



DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

July 31, 2009 and 2008

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Discovery-Corp Enterprises Inc. (an exploration stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee of the Board of Directors has reviewed the consolidated financial statements with management and the external auditors. Smythe Ratcliffe LLP, an independent firm of chartered accountants, appointed as external auditors by the shareholders, have audited the consolidated financial statements and their report is included herein.

"Alex Pannu"

Alex Pannu
Chief Executive Officer

"Iain Brown"

Iain Brown
Chief Financial Officer

Vancouver, British Columbia
October 26, 2009

AUDITORS' REPORT

TO THE SHAREHOLDERS OF DISCOVERY-CORP ENTERPRISES INC. (an exploration stage company)

We have audited the consolidated balance sheets of Discovery-Corp Enterprises Inc. (an exploration stage company) as at July 31, 2009 and 2008 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
October 26, 2009

DISCOVERY-CORP ENTERPRISES INC.

(an exploration stage company)

CONSOLIDATED BALANCE SHEETS (Note 1)

July 31

	ASSETS	
	2009	2008
Current		
Cash	\$ 215,026	\$ 274,896
Goods and Services Tax recoverable	1,698	4,186
Mining Exploration Tax Credit receivable	-	3,567
Prepaid expenses	-	2,300
Marketable securities (Note 5)	85,000	142,500
	<hr/> 301,724	<hr/> 427,449
Reclamation bonds (Note 10)	3,000	3,000
Resource property interests (Note 7)	20,916	20,916
	<hr/> \$ 325,640	<hr/> \$ 451,365

	LIABILITIES	
Current		
Accounts payable and accrued liabilities	\$ 17,984	\$ 16,215

	SHAREHOLDERS' EQUITY	
Share capital (Note 8)	4,719,187	4,582,221
Contributed surplus (Note 8(b))	686,300	683,504
Deficit	(5,097,831)	(4,830,575)
	<hr/> 307,656	<hr/> 435,150
	<hr/> \$ 325,640	<hr/> \$ 451,365

Contingency (Note 12)

Subsequent Event (Note 13)

APPROVED ON BEHALF OF THE BOARD:

"Iain Brown"

Iain Brown Director

Iain Brown

"Alex Pannu"

Alex Pannu Director

Alex Pannu

DISCOVERY-CORP ENTERPRISES INC.**(an exploration stage company)**

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

Years ended July 31

	2009	2008
Operating Expenses		
Consulting fees (Note 9)	\$ 77,500	\$ 98,000
Shareholder and investor relations	36,502	75,555
Professional fees	24,799	48,306
Listing, filing and transfer agent fees	21,410	18,582
Resource property exploration costs	20,612	21,982
Rent	17,497	11,895
Travel	16,106	15,056
Office and miscellaneous	11,001	21,849
Stock-based compensation (Note 8(c))	2,796	19,569
Bank charges	644	707
	<u>(228,867)</u>	<u>(331,501)</u>
Other Recoveries and Expenses		
Loss on decline in fair value of marketable securities	(57,500)	(172,500)
Interest income	5,577	13,515
Mining Exploration Tax Credit	-	3,567
Write-off of deferred financing costs (Note 6)	-	(28,500)
	<u>(51,923)</u>	<u>(183,918)</u>
Loss before future income tax recovery	(280,790)	(515,419)
Future income tax recovery (Notes 8(e) and 11)	13,534	22,439
Net loss and comprehensive loss for the year	(267,256)	(492,980)
Deficit, beginning of year	(4,830,575)	(4,500,595)
Adjustment to deficit due to change in accounting policy	-	163,000
	<u>\$ (5,097,831)</u>	<u>\$ (4,830,575)</u>
Deficit, end of year		
	<u>\$ 0.01</u>	<u>\$ 0.02</u>
Basic and diluted loss per share		
	<u>31,134,633</u>	<u>27,062,962</u>
Weighted average number of common shares outstanding		

DISCOVERY-CORP ENTERPRISES INC.
(an exploration stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended July 31

	2009	2008
CASH PROVIDED BY (USED IN)		
Operating Activities		
Net loss for the year	\$ (267,256)	\$ (492,980)
<i>Items not affecting cash:</i>		
Stock-based compensation	2,796	19,569
Future income tax recovery	(13,534)	(22,439)
Loss on decline in fair value of marketable securities	57,500	172,500
Write-off of deferred financing costs	-	28,500
	(220,494)	(294,850)
Changes in non-cash working capital items:		
Goods and Services Tax recoverable	2,488	5,720
Mining Exploration Tax Credit receivable	3,567	(3,567)
Accounts payable and accrued liabilities	1,769	(2,195)
Prepaid expenses	2,300	(420)
Cash used in operating activities	(210,370)	(295,312)
Investing Activity		
Reclamation bonds	-	(2,000)
Cash used in investing activity	-	(2,000)
Financing Activity		
Issuance of common shares, net of issuance costs	150,500	-
Cash provided by financing activity	150,500	-
Decrease in cash	(59,870)	(297,312)
Cash, beginning of year	274,896	572,208
Cash, end of year	\$ 215,026	\$ 274,896
Supplemental Cash Flow Information		
Income tax paid	\$ -	\$ -
Interest paid	\$ -	\$ -

DISCOVERY-CORP ENTERPRISES INC.

(an exploration stage company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 1 – NATURE AND CONTINUANCE OF OPERATIONS

Discovery-Corp Enterprises Inc. (the “Company”) was incorporated under the laws of British Columbia on May 6, 1986. The Company is an exploration stage company engaged in the exploration for base and precious metals.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) on a “going concern” basis, which presumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred significant losses since inception and has an accumulated deficit of \$5,097,831 (2008 - \$4,830,575). The recoverability of amounts shown for resource property interests and the Company’s continued viability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production or proceeds from the disposition of its interests. There are no assurances that the Company will be successful in achieving these goals.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These factors raise substantial doubt as to the Company’s ability to continue as a going concern.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian GAAP using the Canadian dollar as the Company’s functional and reporting currency. The following reflects the significant accounting policies:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Prebble Resources USA, Inc. (a Nevada corporation). All significant inter-company balances and transactions have been eliminated.

(b) Interest Income

Interest income derived from cash is recognized on an accrual basis as earned at the stated rate of interest.

(c) Resource Property Interests

The Company is in the exploration stage and capitalizes all acquisition costs related to its resource property interests until such time as the properties are put into commercial production, sold or abandoned. The Company expenses all exploration expenditures in the period incurred. Amounts shown as resource property interests represent acquisition costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If a property is put into commercial production, the acquisition costs relating to that property will be depleted based upon the proven reserves available. If a property is sold or abandoned, the costs relating to the property will be charged to operations.

DISCOVERY-CORP ENTERPRISES INC.

(an exploration stage company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Resource Property Interests (continued)

The carrying values of resource property interests are reviewed by management on a property-by-property basis at each financial statement date to determine if they have become impaired. If impairment is determined to have occurred, the resource property interest will be written down to its fair value. The ultimate recoverability of the amounts capitalized for the resource property interests is dependent upon the delineation of economically recoverable ore reserves, the ability to obtain the necessary financing to complete their development and the ability to realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects are based on current conditions. However, it is possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write-downs of capitalized property carrying values.

(d) Asset Retirement Obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in the financial statements.

(e) Mining Exploration Tax Credits ("METC")

The Company recognizes METC receivable amounts from the government and records those amounts as a recovery in the period in which recoverability can be established and the amount quantified.

(f) Stock-Based Compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral property interests, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(g) Flow-Through Common Shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The proceeds from shares issued under flow-through share financing agreements are credited to share capital and the tax benefits of the exploration expenditures incurred under these agreements are renounced to the purchaser of the shares. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in share capital and the recognition of a future tax liability.

DISCOVERY-CORP ENTERPRISES INC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Equity Units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated entirely to common shares.

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP 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. Significant areas requiring the use of estimates include the determination of environmental obligations, the recoverability of resource property interests, valuation allowance for future tax assets, determination of the variables used in the calculation of stock-based compensation and accrued liabilities. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(j) Loss Per Share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(k) Future Income Taxes

The Company follows the asset and liability method of accounting for future income taxes. Under this method, future 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 basis, and losses carried forward. Future tax assets and liabilities are measured using substantively 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 future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**(l) Financial Instruments**

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

(m) Comprehensive Income

Comprehensive income is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income. Other comprehensive income consists of gains and losses affecting shareholders' equity that under Canadian GAAP are excluded from net income for that period. The Company has no items of other comprehensive income in any period presented. Therefore, net loss as presented in the Company's statements of operations equals comprehensive loss.

(n) Changes in Accounting Policies*Going Concern*

The amendments to Section 1400, "General Standards of Financial Statement Disclosure" were in connection with the requirements to assess and disclose an entity's ability to continue as a going concern (Note 1). The Company's accounting policies were already in accordance with the requirements of the amended section and there was no effect on the Company's financial statement disclosure.

Capital Disclosures

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management strategy have been included in Note 4.

Financial Instruments

Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", replace Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in Note 3.

DISCOVERY-CORP ENTERPRISES INC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The change will be effective for the Company for interim and annual financial statements commencing August 1, 2011. The interim and annual financial statements for the year ended July 31, 2011 will require restatement for comparison purposes. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants' issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

NOTE 3 – FINANCIAL INSTRUMENTS

The Company has designated its cash and marketable securities as held-for-trading; reclamation bonds as held-to-maturity; and accounts payable and accrued liabilities as other financial liabilities.

(a) Fair Value

The carrying values of cash, reclamation deposits, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of those financial instruments. The marketable securities are carried at fair value.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company has minimal credit risk on its financial assets due to cash being placed with major financial institutions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 3 – FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet its commitments as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

At July 31, 2009, the Company's cash totaled \$215,026 (2008 - \$274,896) and accounts payable excluding accrued liabilities totaled \$1,984 (2008 - \$215). Accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

Included in cash is \$157,254 held in a savings account bearing 1.05% interest per annum.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to significant other price risk with respect to its marketable securities. Assuming all other variables remain constant, a 50% decrease or increase in the market price of the Company's marketable securities would result in a \$42,500 decrease or increase, respectively, in the Company's net income or loss and comprehensive income or loss.

NOTE 4 – CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. In the management of capital, the Company includes the components of shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, option its mineral properties for cash and/or expenditures or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

The Company has not changed its capital risk management strategy during the year and is not subject to externally imposed capital requirements.

DISCOVERY-CORP ENTERPRISES INC.

(an exploration stage company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 5 – MARKETABLE SECURITIES

The Company holds 500,000 common shares in Abacus Mining & Exploration Corporation (“Abacus”), which were acquired in 2004. The fair value of the shares is based on the quoted market price on the TSX Venture Exchange.

	2009		2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Abacus 500,000 common shares (2008 – 500,000)	\$ 85,000	\$ 85,000	\$ 142,500	\$ 142,500

NOTE 6 – DEFERRED FINANCING COSTS

During the year, deferred financing costs of \$nil (2008 - \$28,500) were written-off as it was determined that it was unlikely the Company would be able to realize the benefit of the deferred costs.

NOTE 7 – RESOURCE PROPERTY INTERESTS

	2009	2008
Galaxy Property, British Columbia, Canada Balance, July 31, 2008 and 2009	\$ 20,916	\$ 20,916

Galaxy Property, British Columbia, Canada

The Company holds an undivided 100% interest in seven mineral claims and two Crown-granted mineral claims in the Kamloops Mining Division of British Columbia, Canada, known as the Galaxy Property.

Rock Creek, Nevada, U.S.A.

The Company holds a 50% interest in the property. The Company has written-off the property for accounting purposes, but it retains its interest for viable projects in the future.

DISCOVERY-CORP ENTERPRISES INC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 8 – SHARE CAPITAL

(a) Authorized: unlimited number of common shares without par value

(b) Issued:

	Number	Amount	Contributed Surplus
Balance, July 31, 2007	27,062,962	\$ 4,604,660	\$ 663,935
Stock-based compensation (Note 8(c))	-	-	19,569
Income tax effect on flow-through renouncement (Note 8(e))	-	(22,439)	-
Balance, July 31, 2008	27,062,962	4,582,221	683,504
Shares issued for cash:			
Private placement (Note 8(b)(i))	2,160,000	108,000	-
Cost of issuance (Note 8(b)(i))	-	(7,500)	-
Private placement (Note 8(b)(ii))	5,000,000	50,000	-
Stock-based compensation (Note 8(c))	-	-	2,796
Income tax effect on flow-through renouncement (Note 8(e))	-	(13,534)	-
Balance, July 31, 2009	34,222,962	\$ 4,719,187	\$ 686,300

- (i) On October 28, 2008, the Company issued 1,270,200 non-flow-through units at \$0.05 per unit and 889,800 flow-through units at \$0.05 per unit pursuant to a private placement for cash proceeds of \$108,000. Each non-flow-through unit consists of one common share and one share purchase warrant, and each flow-through unit consists of one flow-through common share and one share purchase warrant. Each warrant enables the holder to purchase one common share at \$0.10 per share, expiring June 30, 2009. A \$7,500 finder's fee was paid in cash.
- (ii) On February 9, 2009, the Company issued 5,000,000 common shares at \$0.01 per share pursuant to a private placement for cash proceeds of \$50,000.

(c) Stock Options

The Company established a stock option plan under which it may grant stock options totaling in aggregate up to 10% of the Company's total number of shares issued and outstanding on a non-diluted basis. The stock option plan provides for the granting of stock options to employees and persons providing investor-relation or consulting services up to a limit of 5%, 2% and 2%, respectively, of the Company's total number of issued and outstanding shares per year. The stock options are fully vested on the date of grant, except for options granted to persons providing investor relation services, which vest over a twelve-month period. The option price must be greater or equal to the discounted market price on the grant date and the option expiry date cannot exceed five years after the grant date.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for options granted. During 2009, no options were granted. In 2008, 450,000 options were granted, of which 393,750 vested, which resulted in a charge to operations totaling \$19,569 in the year ended July 31, 2008 with a further \$2,796 charged to operations in the year ending July 31, 2009 when the remaining options issued during the year ended July 31, 2008 vested. Of the \$19,569 charged to operations in 2008, and the \$2,796 charged to operations in 2009, \$nil attributes to directors and officers and \$2,796 (2008 - \$19,569) attributes to investor relations.

DISCOVERY-CORP ENTERPRISES INC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 8 – SHARE CAPITAL (continued)

(c) Stock Options (continued)

The fair value of each option granted is calculated using the following weighted average assumptions:

	2009	2008
Expected life (years)	N/A	2
Interest rate	N/A	4.28%
Volatility	N/A	131%
Dividend yield	N/A	0%
Forfeiture rate	N/A	0%

The following summarizes the Company's stock options as at July 31, 2009 and 2008 and changes during the years:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	2,450,000	\$ 0.10	2,150,000	\$ 0.10
Granted	-	-	450,000	\$ 0.10
Expired	(2,000,000)	\$ 0.10	(150,000)	\$ 0.10
Outstanding, end of year	450,000	\$ 0.10	2,450,000	\$ 0.10
Exercisable	450,000	\$ 0.10	2,393,750	\$ 0.10

A summary of all stock options outstanding is as follows:

Expiry Date	2009			2008		
	Stock at Grant	Exercise Price	Number of Options	Stock Price at Grant	Exercise Price	Number of Options
September 18, 2008	\$ -	\$ -	-	\$ 0.10	\$ 0.10	2,000,000
September 17, 2009*	\$ 0.08	\$ 0.10	450,000	\$ 0.08	\$ 0.10	450,000
Total	\$ 0.08	\$ 0.10	450,000	\$ 0.18	\$ 0.20	2,450,000
Weighted average life of options	0.13 years			0.32 years		

*Subsequent to the year ended July 31, 2009, 450,000 options expired unexercised.

DISCOVERY-CORP ENTERPRISES INC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 8 – SHARE CAPITAL (continued)

(d) Warrants

Details of the Company's warrants as at July 31, 2009 and 2008 and the changes during the years are as follows:

Expiry Dates	Exercise Price	Balance July 31, 2007	Issued	Exercised	Expired	Balance July 31, 2008
April 10, 2008	\$ 0.20	2,325,000	-	-	(2,325,000)	-
Total		2,325,000	-	-	(2,325,000)	-

Expiry Dates	Exercise Price	Balance July 31, 2008	Issued	Exercised	Expired	Balance July 31, 2009
June 30, 2009	\$ 0.10	-	2,160,000	-	(2,160,000)	-
Total		-	2,160,000	-	(2,160,000)	-

Weighted average exercise price		\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
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(e) Flow-Through Shares

During the year ended July 31, 2006, the Company issued 2,000,000 flow-through shares for proceeds of \$120,000. During the year ended July 31, 2008, as a result of the renunciation to investors, \$22,439 (2007 - \$17,552) was recorded as a reduction of share capital and a corresponding increase in future income tax liability. The Company subsequently reduced the future income tax liability by offsetting it against an equal amount of future income tax assets.

On October 28, 2008, the Company issued 889,800 flow-through units at \$0.05 per unit pursuant to a private placement for cash proceeds of \$44,490. During the year ended July 31, 2009, as a result of the renunciation to investors, \$13,534 (2008 - \$22,439) was recorded as a reduction of share capital and a corresponding increase in future income tax liability. The Company reduced the future income tax liability by offsetting it against an equal amount of future income tax assets.

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined in Canadian income tax legislation. The flow-through share gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances, which have not been spent as at July 31, 2009 and are held by the Company for such expenditures. As at July 31, 2009, the amount of flow-through proceeds remaining to be expended is \$22,490.

NOTE 9 – RELATED PARTY TRANSACTIONS

Transactions with related parties not disclosed elsewhere in these consolidated financial statements comprise:

- The Company was charged consulting fees of \$77,500 (2008 - \$98,000) by a company owned by the Chief Financial Officer.

Transactions with related parties are measured at the exchange amount of consideration established by the related parties.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 10 – RECLAMATION BONDS

The reclamation bonds are comprised of a cash deposit plus term deposits held in a financial institution as security for reclamation obligations pursuant to the *Mines Act* and Health, Safety and Reclamation Code for Mines in British Columbia. The term deposits bear interest at 0.2% per annum and mature September 22, 2010.

NOTE 11 – INCOME TAXES

The Company has operating losses that may be carried forward to apply against future years' income for Canadian income tax purposes. These losses expire as follows:

2010	\$	28,384
2015		41,983
2026		61,135
2027		215,739
2028		313,820
2029		209,760
		<hr/>
	\$	870,821

The Company also has US \$133,222 (2008 - US \$175,022) in losses available to carry forward to apply against future years' income for US income tax purposes. The losses expire as follows: 2011 - US \$4,268; 2026 - US \$128,954.

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2009	2008
	<hr/> 30.42%	<hr/> 32.73%
Income tax benefit computed at Canadian statutory rates	\$ 85,407	\$ 168,697
Permanent differences		
Stock-based compensation	(850)	(6,405)
Other non-tax-deductible expenditures	(1,467)	(1,412)
METC credit	-	1,167
Temporary differences		
Exploration costs	(6,269)	(7,195)
Share issuance costs	4,471	4,320
Unrealized loss on change in fair value of marketable securities	(17,490)	(56,459)
Change in timing differences	556	(81,935)
Change in valuation allowance	(43,526)	96,780
Effect of change in tax rate on valuation allowance	(7,298)	(95,119)
	<hr/>	<hr/>
Future income tax recovery	\$ 13,534	\$ 22,439

DISCOVERY-CORP ENTERPRISES INC.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2009 and 2008

NOTE 11 – INCOME TAXES (continued)

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2009	2008
Future income tax assets		
Non-capital loss carry-forwards	\$ 226,413	\$ 182,282
Share issuance costs	8,424	10,296
Tax value in excess of book value of resource property interests	137,982	144,190
Tax value in excess of book value of marketable securities	8,710	1,235
	381,529	338,003
Valuation allowance	(381,529)	(338,003)
Net future income tax assets	\$ -	\$ -

The valuation allowance reflects the Company's estimate that the future income tax assets, more likely than not, will not be realized.

NOTE 12 – CONTINGENCY

On September 6, 2007, a claim was filed in BC Supreme Court, claiming damages, court order interest and costs against the Company. The Plaintiff alleges that the Company failed to deliver shares and warrants in a timely manner, thus denying the Plaintiff the opportunity to trade the shares in the open market.

The Company denies all allegations against it and believes the Plaintiff's allegations are without merit. The Company is vigorously defending the claim. Any amounts potentially recoverable by the Plaintiff, whether through trial or settlement, are currently not ascertainable.

NOTE 13 – SUBSEQUENT EVENT

On September 23, 2009, the Company issued 2,250,000 units at \$0.02 per unit pursuant to a private placement for cash proceeds of \$45,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one share at \$0.05 per share, expiring September 22, 2010.