our fiscal year on February 29, 2016 the exchange rate was US$1.00/AU$1.4006

Recent Financing

General . Effective May 27, 2016, we entered into a securities purchase agreement (the " ***Securities Agreement*** ") and related documentation with a certain investor (the " ***Investor"***) pursuant to which we 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 our common stock (singly a " ***Common Share*** " and collectively the " ***Common Shares*** ") at an initial per-share exercise price of $0.20.

We received proceeds from the sale of these securities in the amount of $3,500,000. The use of these proceeds is limited to the payment of our and the Investor's costs of the transaction (including legal fees), the funding of our 3D seismic survey with respect to our 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. We believe that these proceeds will be sufficient to finance our seismic survey required for our second year license work commitment of 100 km^2. Moreover we believe that the remainder of these proceeds will be sufficient (provided the Investor's consent is obtained) to finance all of our other business expenses through the end of October 2016, although we have no assurance of this. In the view of the preceding, we will need to raise more funds, and as discussed below, we are continuing efforts to sell more Debentures. Moreover, in the future we will need significant additional funds to undertake the development of our oil and gas prospect in Australia, and we will need to raise these funds to do this. We have no assurance that it will be able to raise these significant additional funds or the additional funds needed for our general operation.

Under the terms of the Securities Agreement, we 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 we owe to Liberty Petroleum Corporation

* The payment of the debt that we owe to members of management

* General and administrative expenses

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

The remainder of this Section contains descriptions of the legally operative documents governing our recent financing. These descriptions are qualified in their entirety by reference to the actual documents that we have previously filed with the U.S. Securities and Exchange Commission.

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 of securities.

Description of the Debentures. The material terms, provisions and conditions of the Debentures are as follows:

* The aggregate original principal amount of the Debentures is $5,000,000. As of June 2, 2016, $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, we may elect to pay accrued interest in cash at the time that such interest would otherwise be added to the outstanding principal amount of the Debentures.

* The principal amount of and accrued interest on the Debentures are due and payable in a single balloon payment on or before May 27, 2021.

* We are 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. We are subject to certain liabilities and liquidated damages for our 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 us or the sale of a material portion of our 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 we did not pay the amount outstanding, which is likely to be the case.

* The Debentures are secured by virtually all of our assets owned directly or indirectly but for the License, which is held by our 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:

* a Specific Security Agreement (Shares) executed by us in favor of Investor pursuant to which we pledged all of our 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 our 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, we have agreed to enter into Deposit Account Control Agreements before the end of June 2016 in favor of Investor to perfect Investor's security interests in our 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 we default 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 our assets, in which case our business could cease and all or substantially all of stockholders' equity could be lost. For more information about this, see the Risk Factors captioned " *THE EXERCISE OF SECURED CREDITOR RIGHTS COULD RESULT IN A SIGNIFICANT OR COMPLETE LOSS TO US* " herein.

Description of the Warrants . The material terms, provisions and conditions of the Warrants are as follows:

* 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 us 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 **.**

* We are subject to certain liabilities and liquidated damages for our 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 Securities Agreement. Certain material terms, provisions and conditions of the Securities Agreement that are not described elsewhere herein are as follows:

* The Securities Agreement basically 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 Securities 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 us 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 Securities Agreement provides that the Investor may have elected to our 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 our Board of Directors an additional two nominees. The Investor has not exercised the right to nominate or have one director elected.

* The Securities 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 our 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 our 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 . We entered into a Registration Rights Agreement in favor of Investor pursuant to which we 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 Investor has the right, at any time six months after the issuance of the Debentures, to require us 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.

* We have 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. We 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, we 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 we believe will never occur. Thus, we believe 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 we propose with certain exceptions.

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

Description of Prospect – Petroleum Exploration License (PEL) 512

Geology of the Cooper and Eromanga Basins

Granted on October 26, 2012, the License accords to us a 100% working interest (82% net revenue interest) in the Prospect. The Prospect covers 584,651 gross acres in the State of South Australia that overlays portions of geological systems commonly referred to as the Cooper and Eromanga Basins. This geologic system, which covers the northeast corner of South Australia and the southwest corner of Queensland State (see location map below), is the most prolific producing onshore region in Australia.

Cooper Basin Location Map

The Cooper Basin is comprised of 32 million acres. It developed in late Carboniferous Period to the early Permian Period, and features a maximum thickness of sediments of about 9,000 feet. This basin is divided into several depo-centers by faulted anticlinal trends. The Permian Period formations within the Cooper Basin are characterized by alternating fluvial sandstones/floodplain siltstones. Overlaying the Permian Period are Triassic Period formations characterized by fluvial/floodplain sediments. The Eromanga Basin is comprised of 250 million acres, which developed as an interior sag over the central and eastern region of Australia during the Jurassic and Cretaceous Periods. In the south, the depo-centers coincide with underlying Cooper Basin synclines. The younger Eromanga Basin covers the entire Cooper Basin. The geological characteristics of these two basins cause them in effect to form a basin system that for many purposes can best be thought of in terms of a single geological phenomenon rather than two.

Historical Production of Hydrocarbons from the Cooper and Eromanga Basins

In South Australia where the Prospect is located, hydrocarbons were first produced in 1963 when the Gidgealpa 2 discovery well was completed. The prolific Moomba gas field was discovered in 1966. The first commercial oil was discovered in 1970 in the Tirrawarra oil field. To date this localized system has produced more than 103 oil fields and 165 gas fields.

A Basin wide assessment by the South Australia Government's Department for Manufacturing, Innovation, Trade, Resources and Energy (" *DMITRE* ") estimates two trillion barrels of oil has been generated from Permian Source Rocks. Industry estimates suggest that 640 million barrels (stock tank oil initially in place) are still in place and that the estimated ultimate recovery (EUR) for the South Australia Cooper basin is approximately 200 million barrels. Through August of 2015, exploration and development drilling in the South Australia portion of the Copper/Eromanga Basins has consisted of more than 3,040 exploration, appraisal and development wells. (Source: PEPS database – August 2015)

Cumulative production in the Basins is estimated at 5.3 trillion cubic feet of natural gas since 1970, more than 175 million barrels (" ***mmbo*** ") of crude oil, over 80 million barrels oil equivalent of condensate production (" ***mmboe*** ") since 1983 and LPG production of 82 mmboe since 1984. (Source: DMITRE - June 2015) While natural gas production and associated liquids at the giant Moomba gas field have been in decline, crude oil production has seen a resurgence largely due to the award of new exploration licenses under the South Australia Government bid process, greater drilling activity fueled by higher oil prices, and the use of new 3D seismic data, which has resulted in higher exploration and development drilling success rates.

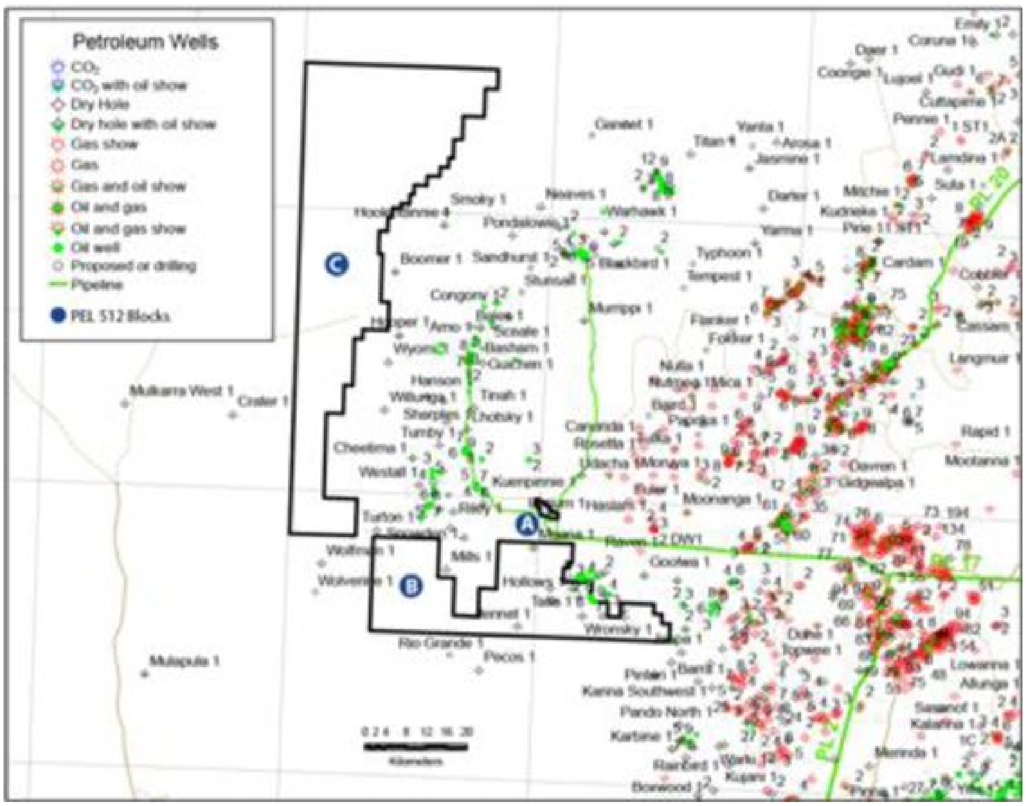
Since the early 1980s, the Western Flank area of the Cooper Basin on which the Prospect sits has produced in excess of 30 million barrels of oil. Drilling activity has recently increased in licensed areas bordering or in close proximity to the Prospect. Wells in the areas adjacent to the Prospect are vertical or near vertical and do not require lateral drilling or "fracing" for commercial completion.

The Prospect

The Prospect comprises 584,651 gross acres overlaying portions of the Cooper and Eromanga basins. The Prospect is located in what is generally referred to as the Western Oil Flank of the Cooper Basin and is directly adjacent to PRL permits 85-104 and 151-172 (previously known as on PEL 92 and PEL 91) operated by Beach Energy.

The PEL 512 Lycium area (**Area A** ~4,000 Acres) is the smallest portion of the Prospect, the PEL 512 South area (**Area B** ~181,000 acres) is the next largest portion of the Prospect, and the PEL 512 West area (**Area C** ~400,000 acres) is the largest portion of the Prospect. The Permit and Recent Drilling Activity Map set forth below indicates the three areas of the Prospect in black outline and labelled A, B, and C. The Permit and Recent Drilling Activity Map below also indicates the locations of nearby producing oil and gas fields, and new oil discoveries since 2011. (Source: PEPS database – March 2016)

<u>Permit and Recent Drilling Activity Map</u>



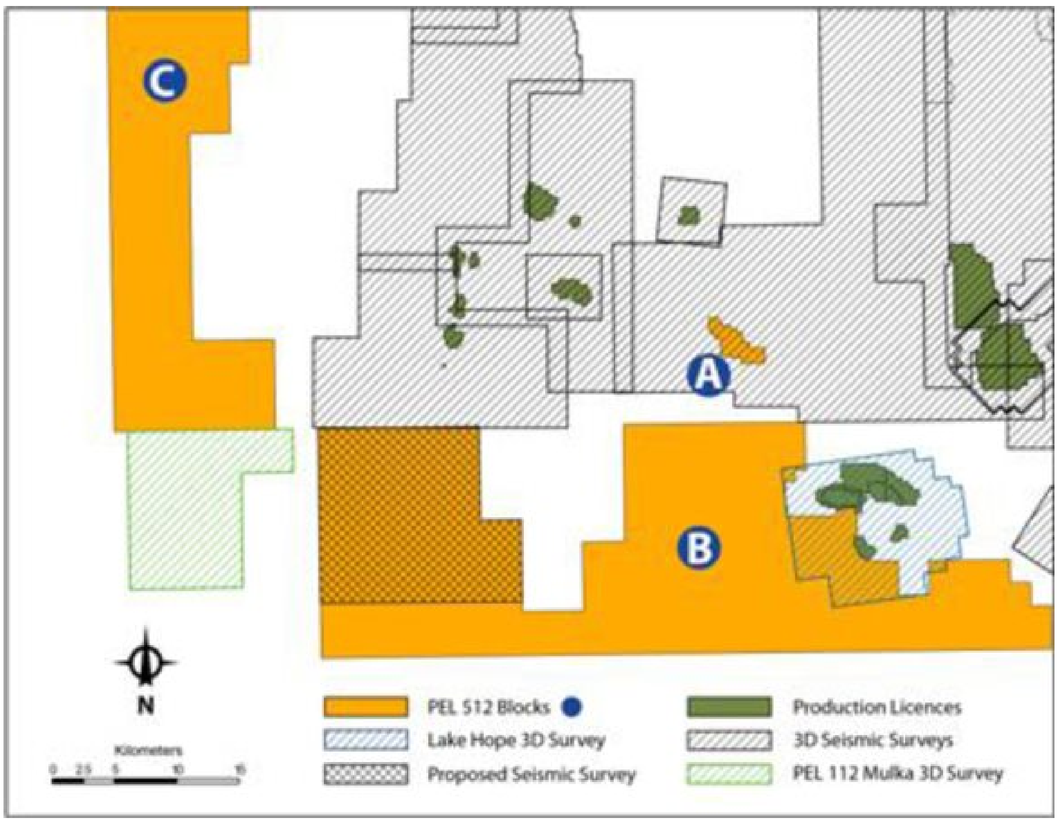
During the late 1980s and again during 2005 and 2006, various operators drilled 10 wells in the southeast corner of **Area B** . Reports filed with the South Australian government indicate that some of these wells exhibited "oil shows" but none were completed as commercial producers. Previous operators also conducted extensive seismic surveying on the licensed area and produced 5,153 km of 2D and 141 sq. km of 3D seismic data, which we acquired with the License.

The use of 3D seismic interpretation and control combined with a greater understanding of the geology and producing formations has been a critical factor in the increase of recent exploration drilling success rates.

The Prospect features ready access to markets via existing infrastructure including short haul trucking and expanding pipeline capacity, which includes an 18,000 barrels per day main Trunk Line running from the Moomba Processing Facility to the Lycium Hub, just offset the Prospect's border.

Since 2012 we have assembled a significant technical database consisting of geological, geophysical and engineering data, well logs, completion reports, drilling reports, research reports, production data, raw and processed 2D/3D seismic data, maps and other related materials. Our initial technical focus was on evaluating the potential of the Prospect's **Area B** . We engaged Apex Engineering based in Calgary, Alberta on March 21, 2012 to complete an NI 51-101 compliant report, which resulted in the identification of over 110 seismic generated leads over approximately 30% of the approximately 585,000 acre block. This was complimented by the reinterpretation of 5,153 km of 2D seismic and the reprocessing and reinterpretation of 141 sq. km of 3D seismic over the Lake Hope area in the eastern portion of the Prospect's **Area B** by Hardin International Processing, Inc. and Bell & Murphy and Associates, LLC, both located in Dallas, Texas.

Permit and Seismic Activity Map



The ongoing technical assessment has also defined several drill-ready prospects in the Lake Hope 3D area of **Area B** . Subject to the availability of funds, we plan to conduct a minimum 100 sq. km 3D seismic program during 2015 work program in the western portion of **Area B** , which is directly on trend and in close proximity with the historic production and recent discoveries on Beach Energy's operated PEL 92 to the North.

The South Australia Government approved an Associated Activities Licence (AAL) in early 2013 to construct a 30 km rig access road thru the western corner of **Area B** and into the adjoining PEL 112. This block is operated by Terra Nova, which completed the Mulka 3D seismic survey in September 2012 and subsequently drilled the Wolverine #1 well in May/June 2013. The road provides us direct access to the area proposed and reduces costs for the planned 3D seismic program.

Recent Exploration of and Production from the Cooper and Eromanga Basins

A total of 168 gas fields and 123 oil fields have been discovered and brought online since 1963. Total conventional wells drilled: 739 exploration, 505 appraisal and 975 development wells. Since January 2002 through to November 2014, the explorers in the Cooper Basin have drilled 234 exploration wells and 127 appraisal/development wells. Most have targeted oil, however both oil and gas have been discovered. The new entrants found new pools in 105 of these wells (51% technical success rate) and 92 were cased and suspended as future producers (49% commercial success rate). (Source: DMITRE Cooper Basin Factsheet– May 2015)

Raw gas production commenced from the Cooper Basin in 1969 and from the Otway Basin in 1991. At July 31, 2015, 100 gas fields on stream with a total of 633 gas wells were on stream in the Cooper Basin. A combined total of 61.42 PJ of sales gas was sold in 2014-15 financial year period to AGL, the Natural Gas Authority of South Australia, Santos Direct, Origin and Qenos Pty Ltd. Ex-field natural gas prices in South Australia are freely negotiated between buyer and seller. The first crude oil production began in December 1982 from the Strzelecki Field. At July 31, 2015, Santos, Beach Energy and Senex Energy had 80 oil fields on stream with a total of 294 oil wells on stream.

Cooper Basin production for the year ending June 2015 totaled 61.42 PJ of gas (including some ethane), 1,758,365 kL (11,059,767 bbls) of oil, 162,605 t of LPG and 189,770 kL of condensate. The oil includes 1,186,351 kL (7,461,908 bbls) of oil from the discovery wells predominately in the Western Oil Flank (Source: Government of SA, Department of State Development – April 2016)

In the licensed areas immediately adjacent to the Prospect the operator reported as of December 31, 2015 oil production of 2,420 kboe which was 8.2% lower than the prior corresponding period. Natural field decline in the Western Flank, which produced at record levels in FY14, was partially offset by lower than expected decline at the Bauer Field and higher production in PRLs 136 to 150 (formerly PEL 104 / 111). Western Flank net oil production averaged 9,848 bopd, with tie-in of wells, infrastructure upgrades and development, appraisal and exploration drilling to continue in the second half. (Source: Beach Energy Half Yearly Report – December 31, 2015)

During the half year ended December 31, 2015, the operator for PRLs 85 to 104 (formerly PEL 92 - Beach 75%, Cooper 25%) reported Oil production decreased 19.7% to 622 kbbl (net) due to natural field decline, which was partially offset by production commencing from the Rincon Field. The merge and re-processing of the Neritus, Modiolus and Calpurnus 3D seismic surveys is near completion, with interpretation to be undertaken through Q3 FY15. Results will help define Western Flank exploration and appraisal drilling targets. (Source: Beach Energy Half Yearly Report – December 31, 2015)

During the half year ended December 31, 2015, the operator for PRLs 151 to 172 (formerly PEL 91 - Beach 40%, Drillsearch 60%) reported that following record levels of production in FY14, oil production for the period decreased 11.4% to 831 kbbl (net), mainly due to natural field decline in the Bauer Field. Production from the Bauer Field has stabilized at current levels following expansion of processing capacity to 50,000 barrels of fluid per day and the recent tie-in of the Bauer-12 to -15 development wells. Activity for Q3 FY15 to maintain high production levels includes tie-in of the Bauer-16 to -19 development wells, drilling of the four-well development pad in the north of the Bauer Field and ongoing infrastructure upgrades (including fluid handling capacity increases and flowline de-bottlenecking).

New oil discoveries at Balgowan-1 and Burners-1 were cased and suspended as future Namur Sandstone and McKinlay Member producers. These discoveries confirmed the extension of the oil fairway to the north-east of recent discoveries in PEL 91 and brought a new focus on other prospects in this northern area of the permit. Balgowan-1 resulted in the addition of gross 1P, 2P and 3P oil reserves of 87 kbbl, 345 kbbl and 1,530 kbbl, respectively1, and is expected online by the end of FY15. Burners-1 was cased and suspended and will be considered for tie-in to facilities in FY16. Overall exploration drilling success was 40%, with three wells plugged and abandoned.

Acquisition of the Solidus 3D seismic survey was completed over 492 km2 of prospective acreage to the north of the Bauer Field. Processing and interpretation is expected to be completed by the end of Q2 FY16. Results will help define Western Flank exploration and appraisal drilling targets. (Source: Beach Energy Half Yearly Report – December 31, 2015)

Terms of the License

On October 26, 2012, Discovery Energy SA Pty Ltd, our Australian subsidiary (the " ***Subsidiary*** "), received the formal grant of the License from the South Australian Minister for Mineral Resources and Energy. The License is a "Petroleum Exploration Licence" regarding all regulated resources (including petroleum and any other substance that naturally occurs in association with petroleum) relating to the 584,651 gross acres comprising the Prospect land, provided, however, that the License does not permit using the Prospect land as a source of geothermal energy or a natural reservoir for the purpose of gas storage. The term of the License is for five years, with two further, five-year renewal terms, subject to the provisions of the South Australian Petroleum and Geothermal Energy Act 2000.

The License is subject to a five-year work commitment that is described in “Item 1. Business - Plan of Operation - Proposed Initial Activities.” Failure to comply with the work program requirements could lead to the cancellation of the License.

The License requires that, prior to commencing any fieldwork, the Subsidiary post a minimum security deposit of AU$50,000 (approximately US$38,100). Moreover, the License requires the Subsidiary to maintain insurance of the types and amounts of coverage that management believes are reasonable and customary, and are the industry standard throughout Australia.

The License requires the Subsidiary to pay certain fees and production payments to the native titleholders in accordance with the native title agreement and a similar agreement discussed immediately below. The License contains provisions regarding environmental matters and liabilities that management also believes are reasonable and customary, and are the industry standard throughout Australia.

In addition to the preceding, the person who in effect transferred and sold the License to us was allowed to retain a 7.0% royalty interest relating to the Prospect.

Native Title Agreement

As a precondition to the issuance of the License, on September 3, 2012 the Subsidiary entered into an agreement (the " ***Native Title Agreement*** ") with (a) the State of South Australia, (b) representatives of the Dieri Native Title Holders (the " ***Native Title Holders*** ") on behalf of the Native Title Holders, and (c) the Dieri Aboriginal Corporation (the " ***Association*** "). The Native Title Holders have certain historic rights on the lands covered by the License.

The term of the Native Title Agreement commenced upon its execution, and it will terminate on the completion of the operations proposed or which may be undertaken by the Subsidiary in connection with the License and all subsequent licenses resulting from the License. By entering into the Native Title Agreement, the Native Title Holders agreed to the grant of the License and all subsequent licenses to the Subsidiary, and they also covenanted not to lodge or make any objection to any grant of licenses to the Subsidiary in respect of the License area unless the Subsidiary is in breach of an essential term under the Native Title Agreement. The Native Title Agreement provides that it will not terminate in the event of a breach of a payment obligation, but the parties may avail themselves of all other remedies available at law, which would involve recourse to the non-exclusive jurisdiction of the courts of the Commonwealth of Australia and the State of South Australia. Recourse for breach of operational obligations of the Subsidiary in favor of the Native Title Holders and the Association would be subject to the stipulated dispute resolution procedure involving negotiation and mediation before any party may commence court proceedings or arbitration.

In consideration of the Native Title Holders' entering into the Native Title Agreement, the Subsidiary remitted to them a one-time payment in the amount of AUS$75,000 (or US$80,377 based on the exchange rate charged to us in late November 2012 when the payment was made). Moreover, throughout the term of the License, the Subsidiary is obligated to pay to the State of South Australia for the benefit of the Native Title Holders production payments in amounts equal to 1% of the value at the wellhead of petroleum produced and sold from the lands covered by the License. Furthermore, for facilitating the administration of this Native Title Agreement, the Subsidiary will pay in advance to the Association an annual fee comprising 12% of a maximum administration fee (the " ***Maximum Administration Fee*** "), which is AUS$150,000 (or approximately US$107,100 based on exchange rates in on February 29, 2016) (subject to adjustment for inflation). This 12% payment will be made for each year of the first five-year term of the License. After the first five-year term of the License, the payment will be four percent 4% of the Maximum Administration Fee for each year of the second and third five-year terms of the License. The Administrative Fee is not payable during times when the License is suspended, which is currently the case, as discussed below.

The Subsidiary has virtually unlimited ability to assign and transfer (partially or entirely) its rights in the Native Title Agreement, provided certain procedural requirements are met. This ability should enhance the Subsidiary's ability to procure an industry joint venture partner.

The Native Title Agreement features extensive provisions governing aboriginal heritage protection in connection with the Subsidiary's activities relating to the License. Management believes that these provisions (as well as the other provisions of the Native Title Agreement) are reasonable and customary, and are the industry standard throughout Australia. Under the Native Title Agreement, the Native Title Holders authorize the Subsidiary to enter upon the License area at all times and to commence and proceed with petroleum operations, and, while the provisions governing aboriginal heritage protection could adversely affect operational strategy and could increase costs, the Native Title Holders and the Association covenant that they will not interfere with the conduct of those operations; will actively support the Subsidiary in procuring all approvals, consents and other entitlements and rights as are necessary to support the interests of the Subsidiary in furthering the project; will refrain from doing any act which would impeded or prevent the Subsidiary from exercising or enjoying any of the rights granted or consented to under the Native Title Agreement; and will observe all applicable laws in performing their obligations under the Native Title Agreement.

In connection with the entry into the Native Title Agreement, the Subsidiary entered into a similar agreement with other Aboriginal native titleholders and claimants with respect to a comparatively small amount of land also covered by the License. For all practical purposes, the terms of this additional agreement are the same as those contained in the Native Title Agreement. Payments made under this second agreement will reduce payments under the Native Title Agreement on a dollar-for-dollar basis, so that each of the two groups of native title holders and claimants will receive payments proportionately based on the amount of land that their respective claims represent relative to the total area covered by the License.

Plan of Operation

General

We intend to engage primarily in the exploration and development of oil and gas on the Prospect in an effort to develop oil and gas reserves. Our principal products will be crude oil and natural gas. Our development strategy will be directed in the multi-pay target areas of South Australia, with principal focus on the prolific Cooper/Eromanga Basin, towards initiating and rapidly expanding production rates and proving up significant reserves primarily through exploratory drilling. Our mission will be to generate superior returns for our stockholders by working with industry partners, suppliers and the community to build a focused exploration and production company with strong development assets in the oil and gas sector.

In the right circumstances, we might assume the entire risk of the drilling and development of the Prospect. More likely, we will determine that the drilling and development of the Prospect can be more effectively pursued by inviting industry participants to share the risk and the reward of the Prospect by financing some or all of the costs of drilling wells. Such arrangements are frequently referred to as "farm-outs." In such cases, we may retain a carried working interest or a reversionary interest, and we may be required to finance all or a portion of our proportional interest in the Prospect. Although this approach will reduce our potential return should the drilling operations prove successful, it will also reduce our risk and financial commitment to a particular prospect. Prospective participants regarding possible "farm-out" arrangements have already approached us.

There can be no assurance that we will be successful in our exploratory and production activities. The oil and gas business involves numerous risks, the principal ones of which are listed in "Item 1A. Risk Factors - RISKS RELATING TO OUR INDUSTRY - PARTICIPANTS IN THE OIL AND GAS INDUSTRY ARE SUBJECT TO NUMEROUS RISKS." As we become more involved in the oil and gas exploration and production business, we will give more detail information regarding these risks.

Although our primary focus is on the exploration and development of the Prospect, we have received information about, and have had discussion regarding possible acquisition of or participation in, other oil or gas opportunities. None of these discussions has led to any agreement in principle. Nevertheless, given an attractive opportunity and our ability to consummate the same, we could acquire one or more other crude oil and natural gas properties, or participant in one or more other crude oil and natural gas opportunities.

Proposed Initial Activities

We are in the initial phase of our plan of operation. To date we have not commenced any drilling or other exploration activities on the Prospect, and thus we do not have any estimates of oil and gas reserves. Consequently, we have not reported any reserve estimates to any governmental authority. We cannot assure anyone that we will find commercially producible amounts of oil and gas. Moreover, at the present time, we cannot finance the initial phase of our plan of operation solely through our own current resources. Therefore, we have undertaken certain financing activities described in "Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" below. The success of the initial phase of our plan of operation depends upon our ability to obtain additional capital to acquire seismic data with respect to the Prospect, and to drill exploratory and developmental wells. We cannot assure anyone that we will obtain the necessary capital.

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

On May 19, 2014, the Company received notice from the Government of South Australia that this government had issued certain modifications to the License and suspended the License for a period of six months. Such a suspension functions like an extension. Under the amended License, the Company will be required to drill 7 exploratory wells rather than 12, as originally required. These required wells must be drilled in years 3, 4, and 5 (2, 2, and 3 wells, respectively). The amount of required 2D seismic was also reduced to 100 kilometers (in year 3) from 250 kilometers (in year 2) but the total 3D seismic work guaranteed increased to 500 square kilometers from 400 square kilometers. However, the 3D seismic survey requirement is spread over years 2, 3 and 4 (100, 200 and 200 sq. km. respectively). Subsequent to this modification and suspension, the Company received two additional six-month suspensions, one in February 2015 and one in July 2015, and a one-year suspension in February 2016. In view of these modifications and suspensions, the Company’s remaining work commitment involves the following:

* Year 2 ending April 27, 2017 - Conduct a new 3D seismic survey totaling at least 100 kilometers.
* Year 3 ending April 27, 2018 - Acquire new 2D seismic data totaling at least 100 kilometers, acquire 3D seismic data totaling at least 200 square kilometers and drill two wells.
* Year 4 ending April 27, 2019 - Acquire new 3D seismic data totaling at least 200 square kilometers and drill two wells.
* Year 5 ending April 27, 2020 - Drill three wells

The prices of the equipment and services that we must employ to fulfill the work commitment vary based on both local and international demand for such products by others involved in exploration for and production of oil and gas. The prevailing prices of the equipment and services can be subject to significant fluctuations. Until the significant decline in the price of oil that started in June 2014, high worldwide energy prices had resulted in growing demand for equipment and services, which led to higher prices being charged by suppliers and service providers. As a result of the significant decline in the price of oil, supplier and service provider prices have also declined significantly. We would like to take advantage of these lower costs. However, we have no assurance that we will be able to raise sufficient funds in a timely manner to take advantage of this opportunity.

Based on our research and technical analysis to date, we believe that the License work plan can be justified. Hence, the initial phase of our plan of operation involves (among other things) conducting 3D seismic surveys totaling 300 square kilometers (approximately 115 sq. miles), conducting a 2D seismic survey of 100 kilometers (approximately 62 miles) and drilling of at least two exploration wells. This activity will take place on the Prospect's **Area B** and meets the near-term work requirements under the License. The Company is currently engaged in negotiations with seismic contractors to conduct at 3D survey of up to 200 square kilometers. It is anticipated that this survey will be completed by December 2016.

We intend to seek a joint venture partner who or which might act as the operator to conduct seismic work and drill our wells. If we are unsuccessful in procuring such a partner, we will engage the services of a qualified seismic company to acquire additional 3D seismic data and once we have identified proposed drilling sites a third party contractor for drilling operations. Management foresees no problem in procuring the services of one or more qualified operators and drillers in connection with the initial phase of our plan of operation, although a considerable increase in drilling activities in the area of our properties could make difficult (and perhaps expensive) the procurement of operating and drilling services. In all cases, the operator will be responsible for all regulatory compliance regarding the well, including any necessary permitting for the well. In addition to regulatory compliance, the operator will be responsible for hiring the drilling contractor, geologist and petroleum engineer to make final decisions relative to the zones to be targeted, well design, and bore-hole drilling and logging. Should the well be successful, the operator would thereafter be responsible for completing the well, installing production facilities and interconnecting with gathering or transmission pipelines if economically appropriate. We expect to pay third party operators (i.e. not joint venture partner with us) commercially prevailing rates.

The operator will be the caretaker of the well once production has commenced. Additionally, the operator will formulate and deliver to all interest owners an operating agreement establishing each participant's rights and obligations in that particular well based on the location of the well and the ownership. The operator will also be responsible for paying bills related to the well, billing working interest owners for their proportionate expenses in drilling and completing the well, and selling the production from the well. Unless each interest owner sells its production separately, the operator will collect sale proceeds from oil and gas purchasers, and, once a division order has been established and confirmed by the interest owners, the operator will issue the checks to each interest owner in accordance with its appropriate interest. The operator will not perform these functions when each interest owner sells its production separately, in which case the interest owners will undertake these activities separately. After production commences on a well, the operator also will be responsible for maintaining the well and the wellhead site during the entire term of the production or until such time as the operator has been replaced.

The principal oil, natural gas and gas liquids transportation hub for the region of South Australia surrounding the Prospect is located in the vicinity of Moomba. This processing and transportation center is approximately 60 km (36 miles) due east of the Prospect's eastern boundary. Large diameter pipelines deliver oil and gas liquids from Moomba south to Port Bonython (Whyalla). Natural gas is also moved south to Adelaide or east to Sydney. A gas transmission pipeline also connects Moomba to Ballera, which is located northeastward in the State of Queensland. From Ballera gas can be moved to Brisbane and Gladstone, where a liquefied natural gas (LNG) project is under development. The Moomba treating and transportation facilities and the southward pipelines were developed and are operated by a producer consortium led by Santos Limited (no relation to us).

We cannot accurately predict the costs of transporting our production until we locate our first successful well. The cost of installing infrastructure to deliver our production to Moomba or elsewhere will vary depending upon distance traversed, negotiated handling/treating fees, and pipeline tariffs.

Markets and Marketing

The petroleum industry has been characterized historically by crude oil and natural gas commodity prices that fluctuate (sometimes dramatically), and supplier costs can rise significantly during industry booms. For example, crude oil and natural gas prices increased to historical highs in 2008 and then declined significantly over the last two quarters of 2008. After this period, prices generally improved steadily with occasional reversals, without returning to historical highs, although they had generally been higher than pre-2007 levels. A several price decline started in June 2014 when the price of Brent oil was above $110 per barrel and has continued to date to remain at depressed level, with a recent public Brent quotes near $45 per barrel. Crude oil and gas prices and markets are likely to remain volatile in the future. Crude oil and natural gas are commodities and their prices are subject to wide fluctuations in response to relatively minor changes in supply and demand for oil and gas, market uncertainty, and a variety of additional factors beyond our control. Those factors include:

* international political conditions (including wars and civil unrest, such as the recent unrest in the Middle East);
* the domestic and foreign supply of oil and gas;
* the level of consumer demand;
* weather conditions;
* domestic and foreign governmental regulations and other actions;
* actions taken by the Organization of Petroleum Exporting Countries (OPEC);
* the price and availability of alternative fuels; and
* overall economic conditions.

Lower oil and natural gas prices may not only decrease our revenues on a per unit basis, but may also reduce the amount of oil and natural gas we can produce economically, if any. A sustained decline in oil and natural gas prices may materially affect our future business, financial condition, results of operations, liquidity and borrowing capacity, and may require a reduction in the carrying value of our oil and gas properties. While our revenues may increase if prevailing oil and gas prices increase significantly, exploration and production costs and acquisition costs for additional properties and reserves may also increase. We may or may not enter into hedging arrangements or use derivative financial instruments such as crude oil forward and swap contracts to hedge in whole or in part our risk associated with fluctuations in commodity prices.

We do not expect to refine any of our production, although we may have to treat or process some of our production to meet the quality standards of purchasing or transportation companies. Instead, we expect that all or nearly all of our production will be sold to a relatively small number of customers. Production from our properties will be marketed consistent with industry practices. We do not now have any long-term sales contracts for any crude oil and natural gas production that we realize, but we expect that we will generally sell any production that we develop pursuant to these types of contracts. We do not believe that we will have any difficulty in entering into long-term sales contracts for our production, although there can be no assurance in this regard.

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

We expect that most of the natural gas that we are able to find (if any) will be transported through gas gathering systems and gas pipelines that are not owned by us. The Prospect is in fairly close proximity to gas pipelines suitable for carrying our production. Transportation capacity on gas gathering systems and pipelines is occasionally limited and at times unavailable due to repairs or improvements being made to the facilities or due to use by other gas shippers with priority transportation agreements or who own or control the relevant pipeline. If transportation space is restricted or is unavailable, our cash flow could be adversely affected.

Sales prices for oil and gas production are negotiated based on factors normally considered in the industry, such as the reported trading prices for oil and gas on local or international commodity exchanges, distance from the well to the pipeline, well pressure, estimated reserves, commodity quality and prevailing supply conditions. Historically, crude oil and natural gas market prices have experienced high volatility, which is a result of ever changing perceptions throughout the industry centered on supply and demand. We cannot predict the occurrence of events that may affect oil and gas prices or the degree to which such prices will be affected. However, the oil or gas prices realized by us should be equivalent to current market prices in the geographic region of the Prospect. Typically, oil prices in Australia reflect or are "benchmarked" against European commodity market trading settlement prices, namely Brent Crude. Recent price levels in this market have been at a premium to those settled in the United States, or (in other words) those "benchmarked" against West Texas Intermediate Crude. During certain periods, the differential has been substantial, although during the past few years the differential has been relatively modest.

For the half year ending December 31, 2015, Beach Energy, a Cooper Basin producer reported an average realised Brent oil price of AU$101 per barrel down 22% from the previous corresponding period (PCP). As of May 4, 2016 WTI Crude Oil was priced at US$43.65 per barrel and Brent Crude Oil was priced at US$46.75 per barrel. We cannot predict the future level of the price differential between WTI Crude Oil and Brent Crude Oil or be assured that such differential will reflect a favorable premium for us in the future. (Sources: Beach Energy Half Yearly Report – December 31, 2015, Commodity prices - www.oil-price.net)

We will strive to obtain the best price in the area of our production. Our revenues, profitability and future growth will depend substantially on prevailing prices for crude oil and natural gas. Decreases in the prices of oil and gas would likely adversely affect the carrying value of any proved reserves we are successful in establishing and our prospects, revenues, profitability and cash flow.

Competition

We expect to operate in the highly competitive areas of oil and gas exploration, development and production. We believe that the level of competition in these areas will continue into the future and may even intensify. In the areas of oil and gas exploration, development and production, competitive advantage is gained through superior capital investment decisions, technological innovation and costs management. Our competitors include major oil and gas firms and a large number of independent oil and gas companies. Because we expect to have control over acreage sufficient for our exploration and production efforts for the foreseeable future, we do not expect to compete for the acquisitions of properties for the exploration for oil and gas. However, we will compete for the equipment, services and labor required to operate and to develop our properties and to transport our production. Many of our competitors have substantially larger operating staffs and greater financial and other resources. In addition, larger competitors may be able to absorb the burden of any changes in laws and regulations more easily than we can, which would adversely affect our competitive position. Moreover, most of our competitors have been operating for a much longer time than we, and have demonstrated the ability to operate through a number of industry cycles. The effect of the intense competition that we will face cannot now be determined.

Regulation

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

Legal Proceedings

We are not now involved in any legal proceedings. There can be no assurance, however, that we will not in the future be involved in litigation incidental to the conduct of our business.

Employees

As of the date of this filing, we had no employees. We expect that we will have no employees for the foreseeable future, although we expect to enter into consulting agreements with members of our management at some time in the future. The market for qualified oil and gas professionals and craftsmen can be very competitive during periods of strong commodity prices. We anticipate that we will be able to offer compensation and an interesting work environment that will enable us to attract employees to meet our labor needs.

Facilities

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

Item 1A. Risk Factors.

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

RISKS RELATING TO OUR COMPANY

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 (" ***Liberty*** ") 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 (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.

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

In connection with the acquisition of the Prospect from Liberty, we incurred deferred payments to Liberty in the form of two promissory notes in the original principal amounts of US$500,000 (originally due on or before April 26, 2013) and US$150,000 (originally due on or before July 26, 2013). These promissory notes have undergone a number of amendments and were on September 26, 2013 combined into a single consolidation promissory note in the original principal amount of $542,294, as some of the principal had been reduced and some interest had accrued. As extended, this consolidation promissory note is due and payable on or before July 20, 2016. The Company and Liberty amended the Consolidation Note so that the all outstanding principal of this Note with accrued interest calculated to May 5, 2016 is $587,724 plus interest and shall be due in a single balloon payment on July 20, 2016, and provided that on or prior to the Due Date of July 20, 2016, the Note can be paid in its entirety by the Company a) payment in cash of $300,000, plus the amount of accrued interest and b) issuance of 1,150,895 restricted shares of Company's common stock. This promissory note will become due before we are able to commence production on the Prospect. Moreover, because of the acquisition of the Prospect, we have a work commitment with respect to the Prospect requiring us to expend stipulated amounts. In management's view, the geotechnical work completed to date meets the first year work commitment under the License. However, we will need additional funds to satisfy the work commitment in second and future years. Moreover, we will need working capital and further funds to explore and develop the Prospect in the manner that we prefer. Furthermore, we need additional capital to explore and develop the Prospect in a meaningful manner.

We are engaged in active efforts to complete (a) a capital raising transaction sufficient for us to complete the second year of our work commitment and provide additional funds if possible, or (b) the sale of a portion of our interest in the Prospect to a joint venture partner for a cash payment and/or a work commitment, or (c) some combination of (a) and (b). In the past, we have used the services of firms that specialize in capital procurement, but we are pursuing our own capital raising initiatives. We have no assurance that we will be successful in completing a transaction that will provide us with required funds. Our failure to pay timely the Liberty note could result in Liberty's exercise of the rights of an unsecured creditor and possibly levy encumbrances on all or a large part of our assets. Our failure to honor our work commitment could result in our loss of the Prospect. Our failure to procure required financing on acceptable terms could prevent us from developing the Prospect. If any of the preceding events were to occur, we could be forced to cease our new business plan altogether, which could result in a complete loss to our stockholders. Our future liquidity will depend upon numerous factors, including the success of our business efforts and our capital raising activities. Any debt financing undertaken to procure funds may involve restrictions limiting our operating flexibility. Moreover, if we obtain funds through the issuance of equity securities, the following results will or may occur:

* The percentage ownership of our existing members will be reduced

* The new equity securities may have rights, preferences or privileges senior to those of the holders of our common stock.

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

WE HAVE NOT ENGAGED IN THE OIL AND GAS EXPLORATION BUSINESS BEFORE.

Our company was incorporated on May 24, 2006 for the purpose of trying to develop commercially certain mineral claims. This business did not move forward. We have decided to focus our business on the exploration, development and production of oil and gas on a particular crude oil and natural gas prospect that is described in "Item 1 Business" (the " ***Prospect*** "). The Prospect is considered "undeveloped acreage," which the U.S. Securities and Exchange Commission (the " ***Commission*** ") defines as "lease acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether such acreage contains proved reserves." We have no proved reserves. In view of our extremely limited history in the oil and gas exploration business, you may have difficulty in evaluating us and our business and prospects. You must consider our business and prospects in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development. For our business plan to succeed, we must successfully undertake most of the following activities:

* Complete a financing or similar transaction that will provide us with sufficient funds;
* Drill successfully exploratory test wells on the Prospect to determine the presence of oil and gas in commercially viable quantities;
* Develop the Prospect to a stage at which oil and gas are being produced in commercially viable quantities;
* Procure purchasers of our commercial production of oil and gas upon such commencement;
* Comply with applicable laws and regulations;
* Identify and enter into binding agreements with suitable third parties (such as joint venture partners and contractors) for the Prospect;
* Implement and successfully execute our business strategy;
* Respond to competitive developments and market changes; and
* Attract, retain and motivate qualified personnel.

There can be no assurance that we will be successful in undertaking such activities. Our failure to undertake successfully most of the activities described above could materially and adversely affect our business, prospects, financial condition and results of operations. In addition, there can be no assurance that our exploration and production activities will produce oil and gas in commercially viable quantities, if any at all. Moreover, even if we succeed in producing oil and gas, we expect to incur operating losses until such time (if ever) as we produce and sell a sufficient volume of our commercial production to cover direct production costs as well as corporate overhead. There can be no assurance that sales of our oil and gas production will ever generate significant revenues, that we will ever generate positive cash flow from our operations or that (if ever attained) we will be able to sustain profitability in any future period.

OUR AUDITOR HAS GIVEN TO US A "GOING CONCERN" QUALIFICATION, WHICH QUESTIONS OUR ABILITY TO CONTINUE AS A GOING CONCERN WITHOUT ADDITIONAL FINANCING.

Our independent certified public accountant has added an emphasis paragraph to its report on our financial statements for the year ended February 29, 2016 regarding our ability to continue as a going concern. Key to this determination is our lack of any historical revenues and its accumulated loss of $2,543,592 since inception. In May 2016, we secured $3.5 million in funding through a convertible debenture sale. We have an additional $1.5 million in convertible debentures that we are seeking to sell for short-term funding. Moreover, the purchaser of the $3.5 million convertible debentures has a right of first offer through the end of June 2017 to invest an additional $20.0 million in our company. There can be no assurance that we will be successful in securing any additional funding through the preceding arrangements or otherwise, becoming profitable, or continuing our business without either a temporary interruption or a permanent cessation.

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

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

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

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

RISKS RELATING TO OUR INDUSTRY

PARTICIPANTS IN THE OIL AND GAS INDUSTRY ARE SUBJECT TO NUMEROUS RISKS.

Participants in the oil and gas industry are subject to numerous risks over which we will have limited or no control. These risks include the following:

* Volatility in market prices of hydrocarbons, which could become and remain low resulting in impairments negatively affecting our financial performance
* Difficulty in selecting drilling sites that result in production in commercially viable quantities
* Formation problems that cannot be anticipated even with the best possible due diligence
* Problems with availability, cost and quality of drilling equipment and personnel
* Problems encountered in drilling, including, without limitation, fires, explosions, blow-outs and surface cratering, uncontrollable flows of natural gas oil and formation water, natural disasters such as hurricanes and other adverse, weather conditions, pipe cement subsea well or pipeline failures, casing collapses, ineffective hydraulic fracs, embedded oil field drilling and service tools, abnormally pressured formations, and environmental hazards such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases

* Adverse hedging decisions
* Regulatory burdens and liabilities, including environmental ones
* Failure to address competition in a changing environment

Any of the risks set forth above (as well as other risks not set forth above or not now foreseeable) could materially and adversely affect our future business, financial condition, results of operations, liquidity and ability to finance capital expenditures.

RISKS RELATING TO OUR MANAGEMENT

WE DEPEND ON CERTAIN KEY PERSONNEL.

We currently and in the future will substantially depend upon the efforts and skills of our current and expected future management. The loss of the services of any member of management, or the inability of any of time to devote sufficient attention to our operations, could materially and adversely affect our operations. Currently, no member of management has entered into a written employment agreement or any covenant not to compete agreement with us. As a result, any member of management may discontinue providing his services to us at any time and for any reason, and even thereafter commence competition with us. Moreover, we do not currently maintain key man life insurance on any member of management

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

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

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

Our current senior management owns approximately 69.99% of our outstanding common stock as of the date of this Report. Cumulative voting in the election of directors is not authorized in our First Amended and Restated Articles of Incorporation. Accordingly, it is not permitted as a matter of law. As a result, the holder or holders of a majority of our outstanding shares of common stock may elect all of our directors. Management's large percentage ownership of our outstanding common stock will enable them to maintain their positions as such and thus their control of our business and affairs.

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

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

WE ARE REQUIRED TO COMPLY WITH SECTION 404 OF THE SARBANES OXLEY ACT OF 2002.

Pursuant to Section 404 of the Sarbanes Oxley Act of 2002, in connection with this Annual Report and future Annual Reports, we are and will be required to furnish a report by management on our internal controls over financial reporting which will contain, among other matters, an assessment of the effectiveness of our internal control over financial reporting, including a statement as to whether or not our internal control over financial reporting is effective. This assessment must include disclosure of any material weaknesses in our internal control over financial reporting identified by our management. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that such internal control is effective. If we are unable to assert that our internal control over financial reporting is effective, we could lose investor confidence in the accuracy and completeness of our financial reports. Furthermore, we expect that our compliance with the regulatory requirements described herein will likely increase our professional expenses.

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

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

RISKS RELATING TO OUR COMMON STOCK

OUR COMMON STOCK HAS EXPERIENCED ONLY LIMITED TRADING.

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

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

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

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

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

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

The trading price of our common stock historically has been below $5.00 per share. As a result of this price level, trading in our common stock is subject to the requirements of certain rules promulgated under the Securities Exchange Act of 1934, as amended. These rules require additional disclosure by broker dealers in connection with any trades generally involving any non NASDAQ equity security that has a market price of less than $5.00 per share, subject to certain exceptions. Such rules require the delivery, before any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith, and impose various sales practice requirements on broker dealers who sell penny stocks to persons other than established customers and accredited investors (generally institutions). For these types of transactions, the broker dealer must determine the suitability of the penny stock for the purchaser and receive the purchaser's written consent to the transaction before sale. The additional burdens imposed upon broker dealers by such requirements may discourage broker dealers from effecting transactions in our common stock. As a consequence, the market liquidity of our common stock could be severely affected or limited by these regulatory requirements.

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

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

STOCKHOLDERS HAVE NO GUARANTEE OF DIVIDENDS.

The holders of our common stock are entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available therefore. To date, we have paid no cash dividends. The Board of Directors does not intend to declare any dividends in the foreseeable future, but instead intends to retain all earnings, if any, for use in our business operations. If we obtain additional financing, our ability to declare any dividends will probably be limited contractually.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

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

For information about our oil and gas property, see "Item 1 Business" above.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Trading Prices . Our common stock is quoted in the over-the-counter markets under the name "Discovery Energy Corp." and the symbol "DENR". Previously, our common stock was quoted on the OTC Bulletin Board under the name "Santos Resource Corp." and the symbol "SANZ". Set forth below are the ranges of closing prices of our common stock for the periods indicated, as reported in the over-the-counter markets. The market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions. Our common stock began trading on June 15, 2009. The following table reports high and low closing prices, on a quarterly basis, for our common stock within the two most recent fiscal years:

	Common Stock	
2015	High	Low
First Quarter	$ .60	$ .40
Second Quarter	$ .44	$ .40
Third Quarter	$ .44	$ .44
Fourth Quarter	$ .40	$ .25

	Common Stock	
2016	High	Low
First Quarter	$ .50	$ .25
Second Quarter	$ .80	$ .46
Third Quarter	$ 1.10	$ .60
Fourth Quarter	$ .65	$ .30

Outstanding Shares and Record Holders . As of June 10, 2016, we had 101 common shareholders of record and 140,189,501 common shares outstanding.

Dividends . We have not paid any cash dividends on our common stock, and we do not intend to pay any dividends for the foreseeable future.

Recent Private Placements .

During February 2016, we sold 100,000 shares of our common stock (" ***Common Shares*** ") at a price of $0.20 per share to a single investor. The issuance of these Common Shares is claimed to be exempt pursuant to Section 4(2) of the Securities Act of 1933, as amended (the " ***Act*** ") and Rule 506 of Regulation D under the Act. No advertising or general solicitation was employed in offering these Common Shares. The offering and sale was made to a single accredited investor, and subsequent transfers were restricted in accordance with the requirements of the Act.

During August 2015, we sold 83,334 Common Shares at a price of $0.60 per share to a single investor. The issuance of these Common Shares is claimed to be exempt pursuant to Section 4(2) of the Securities Act of 1933, as amended (the " ***Act*** ") and Rule 506 of Regulation D under the Act. No advertising or general solicitation was employed in offering these Common Shares. The offering and sale was made to a single accredited investor, and subsequent transfers were restricted in accordance with the requirements of the Act.

During June 2015, we sold 100,000 Common Shares at a price of $0.50 per share to a single investor. The issuance of these Common Shares is claimed to be exempt pursuant to Section 4(2) of the Securities Act of 1933, as amended (the " ***Act*** ") and Rule 506 of Regulation D under the Act. No advertising or general solicitation was employed in offering these Common Shares. The offering and sale was made to a single accredited investor, and subsequent transfers were restricted in accordance with the requirements of the Act.

During March 2015, we sold 666,667 Common Shares at a price of $0.30 per share to a single investor. The issuance of these Common Shares is claimed to be exempt pursuant to Section 4(2) of the Securities Act of 1933, as amended (the " ***Act*** ") and Rule 506 of Regulation D under the Act. No advertising or general solicitation was employed in offering these Common Shares. The offering and sale was made to a single accredited investor, and subsequent transfers were restricted in accordance with the requirements of the Act.

Equity Compensation Plans . We have one equity compensation plan for our directors, officer, employees and consultants pursuant to which options, rights or shares may be granted or issued. This plan is named the "Discovery Energy Corp. 2012 Equity Incentive Plan" (the " ***Plan*** "). Information on the material terms of the Plan is given below. The following table provides information as of February 29, 2016 with respect to our compensation plans (including individual compensation arrangements), under which securities are authorized for issuance aggregated as to (i) compensation plans previously approved by stockholders, and (ii) compensation plans not previously approved by stockholders:

Equity Compensation Plan Information

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	-0-	-0-	-0-
Equity compensation plans not approved by security holders	-0-	-0-	5,697,300
Total	-0-	-0-	5,697,300

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

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

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

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

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

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

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

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

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

Previous Awards . We have awarded 302,700 shares of our common stock in outright grants pursuant to the Plan as of February 29, 2016.

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

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

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

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

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

Except as provided under "Certain Limitations on Deductibility of Executive Compensation" below, we will ordinarily be entitled to a deduction at the same time and in the same amounts as the ordinary income recognized by the participant with respect to a stock grant award. Unless a participant has made a Section 83(b) election, we will also be entitled to a deduction, for federal income tax purposes, for dividends paid on awards of unvested restricted stock grants when the restrictions lapse.

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

Generally, upon a subsequent sale of shares acquired in an option exercise, the difference between the sale proceeds and the cost basis of the shares sold will be taxable as a capital gain or loss.

* *Stock-Based Awards* . A participant will recognize taxable income on the grant of unrestricted stock, in an amount equal to the fair market value of the shares on the grant date. Except as provided under "Certain Limitations on Deductibility of Executive Compensation" below, we will ordinarily be entitled to a deduction at the same time and in the same amounts as the ordinary income recognized by the participant with respect to such a stock award. Other rules apply with regard to other forms of stock-based awards.

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

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

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

Item 6. Selected Financial Data.

Not applicable.

Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

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

After having made significant strides in our business plan during our fiscal 2013 (including the formal grant of the License after the satisfaction of a number of significant preconditions), during our fiscal 2014 and fiscal 2015 we focused our efforts to complete a major capital raising transaction or procure a major joint venture partner to further our business plan. We were not able to achieve either of these goals during our fiscal 2014 and fiscal 2015, although we are continuing concerted efforts to do so. In fiscal 2016, we shifted our capital raising to securing sufficient funds for us to complete the second year work commitment and provide general working capital to sustain business operations..

In May 2016, we secured $3.5 million in funding through a convertible debenture sale. We have an additional $1.5 million in convertible debentures that we are seeking to sell for short-term funding. Moreover, the purchaser of the $3.5 million convertible debentures has a right of first offer through the end of June 2017 to invest an additional $20.0 million in our company. There can be no assurance that we will be successful in securing any additional funding through the preceding arrangements or otherwise becoming profitable, or continuing our business without either a temporary interruption or a permanent cessation.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations as of February 29, 2016 are based upon our financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates. We base the estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions provide a basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions, and these differences may be material. The footnotes to our financial statements contain critical accounting policies that affect our more significant judgments and estimates used in the preparation of our financial statements. These policies should be reviewed to understand our financial condition and results of operations.

Results of Operations

Financial results for the year ended February 29, 2016 generally reflect lower levels of exploration activities, professional fund raising assistance and international travel compared to the year ended February 28, 2015.

Comparison of Year Ended February 29, 2016 to Year Ended February 28, 2015

Our results of operation for the fiscal years ended February 29, 2016 and February 28, 2015 are summarized in the table below:

	Fiscal Year Ended February 29 2016	Fiscal Year Ended February 28 2015
Revenue	$ -	$ -
Operating Expenses	$ 281,203	$ 410,929
Other (income)/expenses	$ 3,078	$ 46,254
Net Loss	$ 284,281	$ 457,183

Our operating expenses for the fiscal years ended February 29, 2016 and February 28, 2015 are outlined in the table below:

	Fiscal Year Ended February 29 2016	Fiscal Year Ended February 28 2015
General and Administrative	$ 67,386	$ 75,021
Exploration Costs	$ 61,993	$ 34,345
Professional Fees	$ 98,832	$ 259,107
Travel	$ 40,000	$ 31,533
Rent	$ 12,992	$ 10,923
Total	$ 281,203	$ 410,929

Revenues . We did not earn any revenues for either the fiscal year ended February 29, 2016 or the fiscal year ended February 28, 2015. We do not anticipate earning revenues until such time as we have entered into commercial production of oil and natural gas. We are presently in the exploration stage of our business, and we can provide no assurance that we will discover commercially exploitable levels of hydrocarbons on our properties, or if such resources are discovered, that we will enter the commercial production.

Expenses . The total expenses incurred during fiscal 2016 were approximately 32% lower than those recorded in fiscal 2015 and reflect the reduced level of activity begun last year. This decrease reflects marked reductions in professional fees and general and administrative (G&A) expenses, which were offset in part by increases in exploration costs and travel.

Professional fees were the largest components of our expenses in both fiscal 2016 and fiscal 2015. The large decrease of over 60% in these costs during the 12 months ended February 29, 2016 resulted mainly from lower investment banking related payments. During the previous fiscal year ended February 28, 2015, a non-cash (common stock) payment of nearly $100,000 was to a former advisor and a $50,000 payment to a separate firm. These payments were made in conjunction with our capital raising efforts. Excluding these extraordinary expenses, professional fees expenditures were approximately $100,000 in both fiscal year 2016 and fiscal year 2015.

Exploration Costs this fiscal year ended February 29, 2016 increased by nearly $28,000 or about 80%, compared to last fiscal year ended February 28, 2015. The additional expenditures in this area were primarily related to the preparation of an updated independent oil and gas resource study of our License acreage. This study both increases our technical understanding of our asset and supports conversations with prospective investors and joint venture partners

General and administrative expenses for the 12 months ended February 29, 2016 were 10% lower than those incurred during the 12 months ended February 28, 2015. This decrease continues the trend noted during the previous fiscal year when expenses in this category declined 32%. The decline in the most recent fiscal year was primarily related to reduced expenditures for information technology equipment, computer software, Internet support services and prospect promotional materials.

Travel expenses increased about $8,500 during the year ended February 29, 2016 compared to the year ended February 28, 2015. This reflects the costs of an extended Australian stay by senior executives. The visit included meeting with relevant government regulators, operating company leaders (prospective joint venture partners) and local banking and finance professionals.

Other (income)/expenses . The decrease of over 90% in other expenses in fiscal 2016 compared to fiscal 2015 was the non-cash cost associated with the exchange of common shares for certain related party debt. Absent this $30,200 charge, net other expenses for the 12 months ended February 29, 2016 would have been about $13,000 less than the net other expenses for the 12 months ended February 28, 2015 primarily due to favorable exchange rates on disbursements made in Canadian and Australian currencies.

Net loss . Our net loss of $284,281 (or $0.00 per-share) for the 12 months ended February 29, 2016 was about 38% less compared to our net loss during our last fiscal year ended February 28, 2015 of $457,183 (or $0.00 per-share).

Liquidity and Capital Resources

Financing History and Immediate, Short-Term Capital Needs

Since the change in our corporate direction in January 2012, we have financed our business primarily through private placements of common stock. Since January 2012 through the end of fiscal 2016, we had conducted several rounds of financing in which we raised total "seed" capital in the amount of $2,723,750 resulting in the issuance of 19,657,501 shares of our common stock. From time to time, our officers and directors have advanced short-term funds. As of June 8, 2016, we had outstanding loans totaling $146,353 from two directors and an entity controlled by one officer. These loans are each evidenced by demand notes, which are non-interest bearing.

As of February 29, 2016, we had cash of approximately $16,000, we had drawn $10,650 in funds against our bank credit card, and we had a working capital deficit of about $884,000. The bulk of the current working capital deficit is associated with the amended consolidation promissory note in the original principal amount with accrued interest calculated to May 5, 2016 of $587,724 plus interest made payable to Liberty Petroleum Corporation (" ***Liberty*** "). As extended and amended, this consolidation promissory note is due in a single balloon payment on July 20, 2016, and provided that on or prior to the Due Date of July 20, 2016, the Note can be paid in its entirety by the Company a) payment in cash of $300,000, plus the amount of accrued interest and b) issuance of 1,150,895 restricted shares of Company's common stock.

Effective May 27, 2016, we 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 to purchase up to a maximum of 13,125,000 shares (prior to any required adjustment) of our common stock (at an initial per-share exercise price of $0.20.

We received proceeds from the sale of these securities in the amount of $3,500,000. The use of these proceeds is limited to the payment of our and the Debenture purchaser's costs of the transaction (including legal fees), the funding of our 3D seismic survey with respect to our 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 Debenture purchaser's consent. Because of the cash infusion resulting from the sale of this initial Debenture, as of June 10, 2016, we had the US dollar equivalent of approximately $3,469,000 of cash on hand. We are currently seeking to 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 we owe to Liberty Petroleum Corporation

* The payment of the debt that we owe to members of management

* General and administrative expenses

If the full $1,500,000 of these additional Debentures is raised, we believe that the related net proceeds will be sufficient to pay the debts noted above and finance all of our business for the next year, although it has no assurance of this. We have no assurances that we will be successful in raising required additional funds. If we are unsuccessful in raising required additional funds in the immediate future, we will need (among other things) to seek a further extension of the Liberty note. While Liberty has accommodated us in the past in this regard, we have no assurance that they would accommodate us again. Our failure to raise required additional funds and our subsequent failure to obtain an extension of the Liberty note and our work commitment under the License and our ultimate inability to repay the Debentures when they become due could have adverse consequences for us, including our inability to continue our business plan, which could result in a complete loss of stockholders' equity.

Long-Term Capital Needs

The five-year work commitment relating to the License imposes certain financial obligations on us. In management's view, the geotechnical work completed in year-one was sufficient to satisfy the requirement for year-one, and we filed our report in this connection with the South Australian government. Further, we have raised the funds required to complete the second year work commitment and a portion of the following year's 3D seismic requirement. In addition to the preceding, we will need working capital to satisfy our general and administrative expenses. Between April 2017 and the end of April 2020, we will require additional capital to continue operations and satisfy the obligations for the remainder of our work commitments..

If we are successful with the early wells, we will continue with a full development plan, the scope of which is now uncertain but will be based on technical analysis of acquired seismic data collected and/or reprocessed, field drilling reports and well log reports. However, all of the preceding plans are subject to the availability of sufficient funding and the procurement of all governmental approvals. We do not now have sufficient available funds to undertake these tasks, and will need to procure a joint venture partner or raise additional funds as described above. The failure to procure a joint venture partner or raise additional funds will preclude us from pursuing our business plan, as well as exposing us to the loss of the License, as discussed below. Moreover, if our business plan proceeds as just described, but our first wells do not prove to hold producible reserves, we could be forced to cease our exploration efforts on the Prospect.

Major Financing Efforts and Other Sources of Capital

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

Our capital strategy for most of the past two years or so has been to try to engage in a single major capital raising transaction to provide sufficient funds to satisfy our capital needs for a number of years to come. While did not completely abandoning this strategy, we shifted our emphasis in an effort to try to engage in one or more smaller capital raising transactions to provide sufficient funds to satisfy our capital needs through June 2016. Effective May 27, 2016, we sold a $3,500,000 Debenture. We believe that the proceeds from this sale will be sufficient to finance our seismic survey required for our second year license work commitment of 100 km2. Moreover we believe that the remainder of these proceeds will be sufficient (provided the Debenture holder's consent is obtained) to finance all of our other business expenses through the end of October 2016, although we have no assurance of this. In the view of the preceding, we will need to raise more funds, and we are continuing efforts to raise another $1,500,000 by selling additional Debentures. Moreover, in the future we will need significant additional funds to undertake the development of our oil and gas prospect in Australia, and we will need to raise these funds to do this. We have no assurance that it will be able to raise these significant additional funds or the additional funds needed for our general operation.

The purchaser of our $3,500,000 Debenture has a right of first offer through the end of June 2017 to invest an additional $20.0 million in our company. We view this arrangement as a prospect for meeting our major capital needs in the future, although we have no assurance that the purchaser will elect to invest any further amounts. However, we expect to pursue other possible sources of capital. For example, we expect to pursue smaller, equity placements for short-term needs and an alternative major capital raising transaction for long-term needs. Moreover, one source of funding being pursued is the sale of a portion of our interest in the Prospect to a joint venture partner for a cash payment and/or a work commitment. We have had preliminary discussions with several companies to become joint venture partners. To obtain the maximum combination of cash and work commitment in connection with the sale of an interest in the Prospect, we have conducted extensive geological and geophysical work, including the reprocessing of existing 3D seismic data relating to a portion of the Prospect, and we may seek to add further value by completing a 3D seismic survey over other portions of the Prospect. We have no assurance that we will secure a joint venture partner. A joint venture arrangement is unlikely to help with our immediate cash needs, but (if secured) one would help with our longer-term cash needs. Moreover, any joint venture arrangement would need to be approved by the purchaser of our $3,500,000 Debenture.

Production from successful exploration and drilling efforts would provide us with cash flow. The proven reserves associated with production would increase the value of our rights in the Prospect. This, in turn, should enable us to obtain bank financing (after the wells have produced for a period of time to satisfy the related lender). Both of these results would enable us to continue with our development activities. Cash flow is a critical factor to our plan of operation in the long run. Management believes that, if our plan of operation progresses (and production is realized) as planned, sufficient cash flow and debt financing will be available for purposes of properly pursuing our plan of operation, although we can make no assurances in this regard.

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

Consequences of a Financing Failure

Our work commitments, the pending maturity of the Liberty note, and the issuance of the Debenture have all heightened our need to raise a significant amount of additional capital in the fairly near future. If required financing is not available on acceptable terms, we could be prevented from satisfying our debt or work commitment obligations (including the repayment of the Debenture, which becomes due in May 2021), or developing the Prospect. Our failure to pay timely the Debenture could result in the partial or total loss of our assets and properties. Our failure to pay timely the Liberty note could result in Liberty's exercise of the rights of an unsecured creditor and possibly levy encumbrances on all or a large part of our assets. Our failure to honor our work commitment could result in our loss of the Prospect. Our failure to procure required financing on acceptable terms could prevent us from developing the Prospect. If any of the preceding events were to occur, we could be forced to cease our business plan altogether, which could result in a complete loss of stockholders' equity. If we do not obtain additional financing through an equity or debt offering, we may be constrained to attempt to sell some portion of the Prospect under unfavorable circumstances and at an undesirable price. However, we cannot assure anyone that we will be able to find interested buyers or that the funds received from any such sale would be adequate to fund our activities. Our future liquidity will depend upon numerous factors, including the success of our business efforts and our capital raising activities.

Known Trends

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

* Growth is expected to recover in the medium term but is forecast to remain below levels that prevailed prior to the financial crisis. World oil consumption grew by 2.8 per cent in 2015 to average 96.4 million barrels and is projected to increase to 100.5 million barrels a day in 2021. Growth will continue to be driven by increased consumption in non-OECD economies, particularly those in Asia and the Middle-East.
* The recent decline in oil prices is not expected to affect Australian projects under construction or currently producing, but is likely to reduce investment in exploration and development, which may slow growth in future supply capacity.
* Australia produced 340 thousand barrels of crude oil and condensate a day in the December 2015 quarter and a total of 120 million barrels of crude oil and condensate for the 12 months ended December 2015. Production from the Cooper-Eromanga Basin was 14.6 million barrels of crude oil and condensate for the same period.
* The recent decline in oil prices is not expected to affect Australian projects under construction or currently producing, but is likely to reduce investment in exploration and development, which may slow growth in future supply capacity.
* Output is projected to increase to 390 thousand barrels a day in 2018-19 in line with increasing condensate production associated with the Prelude and Icthys projects, before falling to 338 thousand barrels a day in 2019-20.
* Crude oil and liquids production will continue to trend downwards over our forecast periods as discoveries have not been able to sufficiently replace declining production from mature fields. However, Apache's offshore discovery in the Canning Basin could open up a new oil province and further oil discoveries and possible development particularly in the Cooper Basin, and production from liquid-rich shale pending further exploration could pose upside risks to these oil production forecasts from 2018.

* LNG imports in the Asian region are expected to drive LNG growth over the outlook period, to increase from 167 million tonnes in 2015 to 246 million tonnes in 2021. While Japan will remain the largest Asian market, the role of China is expected to increase, overtaking South Korea to become the second largest market by the end of the decade.
* Australia’s LNG exports are projected to increase at an average annual rate of 16 per cent to 75.2 million tonnes by 2020–21, below nameplate capacity due to strong global competition. Export volumes represent the majority of projected gas production in 2020–21, accounting for 51 per cent of total production.
* Over the same period, earnings from these exports are projected to reach $42.2 billion (in 2015–16 dollar terms) in 2020–21. Export values over the projection period are lower than previously forecast due to lower oil price projections which flow through to LNG prices.
* Over the outlook period Australia’s gas production is projected to increase 12 per cent a year on average to 147.6 billion cubic metres in 2020–2021. Most of the increase in gas production will be to support additional LNG export capacity, from Australia’s western, northern and eastern markets.

(Sources: BREE - Resources and Energy Quarterly – March 2016)

Off-balance Sheet Arrangements

During the year ended February 29, 2016, we had no off-balance sheet arrangements.

Item 7A Quantitative and Qualitative Disclosures About Market Risks

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The reports of our independent auditors appear at Page F-1 hereof, and our financial statements appear at page F-2 through F-13 hereof.

Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 13a 15(e) and Rule 15d 15(e) as of the end of the fiscal year covered by this annual report. Based on that evaluation, the principal executive officer and principal financial officer have identified that the lack of segregation of accounting duties as a result of limited personnel resources is a material weakness of our financial procedures. Other than for this exception, the principal executive officer and principal financial officer believe the disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that our disclosure and controls are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There were no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation and there were no corrective actions with regard to significant deficiencies and material weaknesses.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving our stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, as defined in rules promulgated under the Exchange Act, is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and affected by our Board of Directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our Board of Directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

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

Our management assessed the effectiveness of our internal control over financial reporting as of February 29, 2016. In making its assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on its assessment, management has concluded that we had certain control deficiencies described below that constituted material weaknesses in our internal controls over financial reporting. As a result, our internal control over financial reporting was not effective as of February 29, 2016.

A "material weakness" is defined under SEC rules as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis by the company's internal controls. As a result of management's review of the investigation issues and results, and other internal reviews and evaluations that were completed after the end of quarter related to the preparation of management's report on internal controls over financial reporting required for this annual report on Form 10 K, management concluded that we had a material weakness in our control environment and financial reporting process due to the lack of segregation of accounting duties due to the small number of staff employed by the Company.

We do not believe the material weakness described above caused any meaningful or significant misreporting of our financial condition and results of operations for the year ended February 29, 2016. However, management believes that the lack of segregation of accounting duties results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

Changes in Internal Control over Financial Reporting

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

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers, Promoters, Control Persons and Corporate Governance; Compliance with Section 16(a) of the Exchange Act.

General

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

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

Current Management

Our directors and executive officers are as follows:

Name	Age	Positions
Keith D. Spickelmier	54	Chairman of the Board
Keith J. McKenzie	52	Director & Chief Executive Officer
Michael D. Dahlke	67	President and Chief Operating Officer
William E. Begley	61	Director, Chief Financial Officer & Treasurer

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

Keith D. Spickelmier - Mr. Spickelmier has been a Director of the Company and its Chairman of the Board since May 2012. He is the Executive Chairman of Sintana Energy Inc. (SNN: TSX-V), a public company with oil and gas operations in South America. He was a founding partner of Northbrook Energy LLC, which subsequently completed a business combination with Sintana Energy (previously Drift Lake Resources). He was the founder and Chairman of Westside Energy a Company he grew from a start up in May 2002 to US $200 million sale in 2008. Prior to joining Westside Energy, he was a partner with the law firm Verner, Liipfert, Bernhard, McPherson and Hand. From April 2001 through July 2003, Mr. Spickelmier was of counsel with the law firm Haynes and Boone, LLP. Mr. Spickelmier holds a B.A. from the University of Nebraska at Kearney and a J.D. from the University of Houston.

Keith J. McKenzie - Mr. McKenzie has been a Director of the Company and its Chief Executive Officer since January 2012. He has over 25 years of experience working with public companies in the Industrial and Resource sectors. Over the past 13 years in the Oil & Gas sector, Mr. McKenzie has been engaged in various executive, finance, start up, and consulting capacities. He was the CEO of Star Oil Company a private start up oil and gas exploration and production company he founded in September 2009 to acquire oil and gas resources in the United States. In 2004, he was a founding principal and later served as the Chief Operating Officer of Paxton Energy, Inc., with responsibility for the company's development and operations at the Cooke Ranch project located in La Salle County, Texas. Mr. McKenzie has consulted to numerous public and private Oil & Gas, Mining and industrial companies with both domestic and international operations.

William E. Begley - Mr. Begley has been our Chief Financial Officer and Treasurer since January 2012. He has been a Director of ours since May 2012. Mr. Begley has more than 25 years of energy industry and finance experience, and began his career with British Petroleum (BP). He has also held senior positions in energy banking including Solomon, Inc. and was recently President of Stone & Webster Management Consulting, specializing in the design and development of major energy projects. As a leading energy advisor in Australia, Mr. Begley was instrumental in the development of the liberalized natural gas markets in Australia and Victoria specifically, with Gas & Fuel Victoria, and in the development of VENCorp, the natural gas trading and scheduling exchange in Australia. Mr. Begley also has a strong background in leading major capital energy projects including LNG, Methanol, and related petro chemical and gas monetization projects, which will complement ongoing Company initiatives. In addition, he has also been involved in over $100 billion in energy related mergers and acquisitions, initially with Solomon, Inc. and more recently on an independent basis through WEBGruppe GmbH. Mr. Begley recently served as Chief Financial Officer and Treasurer for Magellan Petroleum Corporation. His graduate JD/MBA studies are in international business and energy law. Mr. Begley graduated in 1976 with a B.A. from St. Michaels' College in Vermont.

Michael D. Dahlke - Mr. Dahlke has been our President and Chief Operating Officer since January 2012. At present, Mr. Dahlke is the principal of CSB Partners, LLC that he founded in 2008. CSB Partners provides strategic and business development consulting service to firms operating in the oil field services, upstream and mid-stream oil and gas industries. He was the President of Star Oil Company. Prior to founding CSB Partners, Mr. Dahlke was a member of the Jefferies & Company oil and gas banking and consulting group. He joined Jefferies after a 30-year career with Enron Corp (and predecessors), where, at various times, he held the positions of President, Enron Americas, Managing Director, Corporate Development, and Vice President, Enron Gas Processing. Mr. Dahlke holds a B.S. and M.S. in Economics from Iowa State University.

Qualifications of Directors

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

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

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

William E. Begley - Mr. Begley has extensive experience with oil and gas exploration and production companies, and with larger and smaller publicly traded companies. His extensive experience with oil and gas matters in Australian is particularly significant to us. Moreover, Mr. Begley has extensive financial background, including recent service as the Chief Financial Officer of a junior, publicly traded oil and gas exploration and production company. Furthermore, he has extensive experience with merger and acquisition transactions. As a result, we believe that Mr. Begley is amply qualified to serve as one of our directors.

Board Leadership Structure and Role in Risk Oversight

In early May 2012, our Board of Directors elected Keith D. Spickelmier as the chairman of the Board. Mr. Spickelmier is not a member of our management. During the remainder of fiscal 2013, Mr. Spickelmier emerged as a driving force behind our company's business, and he is now serving as our non-management chairman. In such capacity, Mr. Spickelmier will continue to have typical board chair duties, such as serving as a liaison between the other board members and management, reviewing and approving materials to be sent to the board, working with management and other directors to develop agendas for board meetings, helping build consensus on proposed board actions, and serving as the chair of board and stockholder meetings. However, as chairman, Mr. Spickelmier's duties will be broader, and he will continue to have an active role in developing and implementing business strategy, and he is expected to continue to provide hand on assistance in our high level pursuits, especially pertaining to financing and other extraordinary corporate transactions.

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

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

Committees and Director Selection

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

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

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

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

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

Code of Ethics

We have adopted a code of ethics that applies to our Chief Executive Officer, Chief Financial Officer, Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, Controller and persons performing similar functions within our company. A copy of the code of ethics is filed with the SEC as an exhibit to our Form S-1 filed on July 14, 2008. If we make any substantive amendments to the Code of Ethics or grant any waiver, including any implicit waiver, from a provision of the Code of Ethics to our directors, officers and employees, we will disclose the nature of such amendment or waiver in a report on Form 8-K.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended (the " ***Exchange Act*** "), requires that our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, file reports of ownership and changes in ownership with the U.S. Securities and Exchange Commission and furnish us with copies of all such Section 16(a) forms. To the best of our knowledge based solely on information available to us, no person required to file such reports failed to file any such reports or filed any such reports late, except that William E. Begley filed about 14 days late a single Form 4 respecting 302,000 shares acquired from us in exchange for outstanding indebtedness owed by us to him.

Item 11. Executive Compensation.

During the past two fiscal years, no executive officer or director has received any compensation of any sort for services rendered. In addition, we have not adopted any retirement, pension, profit sharing, stock option or insurance programs or other similar programs for the benefit of our management or employees. We expect to enter into consulting agreements with members of our management at some time in the future. The terms of these agreements are uncertain at this time. Although negotiations surrounding such agreements will not necessarily be at arms-length, the terms of these agreements (once they are completed) are expected to be fair to us. We expect that the remuneration provided for by these agreements will actually be below market levels until we achieve a sufficient level of financial stability, after which time such remuneration may be increased to market levels. We do not expect to pay cash remuneration until we achieve a sufficient level of financial stability, but we may issue shares of our common stock to satisfy contractual remuneration obligations. We expect that all remuneration that we may pay to management will be subject to any and all restrictions on remuneration imposed by investors providing funds to us.

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

We have not established standard compensation arrangements for our directors, and the compensation, if any, payable in the future to each individual for his or her service on our Board will be determined (for the foreseeable future) from time to time by the Board of Directors based upon the amount of time expended by each of the directors on our behalf.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The table set forth below contains certain information as of June 10, 2016 concerning the beneficial ownership of common stock (i) by each person who is known by us to own beneficially more than 5% of the outstanding common stock; (ii) by each director and executive officer; and (iii) by all directors and executive officers as a group. Except as otherwise indicated, all persons listed below have (i) sole voting power and investment power with respect to their shares, except to the extent that authority is shared by spouses under applicable law, and (ii) record and beneficial ownership with respect to their shares. Shares not outstanding but deemed beneficially owned by virtue of the right of a person or member of a group to acquire them within 60 days of June 10, 2016 are treated as outstanding only for determination of the number and percent owned by such group or person. The address for all persons listed in the table is One Riverway Drive, Suite 1700, Houston, Texas 77056.

Name and Address of Beneficial Owner	Beneficial Ownership (1) Number	Percent
5% stockholders:		
Steven Webster (2)	37,763,014	21.5%
DEC Funding LLC (3)	35,163,014	20.1%
Directors and executive officers:		
Keith D. Spickelmier	48,300,000	34.45%
Keith J. McKenzie	36,705,460	26.18%
William E. Begley	10,607,106	7.57%
Michael D. Dahlke	2,501,616	1.78%
All directors and executive officers as a group (four persons)	**98,114,182**	**69.99%**

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

(2) Includes 2,600,000 shares held directly and 35,163,014 shares held by DEC Funding LLC, an entity for which Mr. Webster serves as the managing member and for whose shares Mr. Webster may be deemed the beneficial owner. Mr. Webster has sole voting power and investment power with respect to the 2,600,000 shares held directly and shared voting power and investment power with respect to the 35,163,014 shares held by DEC Funding LLC. These 35,163,014 shares are also included in the table in the figure of shares beneficially owned by DEC Funding LLC. Mr. Webster's address is 1000 Louisiana Street, Suite 3700, Houston, Texas 77002. The information contained in this footnote was obtained from a Schedule 13D filed by the beneficial owner with the U.S. Securities and Exchange Commission on June 6, 2016.

(3) Includes 22,038,014 shares that may be acquired upon conversion of a debenture (including 163,014 shares underlying interest scheduled to be paid in kind on June 30, 2016), and 13,125,000 shares that may be acquired on exercise of a warrant. Steven Webster is the managing member of DEC Funding LLC, and shares voting power and investment power with respect to these 35,163,014 shares. These 35,163,014 shares are also included in the table in the figure of shares beneficially owned by Steven Webster. The address for DEC Funding LLC is 1000 Louisiana Street, Suite 3700, Houston, Texas 77002. The information contained in this footnote was obtained from a Schedule 13D filed by the beneficial owner with the U.S. Securities and Exchange Commission on June 6, 2016.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Related Transactions

Loans from management . We have from time to time relied on loans from members of our management to pay our expenditures. These loans are each evidenced by demand notes, which are non-interest bearing. The following table gives further information about such of these loans that remain outstanding:

When the Original Loan was Made	Lender	Amount of Loan	
December 20, 2013	EMTEECO Holdings Ltd**	$	17,000
March 31, 2014	Keith D. Spickelmier	$	25,000
May 5, 2014	Keith D. Spickelmier	$	3,100
July 16, 2014	Keith D. Spickelmier	$	10,000
September 29, 2014	Keith D. Spickelmier	$	16,000
December 17, 2014	Keith D. Spickelmier	$	6,000
January 29, 2015	Keith D. Spickelmier	$	2,500
March 9, 2015	William Begley	$	4,000
August 12, 2015	William Begley	$	3,000
November 20, 2015	Keith D. Spickelmier	$	10,000
December 16, 2015	William Begley	$	5,353
January 15, 2016	Keith D. Spickelmier	$	5,000
January 15,2016	William Begley	$	1,500
January 19, 2016	William Begley	$	3,500
February 2, 2016	Keith D. Spickelmier	$	7,000
February 3, 2016	William Begley	$	4,000

February 4, 2016	Keith D. Spickelmier	$	7,000
February 4, 2016	William Begley	$	10,000
April 20, 2016	William Begley	$	1,800
May 13, 2016	Keith D. Spickelmier	$	4,600
Total Amount of Loans		$	146,353

** This entity is controlled by Mark S. Thompson, our corporate secretary, which is not an executive officer position

Although any person to whom one of the loans described above is owed could demand payment of the loan at any time, no such person has indicated that he intends to demand payment of any of these loans in the immediate future.

In addition to the foregoing promissory notes, as of February 29, 2016, we owed $123,508 to certain of our directors for reimbursement of expenses paid on our behalf. These amounts are unsecured, non-interest bearing and due on demand.

Moreover, over the past two fiscal years through November 2014, William Begley, a director and our Chief Financial Officer, loaned to us an aggregate of $90,600. During December 2014, we issued 302,000 shares of our common stock at a deemed fair market value of $.30 per share to Mr. Begley in exchange for the cancellation of all amounts owed to him at the time that discussions of the exchange began. (Is this applicable anymore?)

Furthermore, over the past two fiscal years, Keith D. Spickelmier, our Chairman of the Board, loaned to us an aggregate of $146,200. During March 2015, we repaid to Mr. Spickelmier $50,000 of the outstanding balanced owed by us to him.

Related Party Transactions Policies

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

Independence of Directors

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

Item 14. Principal Accountant Fees and Services

Our independent auditor during fiscal 2016 and fiscal 2015 was MaloneBailey, LLP. During fiscal 2016 and fiscal 2015, the aggregate fees that we paid to our independent auditors for professional services were as follows:

	Year Ended Last Day of February	
	2016	2015
Audit Fees (1)	$ 21,300	$ 21,000
Audit-Related Fees	N/A	N/A
Tax Fees	N/A	N/A
All Other Fees	N/A	N/A

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

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

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

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

Exhibit No.	Description
3.1	First Amended and Restated Articles of Incorporation are incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on May 11, 2012, Exhibit 3.1.
3.2	By-laws are incorporated herein by reference to our Registration Statement on Form S-1 (SEC File No. 333-152324) filed with the SEC on July 14, 2008, Exhibit 3.2.
4.1	Specimen stock certificate is incorporated herein by reference to Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on May 11, 2012, Exhibit 3.2.
10.1	Novation Deed dated May 15, 2012 by and between Liberty Petroleum Corporation and Registrant in respect of Option to Purchase and Sale and Purchase Agreement dated January 31, 2012 is incorporated herein by reference to our Annual Report on Form 10-K for fiscal 2012 (SEC File No. 000-53520) filed with the SEC on June 12, 2012 Exhibit 10.7
10.2	Deed (Pursuant to Section 31 of the Native Title Act 1993) among (a) Honorable Tom Koutstantonis, Minister for Mineral Resources and Energy, for and on behalf of the State of South Australia, (b) Discovery Energy SA Pty Ltd, (c) Edward Lander, Rhonda Gepp-Kennedy, one signatory whose name was withheld for cultural reasons, Sylvia Stuart, Irene Kemp and David Mungerannie, for and on behalf of the Dieri Native Title Holders, and (d) the Dieri Aboriginal Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on September 7, 2012, Exhibit 10.1
10.3	Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on October 2, 2013, Exhibit 10.1

10.4	Fifth Amendment dated July 11, 2014 to Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on July 15, 2014, Exhibit 10.1
10.5	Sixth Amendment dated September 12, 2014 to Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on September 15, 2014, Exhibit 10.1
10.6	Seventh Amendment dated November 12, 2014 to Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on November 14, 2014, Exhibit 10.1
10.7	Eighth Seventh Amendment dated January 12, 2015 to Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on January 12, 2015, Exhibit 10.1
10.8	Ninth Seventh Amendment dated March 2, 2015 to Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on March 3, 2015, Exhibit 10.1
10.9	Tenth Amendment dated June 2, 2015 to Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2015, Exhibit 10.1
10.10	Eleventh Amendment dated September 2, 2015 to Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on September 10, 2015, Exhibit 10.1
10.11	Twelfth Amendment dated January 5, 2015 to Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on January 7, 2016, Exhibit 10.1
10.16	Thirteenth Amendment dated May 5, 2015 to Consolidation Promissory Note dated September 26, 2013 by and between us and Liberty Petroleum Corporation is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on May 9, 2016, Exhibit 10.1
10.17	Securities Purchase Agreement dated May 27, 2016 between the Company and DEC FUNDING LLC ***("Investor")*** is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.01
10.18	Form of Debenture dated May 27, 2016 and executed by the Company in favor of Investor Securities Purchase Agreement dated May 27, 2016 between the Company and DEC FUNDING LLC ("Investor") is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.02
10.19	Form of Warrant Agreement dated May 27, 2016 and executed by the Company in favor of a certain investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.03
10.20	Security Agreement dated May 27, 2016 and executed by the Company in favor of Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.04
10.21	Australian Specific Security Agreement (Shares) dated May 27, 2016 and executed by the Company in favor of Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.05
10.22	Australian General Security Agreement dated May 27, 2016 and executed by Discovery Energy SA Pty Ltd in favor of Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.06
10.23	Australian Deed of Guarantee and Indemnity dated May 27, 2016 and executed by Discovery Energy SA Pty Ltd in favor of Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.07
10.24	Registration Rights Agreement dated May 27, 2016 and executed by the Company in favor of Investor is incorporated herein by reference to our Current Report on Form 8-K (SEC File No. 000-53520) filed with the SEC on June 2, 2016, Exhibit 10.08
14.1	Code of Ethics is incorporated herein by reference to our Registration Statement on Form S-1 (SEC File No. 333-152324) filed with the SEC on July 14, 2008, Exhibit 14.1.
21.1	Subsidiaries – filed herewith.
31.01	Sarbanes Oxley Section 302 Certifications - filed herewith
31.02	Sarbanes Oxley Section 302 Certifications - filed herewith
32.01	Sarbanes Oxley Section 906 Certifications - filed herewith
99.1	Our 2012 Equity Incentive Plan (filed as Exhibit 4.1 to our Registration Statement on Form S-8 (SEC File No. 333-183025) filed August 2, 2012).

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Discovery Energy Corp.
Houston, Texas

We have audited the accompanying consolidated balance sheets of Discovery Energy Corp. and its subsidiary (collectively, the "Company") as of February 29, 2016 and February 28, 2015, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Discovery Energy Corp. and its subsidiary as of February 29, 2016 and February 28, 2015 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MALONE BAILEY LLP
www.malone-bailey.com
Houston, Texas
June 14, 2016

Item 1. Financial Statements.
Discovery Energy Corp. and Subsidiary
Consolidated Balance Sheets

		February 29, 2016		February 28, 2015
Assets				
Current Assets				
Cash	$	15,895	$	859
Prepaid expenses		17,059		16,176
Total Current Assets		32,954		17,035
Oil and gas property - unproved (successful efforts method)		2,421,415		2,421,415
Total Assets	$	2,454,369	$	2,438,450
Liabilities and Stockholders' Equity				
Current Liabilities				
Accounts payable and accrued liabilities	$	97,277	$	97,256
Accounts payable- related parties		123,508		134,299
Other liabilities		13,623		13,860
Promissory notes - related parties		139,953		143,600
Promissory notes		542,294		542,294
Total Current Liabilities		916,655		931,309
Stockholders' Equity				
Preferred Stock- 10,000,000 shares authorized, zero issued and outstanding		-		-
Common Stock - 500,000,000 shares authorized, $0.001 par value – 140,189,501 and 139,239,500 shares issued and outstanding as of February 29, 2016 and February 28, 2015, respectively		140,189		139,239
Additional paid in capital		3,952,947		3,633,897
Accumulated deficit		(2,543,592)		(2,259,311)
Accumulated other comprehensive income (loss)		(11,830)		(6,684)
Total Stockholders' Equity		1,537,714		1,507,141
Total Liabilities and Stockholders' Equity	$	2,454,369	$	2,438,450

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

Discovery Energy Corp. and Subsidiary
Consolidated Statements of Expenses and Other Comprehensive Income (Loss)

	Twelve Months Ended February 29, 2016	Twelve Months Ended February 28, 2015
Expenses		
General and administrative	$ 67,386	$ 75,021
Exploration costs	61,993	34,345
Professional fees	98,832	259,107
Rent	12,992	10,923
Travel	40,000	31,533
Total expenses	281,203	410,929
Other (Income) Expenses		
Loss on settlement of related party debt		30,200
Interest expense	21,457	20,250
Miscellaneous income	(52)	(48)
Foreign exchange loss/(gain)	(18,327)	(4,148)
Other (income) expenses	3,078	46,254
Net loss	$ (284,281)	$ (457,183)
Comprehensive loss		
Net loss	(284,281)	(457,183)
Foreign currency translation adjustments	(5,146)	(4,487)
Total comprehensive loss	$ (289,427)	$ (461,670)
Net loss per share – basic and diluted	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding- basic and diluted	139,983,353	138,967,984

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

Discovery Energy Corp.
Consolidated Statements of Stockholders' Equity (Deficit)
For the years ended February 29, 2016 and 2015

	Number	Par Value	Additional Paid- In Capital	Deficit Accumulated During the Exploration Stage	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity (Deficit)
Balance, February 28, 2014	138,451,200	138,452	3,319,365	(1,802,128)	(2,197)	1,653,492
Capital stock issued for cash	237,500	237	94,763	-	-	95,000
Capital stock issued for services rendered	248,800	248	99,271	-	-	99,519
Capital stock issued upon conversion of notes payable	302,000	302	120,498	-	-	120,800
Net loss for the year	-	-	-	(457,183)	-	(457,183)
Comprehensive income (loss) for the year	-	-	-	-	(4,487)	(4,487)
Balance, February 28, 2015	139,239,500	139,239	$ 3,633,897	$ (2,259,311)	$ (6,684)	$ 1,507,141
Capital stock issued for cash	950,001	950	319,050	-	-	320,000
Net loss for the year	-	-	-	(284,281)	-	(284,281)
Comprehensive income (loss) for the year	-	-	-	-	(5,146)	(5,146)
Balance, February 29, 2016	140,189,501	$ 140,189	$ 3,952,947	$ (2,543,592)	$ (11,830)	$ 1,537,714

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

Discovery Energy Corp. & Subsidiary
Consolidated Statements of Cash Flows

	Twelve Months Ended February 29, 2016	Twelve Months Ended February 28, 2015
Cash flows used in operating activities		
Net loss	$ (284,281)	$ (457,183)
Adjustments to reconcile net loss to net		
Cash used in operating activities		
Shares issued for services	-	99,519
Loss on settlement of related party debt		30,200
Changes in assets and liabilities:		
Prepaid expenses	(883)	641
Accounts payable – related party	(10,791)	54,700
Interest payable	17,639	-
Accounts payable and accrued liabilities	(17,855)	24,799
Net cash used in operating activities	(296,171)	(247,324)
Cash flows from financing activities		
Repayments on notes payable-related party	(64,000)	-
Common stock issued	320,000	-
Stock subscription proceeds		95,000
Proceeds from notes payable-related party	60,353	150,700
Net cash flows from financing activities	316,353	245,700
Foreign exchange effect on cash	(5,146)	
Change in cash during the period	15,036	(1,624)
Cash beginning of the period	859	2,483
Cash end of the period	$ 15,895	$ 859
Supplemental disclosures:		
Interest Paid in the period	-	-
Income taxes paid in the period	-	-
Non-cash Investing and financing activities:		
Shares issued for conversion of notes	-	90,600

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

1. Nature of Operations, Continuance of Business

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

In May 2012, the Company incorporated a wholly-owned Australian subsidiary, Discovery Energy SA Pty Ltd (f/k/a Discovery Energy Ltd) for purposes of acquiring the License.

2. Going Concern

The accompanying financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has not generated revenues since inception and has never paid dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity or debt financing to continue operations, the successful development of the Prospect or one or more alternative oil and gas properties, and the attainment of profitable operations. As of February 29, 2016, the Company has not generated any revenues and has an accumulated loss of $2,543,592 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

3. Summary of Significant Accounting Policies

a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with FASB accounting standards for "Earnings *per Share",* which requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period would be used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. There were no dilutive instruments outstanding at February 29, 2016 and February 28, 2015.

d) Comprehensive Loss

FASB accounting standard for "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As of February 29, 2016 the Company has recognized Currency translation adjustments as a component of Comprehensive loss (See Item i).

e) Cash and Cash Equivalents

The Company considers all highly liquid instruments with maturity of three months or less at the time of acquisition to be cash equivalents.

f) Oil and Gas Property and Exploration Costs

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

g) Long-lived Assets

In accordance with FASB accounting standard "Accounting *for the Impairment or Disposal of Long-Lived Assets",* the carrying value of long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. The Company recognizes impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

h) Fair Value of Financial Instruments and Derivative Financial Instruments

The Company has adopted FASB's accounting standards for Disclosure about Derivative Financial Instruments and Fair Value of Financial Instruments. The carrying amounts of cash, receivables, accounts payable and accrued liabilities, and shareholder loan approximate their fair values because of the short maturity of these items. Certain fair value estimates may be subject to and involve uncertainties and matters of significant judgment, and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Company does not hold or issue financial instruments for trading purposes, nor does it utilize derivative instruments in the management of its foreign exchange, commodity price, or interest rate market risks.

i) Income Taxes

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

The Company accounts for uncertain income tax positions in accordance with FASB's accounting standard for Accounting for Uncertainty in Income Taxes, which requires that the Company recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on examination by taxation authorities, based on the technical merits of the position.

j) Foreign Currency Translation

The Company's functional and reporting currency is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are translated in accordance with FASB's accounting standard for "Foreign *Currency Translation",* using the exchange rate prevailing at the balance sheet date. Non-monetary assets are translated at historical exchange rates, and revenue and expense items at the average rate of exchange prevailing during the period. Differences resulting from translation are presented in equity as Accumulated Other Comprehensive Income. Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in the determination of income. Foreign currency transactions are primarily undertaken in Canadian and Australian dollars. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

k) Recent Accounting Pronouncements

The Company does not expect the adoption of any recently issued accounting pronouncements to have a significant effect on its financial statements.

4. Related Party Transactions

As of February 29, 2016 and February 28, 2015, the Company owed $123,508 and $134,299, respectively, to certain Company directors for reimbursement of expenses paid on behalf of the Company. In addition, as of February 29, 2016 and February 28, 2015, the Company owed $139,953 and $143,600, respectively, for promissory notes issued to various related parties. These amounts are unsecured, non-interest bearing and due on demand.

On December 29, 2014, the Company issued 302,000 shares of its common stock to related parties in exchange for the cancellation of $90,200 in debt. The conversion prices of the notes was $0.30 per share on the date of the transaction. The fair market value of the Company's common stock was $0.40 on the date of the transaction. Accordingly, the Company recognized a loss of $30,200 on the exchange.

On January 6th, 2014, the Company entered into an unsecured demand note with Keith Spickelmier. See Note 6 below.

On January 15th, 2015, the Company entered into an unsecured demand note with William Begley. See Note 6 below.

On February 21st, 2015, the Company entered into an unsecured demand note with William Begley. See Note 6 below.

During the fiscal year ended February 29, 2016, the Company entered into a series of notes with its two of its directors. These transactions are summarized in the table below and are further described in Note 6.

Director	No. of Transactions	Transaction Type & Dates	Total Transaction Amount	
Keith Spickelmier	1	Company payment of 3 prior notes; 3/31/15	$	(50,000)
Keith Spickelmier	4	Additional notes; 11/20/15, 8/12/15, 12/2&4/16	$	29,000
William E. Begley	2	Company payment of 3 prior notes; 6/9/15 & 7/3/15	$	(14,000)
William E. Begley	7	Additional notes; 3/9/15, 1/19/16, 12/16/15, 1/15/16, 1/19/16, 2/3&4/16	$	31,353

5. Oil and Gas Properties

On May 19, 2014, the Company received notice from the Government of South Australia that this government had issued certain modifications to the License and suspended the License for a period of six months. Such a suspension functions like an extension. Under the amended License, the Company will be required to drill 7 exploratory wells rather than 12, as originally required. These required wells must be drilled in years 3, 4, and 5 (2, 2, and 3 wells, respectively). The amount of required 2D seismic was also reduced to 100 kilometers (in year 3) from 250 kilometers (in year 2) but the total 3D seismic work guaranteed increased to 500 square kilometers from 400 square kilometers. However, the 3D seismic survey requirement is spread over years 2, 3 and 4 (100, 200 and 200 sq. km. respectively). Subsequent to this modification and suspension, the Company received two additional six-month suspensions, one in February 2015 and in July 2015 and a one-year suspension effective in January 2016. In view of these modifications and suspensions, the Company's remaining work commitment involves the following:

In view of these modifications and suspensions, the Company's remaining work commitments involve the following:

* Year 2 ending April 27, 2017 - Conduct a new 3D seismic survey totaling at least 100 kilometers.
* Year 3 ending April 27, 2018 - Acquire new 2D seismic data totaling at least 100 kilometers, acquire 3D seismic data totaling at least 200 square kilometers and drill two wells.
* Year 4 ending April 27, 2019 - Acquire new 3D seismic data totaling at least 200 square kilometers and drill two wells.
* Year 5 ending April 27, 2020 - Drill three wells

6. Notes Payable

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

(i) One note in the original principal amount of $500,000 originally due on April 26, 2013.

(ii) The other note in the original principal amount of $150,000 originally due on July 26, 2013.

(iii) Both notes accrued interest at a floating rate equal to the one-month term LIBOR rate, plus an additional 3%. Accrued interest amounting $24,426 to $7,290 is included in other liabilities as of February 29, 2016 and February 28, 2015, respectively.

On March 10, 2014, the Liberty note with a total remaining balance of $542,294 was further amended wherein the maturity date was extended to May 12, 2014 (the "Initial Due Date"); provided, however, that if the Company makes prepayments in the aggregate amount of $250,000 prior to the Initial Due Date, then the due date for the remainder of the principal amount of and accrued interest on the consolidation note shall be extended until June 30, 2014. The note bears interest at a floating rate equal to the one-month term LIBOR rate, plus an additional 3%. The Company considered whether the transaction was within the scope of ASC 470-60-55 *Accounting for* ***Troubled Debt Restructuring***, which states that if a Company is experiencing financial difficulties and a concession is granted, troubled debt restructuring accounting should be applied. The Company concluded the revised terms constituted a debt modification, rather than a debt extinguishment or a troubled debt restructuring.

On March 18, 2014, the Company entered into an unsecured corporate demand note with related party, William Begley. The note was in the amount of $45,500, which included the amounts advanced by Mr. Begley in December 2013 and January 2014. Repayment of this note can be demanded, with 5-day's notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first annual anniversary. The note is non-interest bearing. On December 29, 2014 this note was converted into 151,667 shares of the Company's common stock.

On March 31, 2014, the Company entered into unsecured corporate demand notes with two related parties, William Begley and Keith Spickelmier. Each note was in the amount of $25,000, and repayment can be demanded, with 5-day's notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The notes are non-interest bearing. On December 29, 2014, Mr. Begley's note in the amount of $25,000 was converted into 83,333 shares of the Company's common stock.

On May 5, 2014, the Company entered into unsecured corporate demand notes with two related parties, William Begley and Keith Spickelmier. Each note was in the amount of $3,100, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The notes are non-interest bearing. On December 29, 2014, Mr. Begley's note in the amount of $3,100 was converted into 10,333 shares of the Company's common stock.

On May 8, 2014, the Liberty note with a total remaining balance of $542,294 was further amended wherein the maturity date was extended to July 11, 2014 (the "Initial Due Date"); provided, however, that if the Company makes prepayments in the aggregate amount of $250,000 prior to the Initial Due Date, then the due date for the remainder of the principal amount of and accrued interest on the consolidation note shall be extended until August 29, 2014. The note bears interest at a floating rate equal to the one-month term LIBOR rate, plus an additional 3%.

On July 16, 2014, the Company entered into unsecured corporate demand note with a related party, Keith Spickelmier. The note was in the amount of $10,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On July 18, 2014, the Company entered into an unsecured corporate demand note with a related parties, William Begley. The note was in the amount of $6,000, and repayment can be demanded, with 5-day's notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The notes are non-interest bearing. On December 29, 2014, the note was converted into 20,000 shares of the Company's common stock.

On September 26, 2014, the Company entered into amendments of two previous unsecured corporate demand notes with related parties Keith Spickelmier and William Begley. Each note was in the amount of $7,500 and the maximum term was amended and extended to the second anniversary from the date of the note. None of the other provisions of the original notes were changed.

On September 29, 2014, the Company entered into unsecured corporate demand note with a related party, Keith Spickelmier. The note was in the amount of $16,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On December 16, 2014, the Company entered into an amendment of a previous unsecured corporate demand note with related party, Keith Spickelmier. The note was in the amount of $17,500 and the maximum term was amended and extended to the second anniversary from the date of the note. None of the other provisions of the original notes were changed.

On December 17, 2014, the Company entered into unsecured corporate demand note with two related parties, William Begley and Keith Spickelmier. Both of the notes were in the amount of $6,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On December 20, 2014, the Company entered into an amendment of a previous unsecured corporate demand note with related party, Mark Thompson. The note was in the amount of $17,000 and the maximum term was amended and extended to the second anniversary from the date of the note. None of the other provisions of the original notes were changed.

On December 29, 2014 the Company issued 302,000 common shares at a deemed fair market value of $0.30 per share to William Begley, in exchange for the cancellation of all Promissory Notes owed, amounting to a $90,600 reduction in Promissory notes-related parties. The Company recognized a loss on the conversion of $30,200 as a result of the difference between the market price on the date of conversion of $0.40 per share and the deemed fair market value of $0.30 per share on the date of conversion.

On January 6, 2015, the Company entered into an amendment of a previous unsecured corporate demand note with related party, Keith Spickelmier. The note was in the amount of $25,000 and the maximum term was amended and extended to the second anniversary from the date of the note. None of the other provisions of the original notes were changed.

On January 12, 2015, the Company and Liberty amended the Consolidation Note so that the Initial Due Date will be March 2, 2015, and provided that if the Company makes prepayments in the aggregate amount of $250,000 prior to the new Initial Due Date of March 2, 2015, then the due date for the remainder of the principal amount of and accrued interest on the Consolidation Note would be extended until April 21, 2015. The Company considered whether the transaction was within the scope of ASC 470-60-55 *Accounting for* ***Troubled Debt Restructuring*** , which states that if a Company is experiencing financial difficulties and a concession is granted, troubled debt restructuring accounting should be applied. The Company concluded the revised terms constituted a debt modification, rather than a debt extinguishment or a troubled debt restructuring.

On January 15, 2015, the Company entered into an unsecured corporate demand note with William Begley. The note was in the amount of $6,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On January 29, 2015, the Company entered into an unsecured corporate demand note with Keith Spickelmier, a related party. The note was in the amount of $2,500, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On February 21, 2015, the Company entered into an unsecured corporate demand note with William Begley, a related party. The note was in the amount of $2,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

These promissory notes had undergone a number of amendments, including extensions of the due dates. On September 26, 2013, these promissory notes were combined into a single consolidation promissory note (the "Consolidated Note") in the original principal amount of $542,294, as some of the principal had been reduced and some interest had accrued. Effective January 5, 2016, the Company and Liberty Petroleum Corporation amended the Consolidated Note so that the initial due date will be May 5, 2016, and provided that if the Company makes prepayments in the aggregate amount of $250,000 prior to the new initial due date of May 5, 2016, then the due date for the remainder of the principal amount of and accrued interest on the Consolidated Note would be extended until July 5, 2016..

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

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

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

On June 9, 2015, the Company repaid an unsecured corporate demand note with William Begley totaling $2,000. The note was dated February 21, 2015.

On July 3, 2015, the Company repaid two unsecured corporate demand notes with William Begley totaling $12,000. The notes were dated December 17, 2014 and January 1, 2015 for $6,000 each.

On August 11, 2015, the Company entered into an unsecured corporate demand note with William Begley. The note was in the amount of $3,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On November 20, 2015, the Company entered into an unsecured corporate demand note with Keith Spickelmier. The note was in the amount of $10,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On December 16, 2015, the Company entered into an unsecured corporate demand note with William E. Begley. The note was in the amount of $5,353, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On January 15, 2016, the Company entered into an unsecured corporate demand note with Keith Spickelmier. The note was in the amount of $5,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On January 15, 2016, the Company entered into an unsecured corporate demand note with William E. Begley. The note was in the amount of $1,500, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On January 19, 2016, the Company entered into an unsecured corporate demand note with William E. Begley. The note was in the amount of $3,500, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On February 2, 2016, the Company entered into an unsecured corporate demand note with Keith Spickelmier. The note was in the amount of $7,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On February 3, 2016, the Company entered into an unsecured corporate demand note with William E. Begley. The note was in the amount of $4,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On February 4, 2016, the Company entered into an unsecured corporate demand note with William E. Begley. The note was in the amount of $10,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

On February 4, 2016, the Company entered into an unsecured corporate demand note with Keith Spickelmier. The note was in the amount of $7,000, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

7. Income Taxes

The significant components of deferred income tax assets at February 29, 2016 and February 28, 2015 are as follows:

	February 29, 2016	February 28, 2015
Deferred Tax Asset		
Capitalized Geological/Geophysical	18,728	18,618
Federal Net Operating Loss	713,027	632,368
Less: Valuation Allowance	$ (731,755)	$ (650,986)
Net Deferred Tax Asset	$ -	$ -

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

Management has considered the likelihood and significance of possible penalties associated with its current and intended filing positions and has determined, based on their assessment, that such penalties, if any, would not be expected to be material.

No provision for income taxes has been provided in these financial statements due to the net loss for the years ended February 29, 2016 and February 28, 2015. At February 29, 2016, the Company has net operating loss carry forwards, which expire commencing in 2030, totaling approximately $2,097,137.

8. Common stock

In connection with its agreement with Chrystal (see footnote 1 above), the Company issued 6,472,425 shares of its common stock pursuant to a Restricted Share Award Agreement. Generally, if Chrystal fails to present timely a fund raising transaction that the Company accepts, these shares will be forfeited and returned to the Company. As the delivery of these shares is contingent, they are not considered outstanding within the context of these financial statements nor are they considered in the computation of fully diluted earnings per share. On May 14, 2014, the Company entered into a second amendment of its agreement with Chrystal Capital Partners LLP. This amendment eliminated from success fee consideration certain parties that had previously been eligible for such treatment had any one of them invested in Discovery's equity, debt or other capital instrument before October 31, 2014. It also provides for the return to the Company of Share Certificate No. 1070, representing 6,472,425 Common Shares. Following such return, this Share Certificate will be canceled and a new certificate for 248,800 Common Shares will be issued to Chrystal, which will have the full power of ownership over this new certificate. The cancelation and reissuance occurred on May 21, 2014. The fair market value of the Common Shares was $99,519 on the date of issuance.

On May 8, 2014, the board of directors approved a private placement program offering of up to 750,000 Common Shares at a price of $0.40 per share. As of May 23, 2014, the Company had received from three separate investors funds totaling $95,000 pursuant to this offering and issued 237,500 Common Shares.

On December 29, 2014 the Company agreed to convert $90,600 in unsecured promissory notes held by William Begley into 302,000 shares of the Company's common stock.

On March 20, 2015, the Company received $200,000 from a private investor. The 666,667 Common Shares were issued on March 23, 2015 at a price of $0.30.

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

On August 25, 2015, the Company received $50,000 from a private investor. The 83,334 Common Shares were issues on September 4, 2015 at a price of $0.60 per share.

On February 15, 2016, the Company received $20,000 from a private investor. The 100,000 Common Shares were issued on February 22, 2016 at a price of $0.20 per share.

9. Subsequent Events

On April 20, 2016, the Company entered into an unsecured corporate demand note with William E. Begley. The note was in the amount of $1,800, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

Effective May 5, 2016, the Company and Liberty amended the Consolidation Note so that the all outstanding principal of this Note and interest that has accrued or hereafter accrues on such Note shall be due in a single balloon payment on July 20, 2016, and provided that on or prior to the Due Date of July 20, 2016, the Note can be paid in its entirety by Maker’s a) payment in cash of $300,000, plus the amount of accrued interest and b) issuance of 1,150,895 restricted shares of Maker’s common stock.

On May 13, 2016, the Company entered into an unsecured corporate demand note with Keith Spickelmier. The note was in the amount of $4,600, and repayment can be demanded, with 5-days notice, at any time after the passage of 20 business days from the date of the note. If no demand is made on the note, the note becomes due and payable in full on its first anniversary. The note is non-interest bearing.

One May 27, 2016, the Company sold $3.5 million senior secured convertible debentures to DEC Funding LLC. Among other provisions, the sale transaction included warrants to purchase 13,125,000 shares of the Company’s common stock at $0.20. Further information regarding the details of this transaction is found in Form 8K filed with the Securities and Exchange Commission on June 3, 2016.

SIGNATURES

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

DISCOVERY ENERGY CORP.
By: /s/ Keith J. McKenzie
Keith J. McKenzie
Chief Executive Officer
Date: June 14, 2016

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

/s/ Keith J. McKenzie
Keith J. McKenzie
Director, Chief Executive Officer
(Principal executive officer)
Date: June 14, 2016

/s/ Keith D. Spickelmier
Keith D. Spickelmier
Director
Date: June 14, 2016

/s/ William E. Begley
William E. Begley
Director, Chief Financial Officer (Principal financial and accounting officer)
Date: June 14, 2016

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Subsidiary	Jurisdiction of Organization	Percent of voting securities owned by Registrant
1. Discovery Energy SA Pty Ltd (f/k/a Discovery Energy SA Ltd)	Victoria, Australia	100%

Exhibit 31.01

CERTIFICATIONS

I, Keith J. McKenzie, certify that:

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

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

/s/ Keith J. McKenzie

Keith J. McKenzie,
Chief Executive Officer

Date: June 14, 2016

Exhibit 31.02

CERTIFICATIONS

I, William E. Begley, certify that:

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

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;

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

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

a) all significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls.

/s/ William E. Begley

William E. Begley,
Chief Financial Officer

Date: June 14, 2016

Exhibit 32.01

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002

In connection with the Annual Report of Discovery Energy Corp. (the " ***Company*** ") on Form 10-K for the period ended February 29, 2016, as filed with the Securities and Exchange Commission on the date hereof (the " ***Report*** "), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 14, 2016

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

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE
SARBANES OXLEY ACT OF 2002

In connection with the Annual Report of Discovery Energy Corp. (the " ***Company*** ") on Form 10-K for the period ended February 29, 2016, as filed with the Securities and Exchange Commission on the date hereof (the " ***Report*** "), the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 14, 2016

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