

Discovery Minerals Ltd.

(formerly Dhanoa Minerals Ltd.)

[A Development Stage Company]

*Financial Statements as of March 31, 2013 and
September 30, 2012 and for the Six and Three Months Ended
March 31, 2013 and 2012 and for the Period from Inception (July 11,
2005) through March 31, 2013*

Discovery Minerals Ltd.
[A Development Stage Company]

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DISCOVERY MINERALS LTD.
[A DEVELOPMENT STAGE COMPANY]
BALANCE SHEETS
MARCH 31, 2013 AND SEPTEMBER 30, 2012

ASSETS

	March 31, 2013	September 30, 2012
CURRENT ASSETS:		
Cash	\$ 55,950	\$ 3,136
Total Current Assets	<u>55,950</u>	<u>3,136</u>
PROPERTY		
Mining claims(successful efforts method)	<u>451,006</u>	<u>450,000</u>
TOTAL ASSETS	<u>\$ 506,956</u>	<u>\$ 453,136</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 84,936	\$ 129,209
Accounts payable and accrued expenses-Related parties	514,787	311,798
Contract payable	344,634	349,821
Notes payable	332,818	292,818
Notes payable-Related parties	<u>110,000</u>	<u>145,000</u>
Total Current Liabilities	<u>1,387,175</u>	<u>1,228,646</u>
STOCKHOLDERS' DEFICIT:		
Preferred stock, Class A Preferred Stock		
3,000,000 shares authorized, \$.001 par value, 0 shares issued and outstanding at March 31, 2013 and September 30, 2012	-	-
Common stock, \$.001 par value; 525,000,000 shares authorized; 327,899,727 and 322,899,727 shares issued and outstanding at March 31, 2013 and September 30, 2012	327,900	322,900
Additional paid-in capital	9,824,355	9,789,355
Deficit accumulated during the development stage	<u>(11,032,474)</u>	<u>(10,887,765)</u>
Total Stockholders' Deficit	<u>(880,219)</u>	<u>(775,510)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 506,956</u>	<u>\$ 453,136</u>

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

DISCOVERY MINERALS LTD.
[A DEVELOPMENT STAGE COMPANY]
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS AND THREE MONTHS ENDED MARCH 31, 2013 AND 2012 AND FOR THE PERIOD
FROM INCEPTION (JULY 11, 2005) TO MARCH 31, 2013

	Six Months Ended March 31,		Three Months Ended March 31,		Inception (July 11, 2005) to March 31,
	2013	2012	2013	2012	2013
Revenues	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-
EXPENSES:					
Loss on abandonment of mining properties	-	-	-	-	6,195,190
General and administrative expenses	239,001	287,384	44,191	135,963	4,892,075
TOTAL OPERATING EXPENSES	239,001	287,384	44,191	135,963	11,087,265
NET OPERATING LOSS	(239,001)	(287,384)	(44,191)	(135,963)	(11,087,265)
OTHER INCOME					
Litigation settlement, net	107,500	(5,000)	107,500	-	102,500
Interest income	-	-	-	-	7,526
Interest expense-Related parties	(4,891)	(890)	(3,069)	(890)	(8,810)
Interest expense	(8,317)	(7,614)	(4,250)	(3,752)	(46,425)
TOTAL OTHER INCOME/(EXPENSE)	94,292	(13,504)	100,181	(4,642)	54,791
NET (LOSS)/INCOME	<u>\$ (144,709)</u>	<u>\$ (300,888)</u>	<u>\$ 55,990</u>	<u>\$ (140,605)</u>	<u>\$ (11,032,474)</u>
EARNINGS (LOSS) PER SHARE	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	
WEIGHTED AVERAGE SHARES OUTSTANDING- BASIC AND DILUTED	<u>322,432,694</u>	<u>297,653,006</u>	<u>326,177,505</u>	<u>300,859,068</u>	

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DISCOVERY MINERALS LTD.
[A DEVELOPMENT STAGE COMPANY]
STATEMENTS OF STOCKHOLDERS' EQUITY/(DEFICIT)
FOR THE PERIOD FROM INCEPTION (JULY 11, 2005) TO MARCH 31, 2013

	Preferred Stock		Capital Stock		Additional	Subscription	Accumulated	Net
	Shares	Amount	Shares	Amount	Paid-in Capital	Receivable	(Deficit)	Stockholders' Deficit
Common stock issued for cash	-	\$ -	35,000,000	\$ 35,000	\$ (28,000)	\$ -	\$ -	\$ 7,000
Common stock issued for cash	-	-	12,500,000	12,500	37,500	-	-	50,000
Stock subscription receivable	-	-	-	-	-	(4,813)	-	(4,813)
Net loss for the period ended September 30, 2005	-	-	-	-	-	-	(4,210)	(4,210)
BALANCE, September 30, 2005	-	-	47,500,000	47,500	9,500	(4,813)	(4,210)	47,977
Stock subscription receivable	-	-	-	-	-	4,813	-	4,813
Net loss for the year ended September 30, 2006	-	-	-	-	-	-	(65,396)	(65,396)
BALANCE, September 30, 2006	-	-	47,500,000	47,500	9,500	-	(69,606)	(12,606)
Common stock and warrants issued for cash	-	-	2,400,000	2,400	1,197,600	-	-	1,200,000
Common stock and warrants issued for cash	-	-	909,090	909	2,499,088	-	-	2,499,997
Common stock and warrants issued for cash	-	-	650,000	650	1,299,350	-	-	1,300,000
Common stock and warrants issued for cash	-	-	4,180,324	4,180	2,545,820	-	-	2,550,000
Cancelled shares	-	-	(17,330,267)	(17,330)	17,330	-	-	-
Common stock and warrants issued for services	-	-	1,207,000	1,207	737,674	-	-	738,881
Common stock and warrants issued for mining properties	-	-	6,818,181	6,818	18,470,452	-	-	18,477,270
Net loss for the year ended September 30, 2007	-	-	-	-	-	-	(1,955,516)	(1,955,516)
BALANCE, September 30, 2007	-	-	46,334,328	46,334	26,776,814	-	(2,025,122)	24,798,026
Common stock issued for services	-	-	303,000	303	184,527	-	-	184,830
Common stock and warrants issued for cash	-	-	2,570,580	2,571	451,955	-	-	454,526
Common stock and warrants cancelled for mining properties	-	-	(6,818,181)	(6,818)	(18,470,452)	-	-	(18,477,270)
Contributed capital	-	-	-	-	20,000	-	-	20,000
Net loss for the year ended September 30, 2008	-	-	-	-	-	-	(7,124,462)	(7,124,462)
BALANCE, September 30, 2008	-	-	42,389,727	42,390	8,962,844	-	(9,149,584)	(144,350)
Common stock issued for services	-	-	60,000	60	5,940	-	-	6,000
Net loss for the year ended September 30, 2009	-	-	-	-	-	-	(319,101)	(319,101)
BALANCE, September 30, 2009	-	-	42,449,727	42,450	8,968,784	-	(9,468,685)	(457,451)
Common stock issued for services	-	-	600,000	600	59,400	-	-	60,000
Contributed capital	-	-	-	-	58,000	-	-	58,000
Net loss for the year ended September 30, 2010	-	-	-	-	-	-	(365,387)	(365,387)
BALANCE, September 30, 2010	-	-	43,049,727	43,050	9,086,184	-	(9,834,072)	(704,838)
Common stock issued for services	-	-	250,000,000	250,000	543,871	-	-	793,871
Contributed capital	-	-	-	-	27,850	-	-	27,850
Net loss for the year ended September 30, 2011	-	-	-	-	-	-	(351,534)	(351,534)
BALANCE, September 30, 2011	-	-	293,049,727	293,050	9,657,905	-	(10,185,606)	(234,651)
Common stock issued for debt conversion	-	-	21,800,000	21,800	59,000	-	-	80,800
Common stock issued for services	-	-	8,050,000	8,050	72,450	-	-	80,500
Net loss for the year ended September 30, 2012	-	-	-	-	-	-	(702,159)	(702,159)
BALANCE, September 30, 2012	-	-	322,899,727	322,900	9,789,355	-	(10,887,765)	(775,510)
Loss for debt conversion	-	-	-	-	35,000	-	-	35,000
Common stock issued for debt conversion	-	-	5,000,000	5,000	-	-	-	5,000
Net loss for the six months ended March 31, 2013	-	-	-	-	-	-	(144,709)	(144,709)
BALANCE, March 31, 2013	-	\$ -	327,899,727	\$ 327,900	\$ 9,824,355	\$ -	\$(11,032,474)	\$ (880,219)

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

DISCOVERY MINERALS LTD.
[A DEVELOPMENT STAGE COMPANY]
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2013 AND 2012 AND FOR THE PERIOD
FROM INCEPTION (JULY 11, 2005) TO MARCH 31, 2013

	Six Months Ended March 31,		Inception (July 11, 2005) to March 31,
	2013	2012	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (Loss) from operations	\$ (144,709)	\$ (318,988)	\$ (11,032,474)
Adjustments to reconcile net loss to net cash used in operating activities:			
Loss on debt conversion	35,000	-	94,000
Contribution of services for stock	-	80,500	1,864,082
Changes in assets and liabilities:			
Increase/(decrease) in contract payable	(5,187)	-	344,634
Increase in accounts payable and accrued expenses	158,716	87,953	599,723
Net cash provided/(used) by operating activities	43,820	(150,535)	(8,130,035)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	(1,006)	-	(451,006)
Net cash used in investing activities	(1,006)	-	(451,006)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in notes payable	5,000	160,000	442,818
Proceeds from sale of common stock	5,000	-	8,088,323
Contribution of capital	-	-	105,850
Net cash provided by financing activities	10,000	160,000	8,636,991
Net Increase in cash	52,814	9,465	55,950
CASH AT BEGINNING PERIOD	3,136	63,537	-
CASH AT END OF PERIOD	\$ 55,950	\$ 73,002	\$ 55,950
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for income taxes	\$ -	\$ -	\$ -
Cash paid for interest expense	\$ -	\$ -	\$ -
Consulting services	\$ -	\$ 80,500	\$ 1,864,082
Cost of debt conversion	\$ 35,000	\$ -	\$ 94,000

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

DISCOVERY MINERALS LTD.
[A DEVELOPMENT STAGE COMPANY]
NOTES TO FINANCIAL STATEMENTS
March 31, 2013 and September 30, 2012

NOTE 1 – Organization, History and Business Activity

Discovery Minerals Ltd. (an exploration stage company) (the “Company”) was incorporated under the laws of the State of Nevada on July 11, 2005. The Company is an Exploration Stage Company, as defined by Statement of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 915, *Development Stage Entities*. The Company's principal business is the acquisition and exploration of mineral resources located in the United States, Central and South America. The Company has not presently own any properties that contain mineral reserves that are economically recoverable. To date, the Company has not incurred any asset retirement obligations. It has yet to commence full-scale operations and it continues to develop its planned principal operations.

NOTE 2 - Significant Accounting Policies

This summary of significant accounting policies of Discovery Minerals Ltd. (the “Company”) is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Concentration of Risk

The Company places its cash and temporary cash investments with established financial institutions.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Accounts Receivable

Trade receivables are recognized and carried at the original invoice amount less allowance for any un-collectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable. Bad debts are

written off as incurred. There were no bad debts for the period ended March 31, 2013.

Fair Value of Financial Instruments

Effective January 1, 2008, the Company adopted FASB ASC 820, Fair Value Measurements and Disclosures, Pre Codification SFAS No. 157, "Fair Value Measurements", which provides a framework for measuring fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard also expands disclosures about instruments measured at fair value and establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices for identical assets and liabilities in active markets;
Level 2 — Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
Level 3 — Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company designates cash equivalents (consisting of money market funds) and investments in securities of publicly traded companies as Level 1. The total amount of the Company's investment classified as Level 3 is de minimis.

The fair value of the Company's debt as of March 31, 2013 and September 30, 2012, approximated fair value at those times.

Fair value of financial instruments: The carrying amounts of financial instruments, including cash and cash equivalents, short-term investments, accounts payable, accrued expenses and notes payables approximated fair value as of March 31, 2013 and September 30, 2012 because of the relative short term nature of these instruments. At March 31, 2013 and September 30, 2012 the fair value of the Company's debt approximates carrying value.

Mineral Property Costs

The Company has been in the exploration stage since its inception on July 11, 2005 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition and exploration of mining properties. Mineral property exploration costs are expensed as incurred. Mineral property acquisition costs are initially capitalized. The Company assesses the carrying costs for impairment under ASC 360, *Property, Plant, and Equipment* at each

fiscal quarter end. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs then incurred to develop such property, are capitalized. Such costs will be amortized using the units-of-production method over the estimated life of the probable reserve. If mineral properties are subsequently abandoned or impaired, any capitalized costs will be charged to operations.

Asset Retirement Obligations

The Company accounts for asset retirement obligations in accordance with the provisions of ASC 440 *Asset Retirement and Environmental Obligations* which requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Company did not have any assets retirement obligations as of March 31, 2013 and September 30, 2012.

Stock-based Compensation

The Company records stock-based compensation in accordance with ASC 718, *Compensation - Stock Based Compensation* and ASC 505, *Equity Based Payments to Non-Employees*, which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based awards made to employees and directors, including stock options.

ASC 718 requires companies to estimate the fair value of share-based awards on the date of grant using an option-pricing model. The Company uses the Black-Scholes option-pricing model as its method of determining fair value. This model is affected by the Company's stock price as well as assumptions regarding a number of subjective variables. These subjective variables include, but are not limited to the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. The value of the portion of the award that is ultimately expected to vest is recognized as an expense in the statement of operations over the requisite service period.

All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

Revenue Recognition

The Company recognizes revenue, in accordance with the Securities and Exchange Commission Staff Accounting Bulletin (SAB) number 104, which states that revenue is generally recognized when it is realized and earned. Specifically, the Company recognizes revenue when products are shipped. Sales

of minerals are provisionally priced and later adjusted in the month the sales prices are contractually finalized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 periods. Management makes these estimates using the best information available at the time the estimates are made; however actual results could differ materially from those estimates.

Income Taxes

The Company accounts for income taxes under an asset and liability approach. This process involves calculating the temporary and permanent differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The temporary differences result in deferred tax assets and liabilities, which would be recorded on the Company's balance sheets in accordance with ASC 740, which established financial accounting and reporting standards for the effect of income taxes. The Company must assess the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes that recovery is not likely, the Company must establish a valuation allowance. Changes in the Company's valuation allowance in a period are recorded through the income tax provision on the consolidated statements of operations.

On January 1, 2007, the Company adopted ASC 740-10 (formerly known as FIN No. 48, Accounting for Uncertainty in Income Taxes). ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribes a recognition threshold and measurement attributes for financial statement disclosure of tax positions taken or expected to be taken on a tax return. Under ASC 740-10, the impact of an uncertain income tax position on the income tax return must be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. Additionally, ASC 740-10 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the implementation of ASC 740-10, the Company recognized no material adjustment in the liability for unrecognized income tax benefits.

Segments

The Company operates in only one business segment, namely natural resource exploration, mining and recovery.

Loss Per Share

The Company is required to provide basic and dilutive earnings (loss) per common share information.

The basic net loss per common share is computed by dividing the net loss applicable to common stockholders by the weighted average number of common shares outstanding.

Diluted net loss per common share is computed by dividing the net loss applicable to common stockholders, adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities.

For the period ended September 30, 2012, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

Recent Accounting Pronouncements

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

Reclassifications

Certain amounts have been reclassified and represented to conform to the current financial statement presentation.

NOTE 3 – Financial Condition and Going Concern

The Company's financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred a net loss of \$11,032,474 (from operations) for the period July 11, 2005(Inception) through March 31, 2013. It also sustained operating losses in prior years as well. These factors raise substantial doubt as to its ability to obtain debt and/or equity financing and achieve profitable operations.

Management intends to raise additional operating funds through equity and/or debt offerings. However, there can be no assurance management will be successful in its endeavors. Ultimately, the Company will need to achieve profitable operations in order to continue as a going concern.

There are no assurances that Discovery Minerals Ltd. will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow from operations; or (2) obtain additional financing through either private placement, public offerings and/or bank financing necessary to support its working capital requirements. To the extent that funds generated from operations and any private placements, public offerings and/or bank financing are insufficient, the Company will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to Discovery Minerals Ltd. If adequate working capital is not available Discovery Minerals Ltd. may be required to curtail its operations.

NOTE 4 – Mineral Properties

MINERA PARAISO MINELPARASA S.A.

The Company had entered into a Letter of Intent to purchase an interest in mining property in Ecuador. Under the terms of the Letter of Intent with Overseas Mining, S.A., the Company has agreed, subject to completion of due diligence, to acquire an 80 % interest in the share capital of the Ecuador company, Minera Paraiso Minelparsa S.A. ("Paraiso"), which owns the operating mine and all related assets. The purchase consideration for the 80% interest consisted of 5,000,000 restricted common shares and cash payments totaling US \$10,000,000. In June 30, 2007, the Company paid a \$500,000 refundable deposit on the signing of the Letter of Intent. Upon completion of due diligence in April 2008, the Company decided to abandon the acquisition of Paraiso.

The Company had agreed with Overseas Mining, S.A. to use the \$400,000 refundable deposit toward the Company's loan obligation to Promenasa and \$100,000 towards the purchase price, as discussed below.

See below as to the cancelation of this Letter of Intent.

PROMENASA, S.A.

On January 23, 2007, the Company entered into a Share Sales Agreement to acquire 80% of the ownership of Promenasa, S.A., an Ecuador mining company ("Promenasa"), for \$2,400,000 (U.S.) and approximately 6,818,181 shares of the restricted common stock of the Company. In addition, the Company agreed to make a \$7,300,000 loan to Promenasa. The \$7,300,000 of loans to Promenasa were to be made within nine months after the closing for the purpose of upgrading the mine and mill; and for additional equipment. The loans were to be secured by a mortgage and liens covering all of the assets of Promenasa and the equipment. Through June 30, 2007, the Company had paid \$3,781,285 toward the Company's loan obligation and has made a deposit of \$2,400,000 equal to the purchase price which was being held in escrow. As of April 2008, this sale was not finalized and

the 6,818,181 shares of restricted common stock that were being held in escrow pending the closing on this sale were canceled.

In April 2008, both these agreements were canceled and the Company recorded an abandonment loss on mining properties in the amount of \$6,195,190. Additionally, the shares being held in escrow were canceled and returned to the treasury.

TURQUOISE MOUNTAIN PROJECT

The Company entered into a lease-option agreement on January 24, 2012, later formalized into a lease purchase agreement in May 2012 on certain copper claims in San Bernardino County, CA. The Company has agreed to spend \$450,000 under this purchase agreement for the development of the property to either sell the property or put it into production. The Company as of March 31, 2013 has paid \$105,366 on this purchase contract. The Company owns these leases outright and has agreed to spend the money needed to further develop this property.

GRIFFITH MINE PROJECT

The Company has taken samples from the Griffith Mine tailings dump and those results warrant further sampling and testing of the dump to determine whether an economic case can be made to extract residual metals and rare earth minerals from the 66 million tons of crushed material. Tailings are the waste materials produced from the extraction process.

The agreement, which was signed on February 5, 2013, is for twelve months and makes provision for a tailings material processing agreement where Discovery has the right to extract any metals and minerals from the dump subject to a number of conditions.

The basic conditions to the agreement are:

- Any proposed Discovery operations will not interfere with any activity on the Griffith Mine ground by Northern Iron, either planned or actual.
- Discovery will be solely responsible for the cost of any activity and the permitting process.
- Northern Iron will receive 2.5% of the net proceeds of Discovery's operations.

Based on the encouraging results Discovery received from the initial sampling program, plans are in motion to take further samples and conduct a series of metals extraction tests on the known material as soon as weather permits this spring.

The company has expended \$1,006 as of March 31, 2013 on this project.

NOTE 5 – Income Taxes

Effective January 1, 2007, we adopted the provisions of ASC 740-10 (formerly known as FIN No. 48, Accounting for Uncertainty in Income Taxes). ASC 740-10 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements. ASC 740-10 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. The application of income tax law is inherently complex. Laws and regulation in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding the income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in the subjective assumptions and judgments can materially affect amounts recognized in the balance sheets and statements of income.

At the adoption date of January 1, 2007, we had no unrecognized tax benefit, which would affect the effective tax rate if recognized. There has been no significant change in the unrecognized tax benefit during the six months ended March 31, 2013.

We classify interest and penalties arising from the underpayment of income taxes in the statement of income under general and administrative expenses. As of March 31, 2013, we had no accrued interest or penalties related to uncertain tax positions. The tax years 2011, 2010 and 2009 federal return remains open to examination.

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The components of deferred income tax assets (liabilities) at March 31, 2013, were as follows:

	Balance	Rate	Tax
Federal loss carryforward (expires through 2032)	\$11,032,474	34%	\$ 3,751,041
Valuation allowance			(3,751,041)
Deferred tax asset			<u>\$ -</u>

At March 31, 2013, Discovery Minerals Ltd. has an a net operating loss carry forward for Federal income tax purposes totaling approximately \$11,032,474 which, if not utilized, will expire in the year 2033. During the six months ended March 31, 2013, the valuation allowance increased by \$49,201 from \$3,701,840.

The following table summarizes the Company's net operating loss carry forwards:

<u>Amount</u>	<u>Expires</u>
4,210	2025
65,396	2026
1,955,516	2027
7,124,462	2028
319,101	2029
365,388	2030
351,533	2031
702,159	2032
200,699	2033

NOTE 6 – Note Payable

In 2009, a Company loaned \$93,800 to the Company. The note is a demand note that had an interest rate of 12% through December 31, 2009. A non-interest bearing note, due upon demand, was executed by the Company at December 31, 2009 in the amount of \$99,618 that is convertible into common shares of the Company. The Company has converted \$21,800 of the note into 21,800,000 shares of its common stock in the quarter ended September 30, 2012. The Company has recorded an expense of \$94,000 on the conversion of the debt into shares of common stock; \$35,000 of this expense was recorded in the quarter ended December 31, 2012.

During the year ending September 30, 2010, a Company loaned \$25,000 to the Company. The note was due November 24, 2010 and carries an interest rate of 10%. Plus, the note contained a \$5,000 signing bonus to be added to the principal of the note. The note is unsecured. This note is currently be renegotiated.

During the year ending September 30, 2011, a Company loaned \$45,000 to the Company. The note is a demand note and carries an interest rate of 12.5%. The note is unsecured. This note was due on April 28, 2011 and is currently be renegotiated.

During the year ending September 30, 2011, an individual loaned \$100,000 to the Company. The note carries an interest rate of 5%. The note is unsecured. This note is convertible at \$.02 per share with an attached half warrant per share at a conversion cost of \$.10 per share. The note was due August 23, 2012. The note has been extended to August 23, 2013.

During the year ending September 30, 2012, various parties loaned \$205,000 to the Company. The notes carry an interest rate of 5%. The notes are unsecured. The notes are convertible at \$.02 per share with an attached half warrant per share at a conversion cost of \$.10 per share. The notes are due in December 2012-September 2013.

During the quarter ending December 31, 2012, an individual loaned \$200,000 to the Company. The note carries an interest rate of 5%. The note is unsecured. This note is convertible at \$.02 per share with an attached half warrant per share at a conversion cost of \$.10 per share. The note was due August 23, 2012. The note has been extended to August 23, 2013.

During the quarter ending December 31, 2012, a Company loaned \$10,000 to the Company. The note is a demand note and carries an interest rate of 10%. The note is unsecured. This note is due upon demand

During the quarter ending March 31, 2013, a Company loaned \$20,000 to the Company. The note is a demand note and carries an interest rate of 10%. The note is unsecured. This note is due upon demand. Additionally an individual loan \$15,000 to the Company. The note is a demand note and carries an interest rate of 10%. This note is due upon demand. The Company paid off one of the convertible notes loaned in the year ending September 30, 2012 in the amount of \$25,000 and used proceeds from the sale of its common stock to pay another note down by \$5,000.

The Company has accrued \$41,377 of interest on the above notes at March 31, 2013.

NOTE 7 - Concentrations

For the six months ended March 31, 2013 and the year ended September 30, 2012, the Company had no operations in its mining activities. Therefore, there was no risk from concentration of business activities. The Company is currently seeking additional mining properties and the related funding to engage in mining activities.

NOTE 8 – Capital Changes

Common Stock

During 2005, the Company issued 35,000,000 shares of common stock to its founders for cash of \$7,000 (\$0.0002 per share).

During 2005, the Company issued 12,500,000 shares of common stock for cash of \$50,000 (\$0.004 per share).

On October 9, 2006 the Company affected a 1:5 forward stock split. All share and per share amounts have been retroactively restated.

On October 10, 2006, the Company entered into an employment agreement with the new President which calls for an annual salary of \$125,000, 250,000 restricted shares, and a yearly expense to a maximum of \$25,000. No shares were issued under this contract.

On November 6, 2006, the Company closed a private placement of 2,400,000 units for gross proceeds of \$1,200,000. Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share at a price of \$0.60 for a period of 24 months. The warrants are redeemable upon 30 days' written notice by the Company without any additional consideration.

Effective November 16, 2006, the former President of the Company cancelled 4,600,000 shares of common stock owned by him and contributed those shares to the Company.

The Company has executed letters of intent with Overseas Mining, S.A. to purchase 80% interests in two separate mining companies, Minera Paraiso Minelparsa, S.A. and Promenasa, S.A. The purchase of these companies and their producing mining properties is subject to due diligence and the execution of definitive purchase agreements.

On December 18, 2006, the Company closed a private placement of 909,090 units for gross proceeds of \$2,499,997 (\$2.75 per unit). Each unit consists of one common share and a purchase warrant to purchase one-half of a share of common stock at a price of \$2.85 for a period of eighteen months.

On February 12, 2007, the Company closed a private placement of 650,000 units for gross proceeds of \$1,300,000 (\$2.00 per unit). Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share at a price of \$2.50 for a period of eighteen months.

On June 21, 2007, the Company closed a private placement of 4,180,328 units for gross proceeds of \$2,550,000 (\$0.61 per unit). Each unit consists of one common share and one common share purchase warrant. Each common share purchase warrant is exercisable into one common share at a price of \$0.61 for a period of eighteen months.

Effective March 6, 2007, two founding shareholders cancelled a total of 12,730,267 shares of common stock for no consideration.

The Company has executed letters of intent with Overseas Mining, S.A. to purchase 80% interests in two separate mining companies, Minera Paraiso Minelparsa, S.A. and Promenasa, S.A. The purchase of these companies and their producing mining properties is subject to due diligence and the execution of definitive purchase agreements. Shares were issued into an escrow account in the amount of 6,818,181 valued at \$18,477,270 during the year ended September 30, 2007. This agreement was canceled on April 30, 2008 and the transaction was reversed and the shares were canceled.

During the year ended September 30, 2007 and per the employment agreements for the two new officers appointed in 2007, 500,000 and 300,000 shares were issued. Additionally, 307,000 shares of the company's common stock were issued for services. These shares were valued at \$738,881.

During the year ended September 30, 2008, 2,570,580 shares were sold under a private placement agreement at an average price of \$.1768 for total consideration of \$454,526.

During the year ended September 30, 2009, 60,000 shares of common stock were issued for services.

During the year ended September 30, 2010, 600,000 shares of common stock were issued for services.

During the year ended September 30, 2011, 250,000,000 shares of common stock were issued for final satisfaction of the employment contract of the officers and directors of the Company mentioned under Related Party Transactions. This resulted in a contribution to capital in the amount of \$793,871.

During the period October 1, 2007 through September 30, 2011, certain officers and directors contributed additional capital in the amount of \$199,650.

During the three months ended December 31, 2011, 7,750,000 shares of common stock were issued for various service contracts and appointments as financial and operational advisors.

During the three months ended March 31, 2012, 300,000 shares of common stock were issued for a service contract and appointment as financial and operational advisor.

The Company issued 21,800,000 shares of its common stock during the year ended September 30, 2012 on the conversion of a note payable.

The Company issued 5,000,000 shares of its common stock during the quarter ended March 31, 2013 on the conversion of a note payable.

NOTE 9 – Related Party Transactions

On October 10, 2006, the Company entered into an employment agreement with the President which calls for an annual salary of \$125,000, 250,000 restricted shares, and a yearly expense allowance up to a maximum of \$25,000. On May 31, 2007, this President resigned. As of June 30, 2007, \$77,917 of management fees was paid to the president of the Company.

During the nine month period ended June 30, 2007, the Company paid \$7,000 for consulting services provided by the former Chief Financial Officer of the Company.

During the nine month period ended June 30, 2007, the Company paid \$20,000 for consulting services provided by the former Treasurer of the Company.

Mr. Lee Andrew Balak was appointed to be a Director of the Company on May 12, 2007 and was appointed Chief Executive Officer and President of the Company on May 31, 2007. The company entered into an employment agreement with Mr. Balak on August 1, 2007, which calls for a monthly salary of \$20,000 and 500,000 shares of restricted common stock to be issued on August 1, 2007 and to be deemed fully earned on December 31, 2007.

Mr. William E. McNerney was appointed as a director, Secretary and Treasurer of the Company on May 31, 2007. The company entered into an employment agreement with the Mr. McNerney on August 1, 2007, which calls for a monthly salary of \$3,000 and 300,000 shares of restricted common stock to be issued on August 1, 2007 and to be deemed fully earned on December 31, 2007.

The 800,000 shares of common stock had been issued in the year ended September 30, 2007.

In the year ended September 30, 2011, 250,000,000 shares of common stock were issued in full and final satisfaction of these contractual arrangements. This resulted in a contribution to capital in the amount of \$793,871.

NOTE 10 – Subsequent Events

Restructure

The Company on February 15, 2012 amended its' articles of incorporation as follows

- 1 Changed the name of the corporation to Discovery Minerals Ltd.
- 2 Restructured its' common stock on a one for twenty shares of stock.
- 3 Authorized an increase in common shares to 528,000,000 shares whereby 525,000,000 will be common shares at \$.001 par value and 3,000,000 will be preferred shares at \$.001 par value.
- 4 Designate 1,000 shares of the preferred stock as Nontransferable Preferred Stock at \$.001 par value.

All the above transactions were to become effective in June 2012. The Company has cancelled the reverse split to its common stock and the designation of the 1,000 shares of preferred stock and the amendments become effective August 2012.

The Company on April 5, 2013 amended its' articles of incorporation as follows

- 1 Authorized an increase in authorized shares to 2,000,000 shares whereby 1,986,999,994 will be common shares.
- 2 Create two new series of Preferred Stock being Series B Preferred Stock with six shares authorized and Series C Preferred Stock with 10,000,000 shares authorized with both series having a par value of \$0.00001.
- 3 Change the par value of the common class to \$0.00001.

Letters of Intent

The Company signed a Letter Of Intent (L.O.I.) with Vision Energy Corp. to acquire 75% majority interest, of Vision Energy's share of a major desalination project in the Republic of Guinea in West Africa. Discovery's interest will include the rights, entitlements and benefits of Vision Energy in the desalination project.

Vision Energy has an agreement with Sofitrad SA of Brazzaville, Republique of Congo, to construct and operate a Desalination Plant located in the Republique of Guinea which will produce 5 million gallons per day of potable fresh water from seawater. The Agreement calls for Sofitrad to provide the \$20 million funding Guarantee for the project and the Take or Pay contract for the entire plant production.

The division of net profits from the operation will be split 50/50 between Vision Energy and Sofitrad. Projections show that the annual net profit in a full year of operation will be around \$10,500,000 after operating costs, maintenance, debt

service and taxes. Discovery Minerals' 75% share of Vision Energy's portion of that annual yield is calculated to be approximately \$3,937,500. Discovery Minerals and Vision Energy still own 100% of the equity in the plant and license.

The L.O.I. calls for CC Gas Systems of Florida to be the Construction contractor and permanent plant operator.

The Company signed a letter of Intent to purchase 65 claims in San Bernadino County, CA known as the Turquoise Mountain / Solomons Knob Project. The Company staked an additional 101 claims on contiguous properties. A formal agreement stating all of the LOI terms and conditions was executed May 7, 2012.

The Company has entered into a total contractual agreement for this property in the amount of \$450,000 and it has paid \$105,366 in cash on this contract.

Financing Agreement

The Company has received a \$65,000,000 Reserve Equity Financing (REF) from a New York-based investor group.

The REF is a long-term, strategic financing partnership that places the Company in control of how and when it raises equity, minimizing any potential dilution or disruption to its capital structure. The Company has the discretion to periodically sell common shares when the prices are deemed attractive to them. The company decides when the funds are raised and how the funds are utilized

The Company decided to cancel this agreement and this action was completed by the end of May 2012.

Acquisition

Discovery Minerals has signed a Memorandum of Agreement to merge with Dear Park Development Corporation, a Nevada Real Estate Company with \$9.5 million of audited assets.

Deer Park's business plan calls for buying, trading and managing properties in the cities of Phoenix, AZ and Las Vegas, NV as its initial focus of activities. There are no geographic boundaries in their business plan.

The Company expects to close on this transaction before the end of May 2013.