

DISCOVERY MINERALS LTD.

(A Development Stage Company)

Notes to Consolidated Financial Statements

June 30, 2015

Note 1 – Organization, Nature of Operations and Summary of Significant Accounting Policies**Organization and Business**

Discovery Minerals Ltd., (OTC PINKSHEETS: DSCR.PK) is an acquisition and development company that targets natural resource properties through its future subsidiaries. These properties fall within two primary channels, precious metals/mining and industrial hemp. Discovery's future subsidiaries will engage in activities that include the cultivation, product development, and distribution of industrial hemp; Gold, silver and precious metals. In addition, the Company is pursuing clean tech and alternative energy investments to be integrated into these business channels.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted 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 as of the date of the consolidated financial statements and the reported amounts of revenues and expense during the period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amount of the Company's cash and loans approximate their estimated fair values due to the short-term nature of those financial instruments.

Cash and cash equivalents

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

Income Taxes

Income taxes are accounted for in accordance with the provisions of FASB ASC Topic No. 740 - *Income Taxes*. Deferred tax assets and liabilities 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. 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 effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized.

The Company has a net operating loss carry forward of approximately \$11,655,642.09 expiring between 2025 and 2033.

Stock-Based Compensation

Stock based compensation is accounted for under FASB ASC Topic No. 718 – *Compensation – Stock Compensation*. The guidance requires recognition in the financial statements of the cost of employee services received in exchange for an award of equity instruments over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period). The guidance also requires measurement of the cost of employee services received in exchange for an award based on the grant-date fair value of the award. The Company accounts for non-employee share-based awards in accordance with guidance related to equity instruments that are issued to other than employees for acquisition, or in conjunction with selling, goods or services.

Basic and Diluted Net Loss Per Common Share

Basic and diluted net loss per share calculations are presented in accordance with FASB ASC Topic No. 260 – *Earnings per Share*, and are calculated on the basis of the weighted average number of common shares outstanding during the period. Diluted net loss per share calculations include the dilutive effect of common stock equivalents in years with net income. Basic and diluted loss per share is the same due to the absence of common stock equivalents.

Recent Accounting Pronouncements

The Company does not expect the adoption of any other recently issued accounting pronouncements to have a significant effect on its consolidated financial position or results of operations.

Note 2 - Going Concern

As reflected in the accompanying consolidated financial statements, the Company has an accumulated deficit of \$11,725,462.80 and negative working capital of \$135,948.31 as of June 30, 2015. This raises substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its ability to raise additional capital and implement its business plan. The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management believes that actions presently being taken to obtain additional funding and implement its strategic plans provide the opportunity for the Company to continue as a going concern.

Note 3 – Common Stock

During the nine months ended June 30, 2015, the Company issued 645,000,000 shares of common stock for converting debt amounting to \$44,180.

During the nine months ended June 30, 2015, the Company issued 778,000,000 shares to officers and directors for services amounting to \$21,550 and 211,195,173 shares issued to consultants in lieu of accrued services and joint venture costs amounting to \$403,574.

Note 4 – Forgiveness of Debt

During the nine months ended June 30, 2015, several notes payable were forgiven totaling \$7,500.00.

Note 5 - Subsequent Events

In accordance with ASC 855-10, management has evaluated subsequent events through the date the financial statements were issued and have determined that no subsequent events occurred.