



UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

(expressed in Canadian dollars)

Discovery Silver Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

As at	Notes	March 31, 2022	December 31, 2021
ASSETS			
Current			
Cash and cash equivalents	6	\$ 46,229,095	\$ 54,748,652
Short-term investments	6	15,000,000	15,000,000
Sales tax and other receivables	7	262,499	206,144
Prepays and deposits	8	153,388	220,203
Investments	13(a)	1,432,507	1,141,192
		63,077,490	71,316,191
Non-current			
Property and Equipment	9	963,411	960,850
Value-added taxes receivable	7	2,682,958	2,879,866
Mineral properties	10	32,740,657	32,633,848
TOTAL ASSETS		\$ 99,464,516	\$ 107,790,755
LIABILITIES			
Current			
Accounts payable and accrued liabilities	11	\$ 1,381,062	\$ 1,663,441
Current portion of lease liabilities		29,103	41,089
		\$ 1,410,165	\$ 1,704,530
Non-current			
Lease liabilities		-	-
TOTAL LIABILITIES		\$ 1,410,165	\$ 1,704,530
SHAREHOLDERS' EQUITY			
Share capital	12(b)	\$ 151,768,399	\$ 150,492,379
Contributed surplus		28,509,670	24,095,443
Warrants	12(e)	23,076,114	23,395,976
Accumulated other comprehensive loss		(644,324)	(389,494)
Accumulated deficit		(104,655,508)	(91,508,079)
TOTAL EQUITY		\$ 98,054,351	\$ 106,086,225
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 99,464,516	\$ 107,790,755

Approved on Behalf of the Board on May 25, 2022:

“Jeff Parr”
 Jeff Parr – Director

“Murray John”
 Murray John – Director

See accompanying notes to the unaudited condensed interim consolidated financial statements

Discovery Silver Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND TOTAL COMPREHENSIVE LOSS
Unaudited - (Expressed in Canadian dollars, except per share and share information)

	Notes	Three Months Ended	
		March 31, 2022	March 31, 2021
Expenses (income)			
General office and other expenses	15	\$ 1,134,179	\$ 837,066
Interest income		(153,537)	(199,663)
Interest expense		366	953
Professional fees	16	237,438	90,867
Exploration and project evaluation expenses	14	7,129,653	5,888,527
Share-based compensation	13(c)	4,322,305	3,494,920
(Gain) loss on fair value remeasurement of investments	14?	(291,316)	5,000
Provision for value-added taxes receivable	7(a)	765,445	711,834
Foreign exchange loss		2,895	75,797
Net loss		\$ 13,147,429	\$ 10,965,302
Other comprehensive loss		\$ 254,828	\$ 93,274
Total comprehensive loss		\$ 13,402,257	\$ 11,058,575
Weighted average shares outstanding			
Basic and diluted	12(b)	332,025,353	317,429,574
Net loss per share			
Basic and diluted		\$ (0.04)	\$ (0.03)

See accompanying notes to the unaudited condensed interim consolidated financial statements

Discovery Silver Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

	Notes	Three Months Ended	
		March 31, 2022	March 31, 2021
Operating Activities			
Net loss		\$ (13,147,429)	\$ (10,965,302)
Items not affecting cash:			
Depreciation		48,955	41,952
Share-based compensation	12(c)	4,322,305	3,494,920
Adjustments to Provision for value-added taxes receivable	7	765,445	771,834
(Gain) loss on fair value remeasurement	13(a)	(291,315)	5,000
Unrealized foreign exchange (gain) loss		(65,788)	530,426
Changes in non-cash operating working capital:			
Sales tax and other receivables	7	(624,893)	(1,219,920)
Prepays and deposits	8	66,814	14,191
Accounts payable and accrued liabilities	11	(282,378)	622,122
Net cash used in operating activities		\$ (9,208,283)	\$ (6,704,777)
Investing Activities			
Acquisition of property and equipment	9	(56,051)	(146,647)
Net cash used in investing activities		\$ (56,051)	\$ (146,647)
Financing Activities			
Issuance of shares on exercise of options	12(c)	322,169	56,206
Issuance of shares on exercise of warrants	12(e)	725,911	18,999,348
Principal payment on lease liability		(11,986)	(11,522)
Net cash provided by financing activities		\$ 1,036,094	\$ 19,044,033
Effect of exchange rates on cash and cash equivalents		(291,317)	2,119
(Decrease) increase in cash and cash equivalents		(8,519,557)	12,194,729
Cash and cash equivalents, beginning of period	6	54,748,652	67,547,897
Cash and cash equivalents, end of period	6	\$ 46,229,095	\$ 79,742,626
Supplemental Cash Flow Information:			
Interest paid		\$ 366	\$ 953

See accompanying notes to the unaudited condensed interim consolidated financial statements

Discovery Silver Corp.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2022		331,348,433	\$ 150,492,379	\$ 23,395,976	\$ 24,095,443	\$ (389,494)	\$ (91,508,079)	\$ 106,086,225
Share-based compensation	13c	-	-	-	4,322,305	-	-	4,322,305
Shares issued on exercise of options	13c	765,208	550,109	-	(227,940)	-	-	322,169
Shares issued on exercise of warrants	13e	981,975	725,911	(319,862)	319,862	-	-	725,911
Net loss and total comprehensive loss for the period		-	-	-	-	(254,828)	(13,147,429)	(13,402,257)
At March 31, 2022		333,095,616	\$ 151,768,399	\$ 23,076,114	\$ 28,509,670	\$ (644,323)	\$ (104,655,508)	\$ 98,054,351

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2021		305,012,554	\$ 125,570,547	\$ 26,652,950	\$ 14,710,821	\$ (351,222)	\$ (56,041,564)	\$ 110,541,532
Share-based compensation	13c	-	-	-	3,494,920	-	-	3,494,920
Shares issued on exercise of options	13c	103,125	83,759	-	(27,553)	-	-	56,206
Shares issued on exercise of warrants	13e	18,825,079	18,999,348	(1,277,219)	1,277,219	-	-	18,999,348
Net loss and total comprehensive loss for the year		-	-	-	-	(93,274)	(10,965,302)	(11,058,575)
At March 31, 2021		323,940,758	\$ 144,653,654	\$ 25,375,731	\$ 19,455,407	\$ (444,496)	\$ (67,006,866)	\$ 122,033,432

See accompanying notes to the unaudited condensed interim consolidated financial statements

Discovery Silver Corp.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)
For the Three Months Ended March 31, 2022 and 2021

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Discovery Silver Corp. (“Discovery Silver” or the “Company”) is a mineral exploration company whose main objective is to identify and successfully define and develop mineral deposits, primarily in Mexico.

The Company was incorporated on October 10, 1986 under the laws of British Columbia and on June 13, 2017, the Company’s name was changed to Discovery Metals Corp. On April 14, 2021, the Company’s name was changed to Discovery Silver Corp. The Company is listed on the TSX Venture Exchange (the “Exchange” or “TSXV”) under the symbol “DSV”. The Company’s head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

The Company’s Board of Directors authorized the issuance of these unaudited condensed interim consolidated financial statements (the “interim financial statements”) on May 25, 2022.

COVID-19 Update

The Company remains focused on proactively addressing the health and safety risks resulting from the COVID-19 pandemic. The Company’s top priority remains the health and safety of its employees, contractors, vendors, and consultants. To-date, health and safety protocols and the efforts of employees and contractors to manage COVID-19 have been effective and the Company continues with the Phase 2 drilling assisted by four diamond core rigs.

2. BASIS OF PREPARATION

These interim financial statements for the three months ended March 31, 2022, and 2021, have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). As such, certain disclosures required by IFRS have been condensed or omitted. These interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto as at and for the years ended December 31, 2021, and 2020 (the “consolidated financial statements”). The Company’s interim results are not necessarily indicative of its results for a full year.

These interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At March 31, 2022, the Company had working capital (defined as current assets less current liabilities) of \$61,667,325 (December 31, 2021 – \$69,611,661), shareholders’ equity of \$98,054,351 (December 31, 2021 – \$106,086,225) and an accumulated deficit of \$104,655,508 (December 31, 2021 – \$91,508,079).

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3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in the preparation of its interim financial statements are set out below.

a) Basis of Measurement

The interim financial statements have been prepared using the same accounting policies and methods of application as those disclosed in note 3 to the Company's consolidated financial statements except those disclosed in Note 4 below.

b) Basis of Consolidation

These interim financial statements are presented in Canadian dollars ("CAD") unless otherwise noted. The interim financial statements include the accounts of the Company and its wholly owned subsidiaries.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The interim financial statements include all the assets, liabilities, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. The interim financial statements include the financial condition and results of operations of the Company and its subsidiaries as outlined below.

The Company's principal subsidiaries and their geographic locations as of March 31, 2022, were as follows:

Direct Parent Company	Location	Ownership Percentage	Properties
Discovery México S.A. de C.V.	Mexico	100% ⁽¹⁾	Puerto Rico, La Kika, Minerva, Monclova, Santa Rosa
Minera Titán S.A. de C.V.	Mexico	100%	Cordero

⁽¹⁾ Discovery México S.A. de C.V. has entered into contractual agreements that include the option to purchase 100% of the properties listed.

All intercompany assets, liabilities, equity, income, expenses, and cash flows arising from intercompany transactions have been eliminated on consolidation.

c) Currency of Presentation

The interim financial statements are presented in Canadian dollars ("CAD") which is the functional and presentation currency of the Company. The functional currency for the entities through which the Company conducts its operations is determined depending upon the primary economic

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environment in which they operate. The functional currency of the Mexican subsidiaries is Mexican pesos (“MXP”).

d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are not re-translated. Total foreign exchange gains and losses are recognized in the income statement and the unrealized portion is reported separately in the condensed interim consolidated statement of cash flows. The foreign exchange differences arising from the translation of the subsidiary with functional currency different than the consolidated functional currency are recognized as currency translation adjustments in other comprehensive loss in the condensed interim consolidated statement of loss and total comprehensive loss.

4. ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

The new standards, or amendments to standards and interpretations that were adopted effective January 1, 2022, are as follows:

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place “at the end of the reporting period;”
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of this amendment did not have a material impact on the Company’s condensed interim consolidated financial statements.

Property, Plant and Equipment - Proceeds Before Intended Use (Amendments to IAS 16)

The International Accounting Standards Board (IASB) has published ‘*Property, plant and equipment Proceeds Before Intended Use (Amendments to IAS 16)*’ regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the

Discovery Silver Corp.

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manner intended by management. Amendment to IAS 16 amends the standard to prohibit deducting from cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. Amendment to IAS 16 is effective for annual periods beginning on or after January 1, 2022. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

5. CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, contingent liabilities, income, and expenses. Actual results could differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and applied prospectively.

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements for the three months ended March 31, 2022, are consistent with those applied and disclosed in note 5 of the annual consolidated financial statements. The Company's interim results are not necessarily indicative of its results for a full year.

6. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

	March 31, 2022	December 31, 2021
Cash	\$ 46,099,095	\$ 54,638,652
Cash equivalents	130,000	110,000
Cash and cash equivalents	\$ 46,229,095	\$ 54,748,652

Cash and Cash Equivalents

Cash equivalents include marketable securities with short-term maturities and no restrictions on redemption.

Short-term investments

The Company invested \$15,000,000 of excess cash from the non-brokered private placement in a two-year fixed rate GIC, bearing interest at 1.55% per annum (paid annually) and maturing on June 9, 2022.

At March 31, 2022, the Company has accrued interest receivable of \$124,212 relating to this GIC investment (note 7).

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7. SALES TAX AND OTHER RECEIVABLES

	March 31, 2022	December 31, 2021
Sales and value-added tax receivable	\$ 4,206,196	\$ 3,510,276
Accumulated provision for value-added tax receivable	(4,165,605)	(3,478,644)
Other receivables	221,908	174,512
	\$ 262,499	\$ 206,144

a) Value-added tax receivable provision

The Company's Mexican subsidiaries pay value-added tax, Impuesto al Valor Agregado ("IVA") on the purchase of goods and services. The amount of IVA paid is recoverable but is subject to review and assessment by the Mexican tax authorities (the "Tax Authorities"). The complex application process can impact the collectability and timing of refunds from the Tax Authorities. As a result, the Company recognizes a provision for 100% of the IVA incurred during a reporting period. Once there is a reasonable expectation of recovery, the associated provision is reversed, and a non-current receivable is recognized (note 7b).

As at March 31, 2022, the \$4,165,605 accumulated provision includes \$765,445 recognized during the period.

b) Non-current value-added tax receivable

During the last two years the Company has been successful in recovering amounts owed to both of its Mexican subsidiaries. Due to the increased confidence in collectability, the Company reversed \$2,682,958 of the provision related to returns that are pending review by the Tax Authorities. The Company recorded the reversal as a non-current asset on the Condensed Interim Consolidated Statement of Financial Position, and a credit to the original provision recognized on the Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss.

During the three months ended March 31, 2022, the Company collected total IVA refunds of \$196,908. This cash received is recognized as a reduction of the non-current IVA receivable balance.

8. PREPAIDS AND DEPOSITS

	March 31, 2022	December 31, 2021
Insurance	\$ 44,929	\$ 107,839
Office and other prepaid deposits	108,459	112,364
	\$ 153,388	\$ 220,203

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9. PROPERTY AND EQUIPMENT

	Equipment	Vehicles	Office & Furniture	Computer	Total
Cost					
Balance at January 1, 2022	\$ 765,456	\$ 268,195	\$ 212,635	\$ 207,574	\$ 1,453,861
Additions	29,543	2,198	176	22,133	54,051
Currency translation adjustment	2,258	1,085	1,243	1,138	5,724
Balance at March 31, 2022	\$ 797,258	\$ 271,478	\$ 214,054	\$ 230,845	\$ 1,513,636
Accumulated depreciation					
Balance at January 1, 2022	\$ (66,985)	\$ (128,624)	\$ (177,250)	\$ (120,152)	\$ (493,011)
Additions	(16,707)	(13,081)	(13,618)	(8,225)	(51,630)
Currency translation adjustment	(1,878)	(1,108)	(1,139)	(1,459)	(5,584)
Balance at March 31, 2022	\$ (85,570)	\$ (142,813)	\$ (192,007)	\$ (129,836)	\$ (550,225)
Carrying amount					
At January 1, 2022	\$ 698,471	\$ 139,571	\$ 35,385	\$ 87,422	\$ 960,850
At March 31, 2022	\$ 711,688	\$ 128,665	\$ 22,047	\$ 101,009	\$ 963,411

	Equipment	Vehicles	Office & Furniture	Computer	Total
Cost					
Balance at January 1, 2021	\$ 262,137	\$ 247,354	\$ 211,744	\$ 146,573	\$ 867,809
Additions	503,054	25,951	1,502	57,409	587,916
Disposals	-	(7,129)	(651)	-	(7,780)
Currency translation adjustment	265	2,019	40	3,592	5,916
Balance at December 31, 2021	\$ 765,456	\$ 268,195	\$ 212,635	\$ 207,574	\$ 1,453,861
Accumulated depreciation					
Balance at January 1, 2021	\$ (23,303)	\$ (66,389)	\$ (125,953)	\$ (78,859)	\$ (294,504)
Additions	(42,421)	(55,963)	(51,730)	(41,631)	(191,745)
Disposals	-	(4,810)	-	-	(4,810)
Currency translation adjustment	(1,261)	(1,462)	433	338	(1,952)
Balance at December 31, 2021	\$ (66,985)	\$ (128,624)	\$ (177,250)	\$ (120,152)	\$ (493,011)
Carrying amount					
At January 1, 2021	\$ 238,834	\$ 180,965	\$ 85,792	\$ 67,714	\$ 573,305
At December 31, 2021	\$ 698,471	\$ 139,571	\$ 35,385	\$ 87,422	\$ 960,850

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10. MINERAL PROPERTIES

At January 1, 2021	\$	27,574,270
Acquisition and cancellation of net smelter royalty⁽¹⁾		5,298,138
Currency translation adjustment		(238,560)
At December 31, 2021	\$	32,633,848
Currency translation adjustment		106,809
At March 31, 2022	\$	32,740,657

⁽¹⁾ During the year ended December 31, 2021, the Company acquired and cancelled a 2% net smelter royalty payable on production from the Cordero Project.

The carrying value of each of the Company's mineral properties is as follows:

	March 31, 2022	December 31, 2021
Cordero	\$ 32,524,362	\$ 32,524,362
Puerto Rico	856,687	856,687
Minerva	174,580	174,580
La Kika	93,131	93,131
	33,648,760	33,648,760
Cumulative CTA	(908,103)	(1,014,912)
	\$ 32,740,657	\$ 32,633,848

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2022	December 31, 2021
Trade and other payables ⁽¹⁾	\$ 1,100,742	\$ 554,564
Salaries and benefits payable	63,880	925,769
Accrued liabilities	216,440	183,108
	\$ 1,381,062	\$ 1,663,441

⁽¹⁾ At March 31, 2022, trade and other payables were comprised primarily of amounts payable for contract drilling and related services.

12. SHARE CAPITAL AND WARRANTS

a) Authorized

- i. Unlimited common shares with no par value; and
- ii. Unlimited preferred voting shares with no par value.

b) Shares issued and outstanding

	Note	Common Shares	Amount
At December 31, 2021		331,348,433	\$ 150,492,379
Shares issued on exercise of options	12c	765,208	550,109
Shares issued on exercise of warrants	12e	981,975	725,911
At March 31, 2022		333,095,616	\$ 151,768,399

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c) Stock Options

The Company has adopted rolling 10% stock option plan (the “Option Plan”) which provides that the directors of the Company may grant options to purchase common shares of the Company to directors, officers, employees and service providers, with the number of options being limited to 10% of the issued common shares at the time of granting of options.

The Board in its sole discretion may determine any vesting provisions for options. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Plan. The expiry date for an option shall not be more than ten years from the grant date.

There were 7,950,000 stock options granted during the three months ended March 31, 2022, with a weighted average exercise price of \$2.03 and a five-year term to expiry (three months ended March 31, 2021 – 6,450,000 options granted with a weighted-average exercise price of \$1.90 and five-year term to expiry). One third of options granted to management and employees vested immediately, and 1/3rd will vest on each subsequent anniversary of grant date. One half of the options granted to Directors of the Company vested immediately, and the other half will vest on the subsequent anniversary. Options issued to consultants have a vesting schedule of 1/8th each quarter beginning three months after grant date.

Option transactions and the number of options outstanding are summarized as follows:

	Outstanding	Weighted Average Exercise Price
At January 1, 2021	13,559,808	\$ 0.52
Options granted	6,450,000	1.90
Options exercised	(1,830,833)	0.57
At December 31, 2021	18,178,975	\$ 1.01
Options granted	7,950,000	2.03
Options exercised	(765,208)	0.54
Options forfeited	(150,000)	2.05
At March 31, 2022	25,213,767	\$ 1.34

The non-cash share-based compensation expense for the three months ended March 31, 2022, was \$4,322,305 (three months ended March 31, 2021 - \$3,494,920).

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As at March 31, 2022, the options outstanding and exercisable are as follows:

Exercise Price	Options Outstanding			Options Exercisable		
	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average remaining life	Weighted average exercise price
\$0.60	1,300,000	0.38	\$0.60	1,300,000	0.38	\$0.60
\$0.48	300,000	0.63	\$0.48	300,000	0.63	\$0.48
\$0.53	300,000	0.77	\$0.53	300,000	0.77	\$0.53
\$0.50	372,100	1.27	\$0.50	372,100	1.27	\$0.50
\$0.48	3,843,750	2.38	\$0.48	3,843,750	2.38	\$0.48
\$0.65	360,000	2.77	\$0.65	360,000	2.77	\$0.65
\$0.47	4,334,375	3.08	\$0.47	2,750,833	3.08	\$0.47
\$1.84	200,000	3.55	\$1.84	133,333	3.55	\$1.84
\$1.89	5,496,875	3.79	\$1.89	4,396,875	3.79	\$1.89
\$1.85	206,667	3.84	\$1.85	123,334	3.84	\$1.85
\$2.08	300,000	3.95	\$2.08	300,000	3.95	\$2.08
\$2.06	200,000	4.29	\$2.06	66,667	4.29	\$2.06
\$1.77	200,000	4.59	\$1.77	66,667	4.59	\$1.77
\$2.05	6,800,000	4.77	\$2.05	2,466,667	4.77	\$2.05
\$1.93	1,000,000	4.96	\$1.93	-	4.96	\$1.93
	25,213,767	2.32	\$1.34	16,780,225	2.41	\$1.15

The fair value of the option grants issued during the three months ended March 31, 2022, have been estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date	January 5, 2022	March 14, 2022
Number granted	6,950,000	1,000,000
Exercise price	\$ 2.05	\$ 1.93
Share price	\$ 2.05	\$ 1.93
Expected life (years)	3.32	4.23
Risk free interest rate	1.18%	1.87%
Expected volatility	93.0%	90.5%
Expected forfeiture rate	5.4%	4.9%
Dividend yield	-	-
Fair Value	\$ 1.24	\$ 1.27

Black-Scholes pricing models require the input of highly subjective assumptions. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant.

d) Deferred Share Units and Restricted Share Units

At the Company's Annual General Meeting held on June 25, 2021, shareholders of the Company re-approved the Company's Deferred Share Unit ("DSU") and Restricted Share Unit ("RSU") plans (together referred to as the "DSU and RSU Plans"). The DSU and RSU Plans are rolling 10% plans, with the 10% threshold being shared with the Option Plan so the combined aggregate total Options, DSUs and RSUs granted cannot exceed 10% of the issued and outstanding common shares of the Company.

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The DSU Plan provides that the directors of the Company may grant DSUs to non-executive directors of the Company, to be settled in cash or the purchase of common shares of the Company. The RSU Plan provides that the directors of the Company may grant RSUs to eligible officers, employees, and service providers, to be settled in cash or the purchase of common shares of the Company.

The Board in its sole discretion may determine any vesting provisions for DSUs and RSUs. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Plan. The expiry date for DSUs or RSUs shall not be more than ten years from the grant date.

There were no DSUs or RSUs granted during the three months ended March 31, 2022, and 2021.

e) Warrants

The Company has issued warrants as part of certain subscription agreements and also as finders' fees for certain non-brokered private placements which closed in 2017, 2019 and 2020. The warrants are exchangeable for Common Shares of the Company at a ratio and an exercise price determined at the time of the individual private placement. Warrants are classified as equity, separately from common shares and are valued at their fair value on grant date using the Black-Scholes pricing model. There were no warrants issued during the three months ended March 31, 2022.

Warrant transactions and the number of warrants outstanding at March 31, 2022 are summarized as follows:

Issue date	5/29/2020	6/8/2020	5/29/2020	6/8/2020	8/6/2020	
Expiry	5/29/2022	6/8/2022	5/29/2022	6/8/2022	8/6/2022	
Price	\$0.77	\$0.77	\$0.55	\$0.55	\$1.75	TOTAL
December 31, 2021	13,480,330	2,181,800	146,318	65,455	12,499,500	28,373,403
Exercised	(779,203)	(65,454)	(137,318)	-	-	(981,975)
Expired	-	-	-	-	-	-
March 31, 2022	12,701,127	2,116,346	9,000	65,455	12,499,500	27,391,428

The remaining contractual lives of Warrants outstanding at March 31, 2022 are as follows:

Number of Warrants	Weighted average remaining life	Weighted average exercise price
27,391,428	0.21 years	\$1.22

13. Investments

a) Sale of non-core exploration property

Jemi Rare Earth Property

On September 27, 2021, The Company announced that it entered into an arm's length assignment and assumption agreement (the "Agreement") with Monumental Gold Ltd. ("Monumental") (TSX-V:

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MGLD) dated September 22, 2021, whereby Discovery agreed to transfer and assign its rights and obligations under the option agreement on the Jemi Rare Earth Property (the “Property” and the “Jemi Option Agreement”), located in Coahuila, Mexico, to Monumental.

Under the terms of the Agreement, Monumental assumed the Jemi Option Agreement and in return issued 2,308,810 common shares to Discovery that resulted in Discovery holding approximately 9.9% of the issued and outstanding common shares of Monumental (“Payment Shares”) on a non-diluted basis upon receiving approval from the TSX, received on November 2, 2021.

The shares received on November 2, 2021 had a fair value of \$1,223,669 at the transaction date and was recorded in ‘investments’ on the Consolidated Statement of Financial Position with a corresponding gain on sale of non-core exploration property recorded in the Consolidated Statement of Loss and Total Comprehensive Loss.

The Payment Shares are subject to a statutory hold period of four months and a day from the date of issuance and a 12-month voluntary hold period from the date of issuance. In addition, subject to the exercise of the option to acquire the Property pursuant to the Agreement, Discovery retained a 1.5% net smelter return royalty payable upon the achievement of commercial production of the Property in accordance with the terms set out in the Agreement and pursuant to a separate royalty agreement between Discovery and Monumental’s Mexican subsidiaries.

Congress Property

On April 9, 2020, the Company completed the divestiture of its 100% interest in the Congress Property (“Congress”) located in British Columbia, to Talisker Resources Ltd. (“Talisker”). Congress was a non-core exploration property acquired by the Company as part of the Levon Resources Ltd. transaction that closed on August 2, 2019. Under the terms of the purchase agreement, Talisker issued 1,000,000 common shares to the Company in return for 100% ownership of Congress. The shares had a fair value of \$295,000 at the transaction date which was recorded in ‘investments’ on the Consolidated Statement of Financial Position with a corresponding gain on sale of non-core exploration property recorded in the Consolidated Statement of Loss and Total Comprehensive Loss.

At March 31, 2022, the fair value of the investments was \$1,432,507 and is comprised of the following:

Investment in common shares of Talisker Resources	Amount
At January 1, 2022	\$ 310,000
Net unrealized loss on fair value remeasurement	(55,000)
At March 31, 2022	\$ 255,000
<hr/>	
Investment in common shares of Monumental Minerals	Amount
At January 1, 2022	\$ 831,191
Net unrealized gain on fair value remeasurement	346,302
At March 31, 2022	\$ 1,177,493

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14. EXPLORATION AND PROJECT EVALUATION

	Three Months Ended March 31, 2022						
	Puerto Rico	La Kika	Minerva	Monclova	Cordero	Other	Total
Permitting	\$ -	\$ -	\$ -	\$ -	\$ 385,979	\$ -	\$ 385,979
Mining duties	34,266	5,464	9,439	22,259	275,740	859	348,027
Surface access	-	-	-	-	26,192	-	26,192
Site access	-	-	-	-	5,674	-	5,674
Drilling	-	-	-	-	3,735,455	-	3,735,455
Mapping, Sampling & Assays	-	-	-	-	1,099,154	-	1,099,154
Geophysics	-	-	-	-	51,713	-	51,713
Salaries and benefits	3,235	-	3,235	3,235	788,045	-	797,751
Travel	2,392	-	-	-	160,590	-	162,982
Administrative and other	4,117	-	43,866	-	53,266	-	101,248
Project Evaluation	-	-	-	-	415,477	-	415,477
Total	\$ 44,010	\$ 5,464	\$ 56,540	\$ 25,494	\$ 6,997,285	\$ 859	\$ 7,129,653

	Three Months Ended March 31, 2021						
	Puerto Rico	La Kika	Minerva	Monclova	Cordero	Other	Total
Permitting	\$ -	\$ -	\$ -	\$ -	\$ 124,444	\$ -	\$ 124,444
Mining duties	26,719	4,249	7,335	17,307	213,299	4,203	273,112
Surface access	-	-	-	-	21,812	-	21,812
Site access	-	-	-	-	-	-	-
Drilling	-	-	-	-	3,649,683	-	3,649,683
Mapping, Sampling & Assays	-	-	-	-	272,222	-	272,222
Geophysics	-	-	-	-	-	-	-
Salaries and benefits	11,537	-	5,084	4,994	854,985	-	876,600
Travel	3,506	-	-	-	22,887	-	26,392
Administrative and other	3,842	-	31,677	1,963	405,659	-	443,140
Project Evaluation	-	-	-	-	201,120	-	201,120
Total	\$ 45,604	\$ 4,249	\$ 44,096	\$ 24,265	\$ 5,766,111	\$ 4,203	\$ 5,888,527

15. GENERAL OFFICE AND OTHER EXPENSES

	Three Months Ended	
	March 31,	
	2022	2021
Travel	\$ 33,673	\$ 10,355
Salaries and benefits	584,374	377,432
Shareholder communication and investor relations	67,924	66,194
Filing and transfer agent fees	92,828	114,817
Business development	1,850	960
Rent	19,843	17,114
Depreciation	17,489	23,639
General office and other	316,198	226,555
	\$ 1,134,179	\$ 837,066

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16. PROFESSIONAL FEES

	Three Months Ended	
	2022	March 31, 2021
Legal	\$ 82,582	\$ 33,380
Audit, tax and accounting	48,867	11,159
Consulting and other	105,989	46,328
	\$ 237,438	\$ 90,867

17. INCOME TAXES

	Three Months Ended March 31,	
	2022	2021
Loss before tax at statutory rate of 28% (2021 – 28%)	\$ 3,752,632	\$ 3,105,921
Effect on taxes of:		
Non-deductible expenses	(1,211,173)	(978,600)
Change in provision for unrecognized deferred tax assets	(2,541,459)	(2,127,321)
Income tax expense	\$ -	\$ -

18. CAPITAL MANAGEMENT

The Company defines capital as its shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's objectives when managing capital are to support the Company's main activities of identifying, defining, and developing mineral deposits, with the goal of creating shareholder value, as well ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The current excess funds realized from the non-brokered private placements are invested in highly liquid, interest-bearing marketable securities with no restrictions on redemption.

At March 31, 2022, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the three months ended March 31, 2022.

19. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short term investments, other receivable and deposits, investments in marketable securities, accounts payable and accrued liabilities and lease liabilities.

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Cash and cash equivalents, short-term investments, accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Investments in marketable securities are classified as receivables and are measured at fair value through profit and loss. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

The fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments are classified into one of three levels in the fair value hierarchy according to the degree to which the inputs used in the fair value measurement are observable.

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3: Inputs that are not based on observable market data.

At March 31, 2022 the Company had no financial instruments classified as Level 2 or 3.

20. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and price risk. The aim of the Company's overall risk management strategy is to reduce the potential adverse effect that these risks may have on the Company's financial position and results. The Company's Board of Directors has overall responsibility and oversight of management's risk management practices. Risk management is carried out by the Board through the Nominating and Corporate Governance Committee with the policies being recommended for approval by the Board of Directors at least annually or when changes are required.

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2022, the Company had a cash and cash equivalents balance of \$46,229,095 (December 31, 2021 – \$54,748,652) to settle current liabilities of \$1,410,165 (December 31, 2021 – \$1,704,530). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At March 31, 2022, the Company has no sources of revenue to fund its operating expenditures. Since inception the Company has relied solely on private placements to fund its operations. Management believes these financings will fund the Company's continued exploration work on the properties in both Coahuila and Chihuahua, Mexico as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may

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be obtained by means of equity or debt financing. At March 31, 2022, the Company is currently exposed to a low level of liquidity risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, short-term investments, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents and short-term investments as low as its funds are held in several highly rated Canadian financial institutions. Management deems the credit risk associated with other receivables and deposits to be at an acceptable level.

The Company's maximum exposure to credit risk related to certain financial instruments as identified below, approximates the carrying value of these assets on the Company's consolidated statements of financial position.

	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 46,229,095	\$ 54,748,652
Short-term investments	15,000,000	15,000,000
Other receivables	222,883	174,511
Deposits	108,459	112,364
	\$ 61,560,437	\$ 70,035,527

c) Market Risks

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices.

i. Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts or other highly liquid interest-bearing short-term investments. The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At March 31, 2022, cash balances were held primarily in Canadian and US dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk, however exchange rates are continually monitored for any significant changes. A portion of the Company's

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exploration expenses are paid in USD and in order to reduce its currency risk related to the CAD, the Company has converted a portion of its CAD cash balances into USD.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP.

At March 31, 2022 and December 31, 2021, the Company had the following foreign currency denominated trade payables:

	March 31,		December 31,
	2022		2021
United States dollar	\$ 942,687	\$	165,803
Mexican Peso	239,432		226,833
	\$ 1,182,119	\$	392,636

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss at March 31, 2022 by approximately \$117,770 (December 31, 2021: \$38,778).

At March 31, 2022, management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

iii. Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movement and volatility. The Company closely monitors commodity prices, particularly as they relate to base and precious metals, and movements in the price of individual equity securities, and movements in the stock market generally, to assist in determining the appropriate course of action to be taken by the Company.

At March 31, 2022, Management has determined the Company's exposure to price risk to be at an acceptable level.

21. SEGMENTED INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has one operating segment, which is involved in the exploration and development of polymetallic deposits. All mineral properties are located in Mexico. The Company currently has no revenues.

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Segment performance is evaluated based on several operating and financial measures, including net loss and total comprehensive loss, which is measured consistently with net loss and total comprehensive loss in the interim condensed consolidated financial statements.

The net loss and total comprehensive loss are distributed by geographic region as follows:

	Three Months Ended	
	March 31,	
	2022	2021
Canada	\$ (4,985,690)	\$ (3,980,524)
Mexico	(8,416,567)	(7,078,051)
Net loss and total comprehensive loss	\$ (13,402,257)	\$ (11,058,575)

22. RELATED PARTY TRANSACTIONS

a) Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as well as those personnel with responsibility for the oversight of the Company's activities. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. There were no amounts due to related parties as at March 31, 2022.

Related party transactions for the three months ended March 31, 2022 and 2021 are as follows:

Transaction Type	Nature of Relationship	Three Months Ended March 31,	
		2022	2021
Non-cash share-based payments	Directors and officers	\$ 3,494,898	\$ 2,912,616
Salaries and benefits	Officers	303,750	217,500
Director's fees	Directors	81,250	91,250
		\$ 3,879,898	\$ 3,221,366