



**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2024 and 2023

(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, 2024	December 31, 2023
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	6	\$ 50,704,880	\$ 58,944,459
Sales tax and other receivables	7	3,022,382	2,418,901
Prepays and deposits	8	250,469	292,055
Investments		332,045	204,180
		<b>54,309,776</b>	<b>61,859,596</b>
<b>Non-current</b>			
Property and Equipment	9	1,465,856	1,511,446
Value-added taxes receivable	7	3,072,632	2,299,668
Mineral properties	10	88,570,187	80,395,288
<b>TOTAL ASSETS</b>		<b>\$ 147,418,451</b>	<b>\$ 146,065,998</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	11	\$ 11,331,713	\$ 12,056,645
Current portion of lease liabilities	12	111,580	111,580
		<b>\$ 11,443,293</b>	<b>\$ 12,168,225</b>
<b>Non-current</b>			
Other long-term liabilities	13	4,279,562	4,177,833
Lease liabilities	12	274,914	298,834
<b>TOTAL LIABILITIES</b>		<b>\$ 15,997,769</b>	<b>\$ 16,644,892</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14(b)	\$ 217,298,165	\$ 216,194,163
Contributed surplus		42,437,988	42,660,494
Warrants		17,525,093	17,525,093
Accumulated other comprehensive income		3,196,605	1,397,720
Accumulated deficit		(149,037,169)	(148,356,364)
<b>TOTAL EQUITY</b>		<b>\$ 131,420,682</b>	<b>\$ 129,421,106</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 147,418,451</b>	<b>\$ 146,065,998</b>

Approved on Behalf of the Board on May 14, 2024:

“Jeff Parr”  
 Jeff Parr – Director

“Murray John”  
 Murray John – Director

**Discovery Silver Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND TOTAL COMPREHENSIVE  
INCOME (LOSS)**

Unaudited - (Expressed in Canadian dollars, except per share and share information)

	Notes	Three Months Ended	
		March 31, 2024	March 31, 2023
<b>Expenses (income)</b>			
General office and other expenses	16	\$ 1,941,475	\$ 1,656,126
Interest income		(699,881)	(405,345)
Interest expense		3,974	5,609
Professional fees	17	504,024	550,902
Exploration and project evaluation expenses	15	153,447	653,881
Share-based compensation	14	881,496	1,028,070
(Gain) loss on fair value remeasurement of investments		(127,441)	71,176
Provision for value-added taxes receivable	7	-	727,694
Foreign exchange gain		(1,976,289)	(288,395)
Net loss		\$ 680,805	\$ 3,999,718
Other comprehensive income		\$ (1,798,885)	\$ (655,070)
<b>Total comprehensive (income) loss</b>		<b>\$ (1,118,080)</b>	<b>\$ 3,344,648</b>
<b>Weighted average shares outstanding</b>			
Basic and diluted	14(b)	395,973,316	352,071,321
<b>Net loss per share</b>			
Basic and diluted		\$ (0.00)	\$ (0.01)

**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, 2024	March 31, 2023
<b>Operating Activities</b>			
Net loss		\$ (680,805)	\$ (3,999,718)
Items not affecting cash:			
Depreciation		165,302	195,378
Share-based compensation	14	881,496	1,028,070
Adjustments to Provision for value-added taxes receivable	7	-	727,694
Gain (loss) on fair value remeasurement		(127,441)	71,176
Unrealized foreign exchange gain		(1,786,554)	(126,171)
Changes in non-cash operating working capital:			
Sales tax and other receivables	7	(772,964)	(490,932)
Prepays and deposits	8	41,586	73,660
Accounts payable and accrued liabilities	11	(1,055,360)	(703,391)
<b>Net cash used in operating activities</b>		<b>\$ (3,334,740)</b>	<b>\$ (3,224,234)</b>
<b>Investing Activities</b>			
Additions to property and equipment	9	(130,153)	(176,700)
Disposals of property and equipment		7,021	-
Additions to mineral properties		(4,330,418)	(5,704,308)
<b>Net cash used in investing activities</b>		<b>\$ (4,453,550)</b>	<b>\$ (5,881,008)</b>
<b>Financing Activities</b>			
Issuance of shares on exercise of options	14(c)	-	195,095
Principal payment on lease liability	12	(23,921)	(19,048)
<b>Net cash (used in) provided by financing activities</b>		<b>\$ (23,921)</b>	<b>\$ 176,047</b>
Effect of exchange rates on cash and cash equivalents		(427,371)	(19,245)
<b>Decrease in cash and cash equivalents</b>		<b>(8,239,582)</b>	<b>(8,948,440)</b>
Cash and cash equivalents, beginning of period	6	58,944,462	46,220,938
<b>Cash and cash equivalents, end of period</b>	<b>6</b>	<b>\$ 50,704,880</b>	<b>\$ 37,272,498</b>
<b>Supplemental Cash Flow Information:</b>			
Interest paid		\$ -	\$ 5,609

**Discovery Silver Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

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

	Note	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Equity
At January 1, 2024		395,862,249	\$ 216,194,163	\$ 17,525,093	\$ 42,660,494	\$ 1,397,720	\$ (148,356,364)	\$ 129,421,106
Share-based compensation	14	-	-	-	881,496	-	-	881,496
Shares issued on redemption of RSUs	14d	777,466	1,104,002	-	(1,104,002)	-	-	-
Net loss and total comprehensive income for the period		-	-	-	-	1,798,885	(680,805)	1,118,080
At March 31, 2024		396,639,715	\$ 217,298,165	\$ 17,525,093	\$ 42,437,988	\$ 3,196,605	\$ (149,037,169)	\$ 131,420,682

	Note	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Equity
At January 1, 2023		351,941,580	\$ 166,732,378	\$ 17,525,093	\$ 37,455,923	\$ 48,525	\$ (132,603,849)	\$ 89,158,070
Share-based compensation	14	-	-	-	1,028,070	-	-	1,028,070
Shares issued on exercise of options	14c	408,650	287,236	-	(92,140)	-	-	195,096
Net loss and total comprehensive income for the period		-	-	-	-	655,070	(3,999,718)	(3,344,648)
At March 31, 2023		352,350,230	\$ 167,019,614	\$ 17,525,093	\$ 38,391,852	\$ 703,594	\$ (136,603,567)	\$ 87,036,587

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars, except where otherwise noted)  
For the Three Months Ended March 31, 2024 and 2023

---

**1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS**

Discovery Silver Corp. (“Discovery Silver” or the “Company”) is engaged in the acquisition, exploration and development of mineral property interests, primarily in Mexico. The Company’s flagship asset is the 100% owed Cordero silver project located in Chihuahua State, Mexico.

The Company is listed on the Toronto Stock Exchange (the “Exchange” or “TSX”) 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 14, 2024.

**2. BASIS OF PREPARATION**

These interim financial statements for the three months ended March 31, 2024, and 2023, 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 Accounting Standards”). As such, certain disclosures required by IFRS Accounting Standards 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, 2023 and 2022 (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 contemplates the realization of assets and discharge of all liabilities in the normal course of business. The Company has, to date, relied on cash received from share issuances to fund its exploration and other business objectives. At March 31, 2024, the Company had working capital (defined as current assets less current liabilities) of \$42,866,483 (December 31, 2023 – \$49,691,371), shareholders’ equity of \$131,420,682 (December 31, 2023 – \$129,421,106) and an accumulated deficit of \$149,037,169 (December 31, 2023 – \$148,356,364).

**3. MATERIAL ACCOUNTING POLICIES**

These 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 as at and for the years ended December 31, 2023 and 2022 except those disclosed in Note 4 are set out below.

**a) Basis of Consolidation**

The 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.

**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, 2024 and 2023

---

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 subsidiary and its geographic location as of March 31, 2024, is as follows:

Direct Parent Company	Location	Ownership Percentage	Properties
Minera Titán S.A. de C.V.	Mexico	100%	Cordero

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

**b) Currency of Presentation**

The interim financial statements are presented in Canadian dollars 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 environment in which they operate. The functional currency of the Mexican subsidiaries is the Mexican peso ("MXP").

**c) 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 condensed interim statements of loss 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 income in the condensed interim consolidated statement of loss and total comprehensive income (loss).

**d) Mineral properties and equipment**

On initial acquisition, mineral properties and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition. The Company capitalizes cash and share-based payments made to acquire mineral properties. Land is stated at cost less any impairment in value and is not depreciated. Exploration and evaluation costs are capitalized if a pre-feasibility study demonstrates that future economic benefits are likely. Upon disposal or abandonment, the carrying

**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, 2024 and 2023

---

amount of mineral properties are derecognized and any associated gains or losses are recognized in profit and loss.

*i. Depreciation*

Depreciation is recognized in earnings or loss on a straight-line basis over the estimated useful lives of each part of an item (component), since this most closely reflects the expected pattern of consumption of economic benefits embodied in the asset. The estimated useful lives for assets and components that are depreciated on a straight-line basis range from three to 10 years.

<b>Depreciated assets</b>	<b>Useful Life</b>
Computer equipment and software	3 years
Vehicles	4 years
Office equipment and furniture	5 to 10 years
Buildings and machinery	5 to 10 years

*ii. Impairment*

The carrying values of mineral properties are reviewed each reporting period or upon the occurrence of events or changes in circumstances indicating that the carrying values of assets may not be recoverable. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable based on technical studies or desktop studies; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in earnings or loss.

Where an item of mineral properties and equipment is disposed of, it is derecognized and the difference between its' carrying value and net sales proceeds is disclosed as earnings or loss on disposal in the consolidated financial statements of operations and total comprehensive loss. Any items of mineral properties and equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

**e) Exploration and evaluation assets**

Exploration and evaluation expenditures are comprised of costs that are directly attributable to: researching and analyzing existing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, and compiling economic studies. Exploration expenditures are costs incurred in the search for resources suitable



**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, 2024 and 2023

---

for commercial exploitation. Evaluation expenditures are costs incurred in determining the technical feasibility and commercial viability of a mineral resource. Exploration and evaluation expenditures are capitalized when there is a high degree of confidence in the project's viability and thus it is likely that future economic benefits will flow to the Company. When a project is considered to no longer have commercially viable prospects for the Company, exploration and evaluation costs in respect of that property are assessed as impaired and written off to the condensed interim statement of loss and total comprehensive loss. The Company also assesses mineral property costs for impairment when other facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

#### **4. ACCOUNTING PRONOUNCEMENTS**

##### **Adoption of New Accounting Standards**

The new standards, or amendments to standards and interpretations that were adopted by the Company, effective January 1, 2024, are as follows:

##### ***Classification of Liabilities as Current or Non-Current (Amendment to IAS 1)***

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The adoption of these amendments did not have a material impact on the Company's interim financial statements.

#### **5. CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES**

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards 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, 2024, are consistent with those applied and disclosed in note 5 of the annual consolidated financial statements for the year ended December 31, 2023. The Company's interim results are not necessarily indicative of its results for a full year.

**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, 2024 and 2023

**6. CASH AND CASH EQUIVALENTS**

	<b>March 31, 2024</b>	December 31, 2023
Cash	\$ 50,354,880	\$ 58,664,459
Cash equivalents (a)	350,000	280,000
	<b>\$ 50,704,880</b>	<b>\$ 58,944,459</b>

**a) Cash Equivalents**

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

**7. SALES TAX AND OTHER RECEIVABLES**

	<b>March 31, 2024</b>	December 31, 2023
Sales and value-added tax receivable	\$ 5,923,577	\$ 4,481,483
Other receivables	171,437	237,086
	<b>\$ 6,095,014</b>	<b>\$ 4,718,569</b>

The Company pays sales tax in Canada ("HST") and its Mexican subsidiaries pay value-added tax, Impuesto al Valor Agregado ("IVA") on the purchase of goods and services. Both HST and IVA paid is recoverable but subject to review and assessment by the respective tax authorities - Canada Revenue Agency ("CRA") and the Mexican tax authority ("SAT"). The complex application process and detailed review by SAT in Mexico can impact the collectability and timing of refunds.

**a) Current and non-current value-added tax receivables**

The Company has classified 100% of the HST receivable balance of \$81,831 as a current asset as amounts are refunded by the CRA within twelve months following the return being filed. The Company exercises judgement in classifying the current and non-current portions of the IVA receivable balance however, as the timing of refunds can vary based on SAT's review process. IVA which is estimated to be collected within the next twelve months is recorded as a current IVA receivable while IVA paid and expected to be collective beyond twelve months is classified as a non-current receivable. As the Company is uncertain of the timing of the recovery of IVA, it has recorded \$2,769,114 as the current portion of the IVA receivable expected to be received within twelve months, and \$3,072,632 as a non-current receivable.

**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, 2024 and 2023

**8. PREPAIDS AND DEPOSITS**

	March 31, 2024	December 31, 2023
Insurance	\$ 131,852	\$ 161,551
Office and other prepaid deposits	118,617	130,504
	<b>\$ 250,469</b>	<b>\$ 292,055</b>

**9. PROPERTY AND EQUIPMENT**

	Equipment	Vehicles	Office & Furniture	Computer	Total
<b>Cost</b>					
Balance at January 1, 2024	\$ 1,255,535	\$ 427,535	\$ 759,733	\$ 358,330	\$ 2,801,133
<b>Additions</b>	<b>78,727</b>	<b>38,923</b>	-	<b>12,503</b>	<b>130,153</b>
Disposals	-	-	(7,021)	-	(7,021)
<b>Currency translation     adjustment</b>	<b>(3,758)</b>	<b>(1,059)</b>	<b>(31)</b>	<b>(616)</b>	<b>(5,464)</b>
<b>Balance at March 31, 2024</b>	<b>\$ 1,330,504</b>	<b>\$ 465,399</b>	<b>\$ 752,681</b>	<b>\$ 370,217</b>	<b>\$ 2,918,801</b>

	Equipment	Vehicles	Office & Furniture	Computer	Total
<b>Accumulated depreciation</b>					
Balance at January 1, 2024	\$ (336,448)	\$ (332,853)	\$ (343,261)	\$ (277,125)	\$ (1,289,687)
<b>Additions</b>	<b>(58,433)</b>	<b>(53,230)</b>	<b>(28,579)</b>	<b>(25,060)</b>	<b>(165,302)</b>
<b>Currency translation     adjustment</b>	<b>821</b>	<b>756</b>	<b>15</b>	<b>452</b>	<b>2,044</b>
<b>Balance at March 31, 2024</b>	<b>\$ (394,060)</b>	<b>\$ (385,327)</b>	<b>\$ (371,825)</b>	<b>\$ (301,733)</b>	<b>\$ (1,452,945)</b>

	Equipment	Vehicles	Office & Furniture	Computer	Total
<b>Carrying amount</b>					
At January 1, 2024	\$ 919,087	\$ 94,682	\$ 416,472	\$ 81,205	\$ 1,511,446
<b>At March 31, 2024</b>	<b>\$ 936,444</b>	<b>\$ 80,072</b>	<b>\$ 380,856</b>	<b>\$ 68,484</b>	<b>\$ 1,465,856</b>

	Equipment	Vehicles	Office & Furniture	Computer	Total
<b>Cost</b>					
Balance at January 1, 2023	\$ 991,834	\$ 380,291	\$ 780,902	\$ 290,718	\$ 2,443,745
Additions	306,391	43,880	27,665	62,733	440,669
Disposals	-	-	(50,726)	-	(50,726)
<b>Currency translation     adjustment</b>	<b>(42,690)</b>	<b>3,364</b>	<b>1,892</b>	<b>4,879</b>	<b>(32,555)</b>
<b>Balance at December 31, 2023</b>	<b>\$ 1,255,535</b>	<b>\$ 427,535</b>	<b>\$ 759,733</b>	<b>\$ 358,330</b>	<b>\$ 2,801,133</b>

	Equipment	Vehicles	Office & Furniture	Computer	Total
<b>Accumulated depreciation</b>					
Balance at January 1, 2023	\$ (170,304)	\$ (216,777)	\$ (234,280)	\$ (182,763)	\$ (804,124)
Additions	(83,876)	(86,552)	(134,778)	(58,538)	(363,744)
<b>Currency translation     adjustment</b>	<b>(51,146)</b>	<b>(29,524)</b>	<b>34,430</b>	<b>(35,824)</b>	<b>(82,064)</b>
Disposals	(31,122)	-	(8,633)	-	(39,755)
<b>Balance at December 31, 2023</b>	<b>\$ (336,448)</b>	<b>\$ (332,853)</b>	<b>\$ (343,261)</b>	<b>\$ (277,125)</b>	<b>\$ (1,289,687)</b>

**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, 2024 and 2023

Carrying amount	Equipment	Vehicles	Office & Furniture	Computer	Total
At January 1, 2023	\$ 821,530	\$ 163,514	\$ 546,622	\$ 107,955	\$ 1,639,621
At December 31, 2023	\$ 919,087	\$ 94,682	\$ 416,472	\$ 81,205	\$ 1,511,446

The Company following table summarizes the changes in right-of-use assets within plant and equipment:

Leased assets	Total
At January 1, 2023	\$ 548,194
Revaluation of ROU asset	(50,726)
Depreciation	(108,635)
At December 31, 2023	\$ 388,833
Depreciation	(26,111)
<b>At March 31, 2024</b>	<b>\$ 362,722</b>

## 10. MINERAL PROPERTIES

At January 1, 2023	\$ 32,867,024
Currency translation adjustment	951,608
Acquisition of land <sup>(1)</sup>	23,037,798
Deferred land acquisition costs <sup>(2)</sup>	876,000
Additions <sup>(3)</sup>	22,662,858
At December 31, 2023	\$ 80,395,288
<b>Currency translation adjustment</b>	<b>3,412,327</b>
<b>Additions<sup>(3)</sup></b>	<b>4,762,572</b>
<b>At March 31, 2024</b>	<b>\$ 88,570,187</b>

<sup>(1)</sup> The Company purchased the titles and deeds to various parcels of land on the Cordero property during the year ended December 31, 2023. The land acquisition includes the surface rights and national water concessions associated with the various land packages. The acquisition agreement required an initial cash payment made during May 2023 of USD\$7,500,000, with a second and third instalments of USD\$6,750,000 and USD\$2,500,000 due in May 2024 and May 2025. These amounts have been recorded as a current and non-current liability, respectively, on the Company's Statement of Financial Position as at March 31, 2024 (notes 11 and 13).

<sup>(2)</sup> This amount is recorded in other long-term liabilities and reflects the present value of the minimum annual payments of USD\$50,000 per year with step increases (the amount increases to USD\$600,000 per annum upon declaration of commercial production and is payable over the life of the mine) as per the land acquisition agreement.

<sup>(3)</sup> Due to the completion and results of the pre-feasibility study in January 2023, the Company began capitalizing eligible exploration and evaluation expenditures in accordance with the accounting policy set out in note 3(e).

Costs Capitalized to the Cordero Mineral Property	Three Months Ended March 31, 2024
Permitting and legal	\$ 77,847
Mining duties	481,137
Camp costs, site access and vehicles	457,448
Salaries and benefits	1,160,296
Project evaluation and geophysics	2,303,922
Administrative and other expenses	229,580
Environmental, social and governance	52,342
<b>Total</b>	<b>\$ 4,762,572</b>

**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, 2024 and 2023

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	March 31, 2024	December 31, 2023
Trade and other payables <sup>(1)</sup>	\$ 1,822,356	\$ 2,750,394
Salaries and benefits payable <sup>(2)</sup>	319,486	1,290,734
Accrued liabilities <sup>(3)</sup>	9,189,871	8,015,517
	<b>\$ 11,331,713</b>	<b>\$ 12,056,645</b>

<sup>(1)</sup> At March 31, 2024, trade and other payables were comprised primarily of amounts payable for feasibility study costs.

<sup>(2)</sup> At March 31, 2024, salaries and benefits payable were comprised of short-term incentive amounts payable to executive management and employees.

<sup>(3)</sup> Accrued liabilities is comprised primarily of the second instalment of USD\$6,750,000 related to the acquisition of land during 2023 to be paid in May 2024 (note 10).

**12. LEASE LIABILITIES**

	March 31, 2024	December 31, 2023
Lease liabilities	\$ 386,494	\$ 410,414
Less: current portion	111,580	111,580
Non-current portion	\$ 274,914	\$ 298,834

**13. OTHER LONG-TERM LIABILITIES**

	March 31, 2024	December 31, 2023
Land acquisition payable <sup>(1)</sup>	\$ 3,382,492	\$ 3,301,833
Long-term provision for future land payment obligation <sup>(2)</sup>	897,070	876,000
	<b>\$ 4,279,562</b>	<b>\$ 4,177,833</b>

<sup>(1)</sup> At March 31, 2024, other long-term liabilities were comprised of the final instalment of USD\$2,500,000 related to the acquisition of land during 2023 to be paid in May 2025 (note 10).

<sup>(2)</sup> This provision is the minimum amount payable annually under the land acquisition agreement (the "Agreement"), if commercial production is not achieved within five years from the date the contract was executed. The penalty clause requires payment of USD\$50,000 for each year delayed (with an annual increase of USD\$5,000 to this amount until commercial production is reached) (the "annual payments"). This provision was calculated as the present value of the annual payments, using a discount rate of 8% with the accretion expense being recognized over the 25 years of payments per the Agreement.

**14. SHARE CAPITAL**

**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, 2023		395,862,249	\$ 216,194,163
Shares issued on redemption of RSUs	14d	777,466	1,104,002
<b>At March 31, 2024</b>		<b>396,639,715</b>	<b>\$ 217,298,165</b>

**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, 2024 and 2023

**c) Stock Options**

The Company has adopted a 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. This 10% limit is in aggregate and is shared with the Company’s RSU and DSU plans (note 14d)). 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 no options granted during the three months ended March 31, 2024. There were 1,600,000 stock options granted during the three months ended March 31, 2023, with a weighted average exercise price of \$1.42 and a five-year term to expiry. The options granted vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023. The Options will expire on January 26, 2028, five years after the grant date.

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

	Outstanding	Weighted Average Exercise Price
At January 1, 2023	20,465,017	\$ 1.46
Options granted	1,600,000	1.42
Options exercised	(528,650)	0.47
Options forfeited	(1,542,709)	1.96
At December 31, 2023	19,993,658	\$ 1.44
<b>Options forfeited</b>	<b>(673,333)</b>	<b>1.93</b>
<b>At March 31, 2024</b>	<b>19,320,325</b>	<b>\$ 1.42</b>

At March 31, 2024, 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
\$0.48	2,568,450	0.38	\$0.48	2,568,450	0.38	\$0.48
\$0.65	360,000	0.77	\$0.65	360,000	0.77	\$0.65
\$0.47	3,520,000	1.07	\$0.47	3,520,000	1.07	\$0.47
\$1.89	4,696,875	1.79	\$1.89	4,696,875	1.79	\$1.89
\$2.08	300,000	1.95	\$2.08	300,000	1.95	\$2.08
\$1.77	200,000	2.59	\$1.77	200,000	2.59	\$1.77
\$2.05	5,575,000	2.77	\$2.05	5,184,375	2.77	\$2.05
\$1.76	400,000	3.03	\$1.76	400,000	3.03	\$1.76
\$1.38	100,000	3.15	\$1.38	66,667	3.15	\$1.38
\$1.42	1,600,000	3.82	\$1.42	533,333	3.82	\$1.42
	<b>19,320,325</b>	<b>1.15</b>	<b>\$1.42</b>	<b>17,829,700</b>	<b>1.01</b>	<b>\$1.41</b>

**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, 2024 and 2023

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**

The Company has adopted rolling 10% DSU and RSU Plans, that share the 10% threshold with the 10% rolling Option Plan. The combined aggregate total Options, DSUs, and RSUs granted cannot exceed 10% of the issued and outstanding common shares of the Company. The DSU Plan provides that the Board of Directors (the "Board") of the Company may grant DSUs to non-executive directors of the Company, to be settled in cash or common shares of the Company, at the discretion of the Board. The RSU Plan provides that the Board may grant RSUs to eligible officers, and employees, to be settled in cash or common shares of the Company, at the discretion of the Board. The Board in its sole discretion may determine any vesting provisions for DSUs and RSUs.

The following tables reflect the continuity of RSU's and DSU's granted and redeemed during the three months ended March 31, 2024, and year ended December 31, 2023.

	Number of RSUs	Weighted average grant date fair value \$
At January 1, 2023	125,000	-
RSU's granted	4,024,202	-
RSU's redeemed	(267,019)	1.29
RSUs forfeited	(390,552)	-
At December 31, 2023	3,491,631	-
<b>RSU's granted</b>	<b>3,079,000</b>	<b>-</b>
<b>RSU's redeemed</b>	<b>(777,466)</b>	<b>1.42</b>
<b>At March 31, 2024</b>	<b>5,793,165</b>	<b>-</b>

The RSUs are each redeemable for one common share of the Company and vest annually in three equal tranches beginning on the first anniversary of the grant date.

	Number of DSUs	Weighted average exercise price \$
At January 1, 2023	-	-
DSU's granted	1,475,997	-
At December 31, 2023	1,475,997	-
<b>DSUs granted</b>	<b>900,000</b>	<b>-</b>
<b>At March 31, 2024</b>	<b>2,375,997</b>	<b>-</b>

The DSUs vest on the first anniversary of the grant date, but may only be redeemed on the termination date of a director, in accordance with the DSU plan.

**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, 2024 and 2023

The total non-cash share-based compensation expense for the three months ended March 31, 2024, was \$881,496 (three months ended March 31, 2023 - \$1,028,070).

**15. EXPLORATION AND PROJECT EVALUATION**

Due to the completion and results of the pre-feasibility study during the three months ended March 31, 2023, the Company began capitalizing eligible exploration expenditures beginning January 1, 2023. Exploration and project evaluation expenditures not capitalized are those costs not directly attributable to the Cordero Project. These costs include permitting, surface access, drilling, mapping, sampling and assaying, geophysics, salaries and benefits and other costs pertaining primarily to the Company's property-wide exploration program. During the three months ended March 31, 2024, the Company spent \$153,447 in exploration expenses (three months ended March 31, 2023 - \$653,881).

**16. GENERAL OFFICE AND OTHER EXPENSES**

	Three Months Ended	
	March 31,	
	2024	2023
Travel	\$ 57,123	\$ 106,372
Salaries and benefits	1,084,487	678,257
Shareholder communication and investor relations	90,443	124,800
Filing and transfer agent fees <sup>(1)</sup>	129,326	326,095
Rent	55,261	19,118
Depreciation	165,302	28,839
General office and other	359,533	372,645
	<b>\$ 1,941,475</b>	<b>\$ 1,656,126</b>

(1) Filing and transfer agent fees include costs related to the graduation from the TSXV to the TSX in February 2023.

**17. PROFESSIONAL FEES**

	Three Months Ended	
	March 31,	
	2024	2023
Legal	\$ 31,754	\$ 194,846
Audit, tax and accounting	148,153	102,661
Consulting and other	324,117	253,395
	<b>\$ 504,024</b>	<b>\$ 550,902</b>

**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.



## 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, 2024 and 2023

---

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, 2024, 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, 2024.

#### 19. FINANCIAL INSTRUMENTS

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

Cash and cash equivalents, 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, 2024 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.

**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, 2024 and 2023

---

**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, 2024, the Company had a cash and cash equivalents balance of \$50,704,880 (December 31, 2023 – \$58,944,459) to settle current liabilities of \$11,443,293 (December 31, 2023 – \$12,168,225). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At March 31, 2024, the Company has no sources of revenue to fund its operating and development expenditures and has historically relied solely on non-brokered private placements to fund its operations. The Company's current cash balance is sufficient to fund the 2024 work program as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of an equity or debt financing.

**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.

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 condensed interim consolidated statements of financial position.

	<b>March 31, 2024</b>	December 31, 2023
Cash and cash equivalents	\$ 50,704,880	\$ 58,944,459
Other receivables	171,437	237,086
Deposits	118,617	130,504
	<b>\$ 50,994,934</b>	<b>\$ 59,312,049</b>

**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.

**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, 2024 and 2023

---

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At March 31, 2024, 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 exploration expenses are paid in USD, and over the past two years the Company converted a portion of its CAD cash balances into USD to reduce its currency risk exposure related to the CAD.

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

At March 31, 2024 and December 31, 2023, the Company had the following foreign currency denominated trade payables and accrued liabilities:

		<b>March 31, 2024</b>		December 31, 2023
United States dollar	\$	<b>7,528,001</b>	\$	6,991,862
Mexican Peso		<b>847,842</b>		806,771
	<b>\$</b>	<b>8,375,843</b>	<b>\$</b>	<b>7,798,633</b>

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Peso against the Canadian Dollar would affect net loss at March 31, 2024 by approximately \$837,570 (December 31, 2023 - \$779,844).

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.

**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, 2024 and 2023

**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 mineral deposits. All of the Company's mineral properties are located in Mexico.

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 condensed interim consolidated financial statements.

The total comprehensive income (loss) are distributed by geographic region as follows:

	Three Months Ended	
	March 31,	
	2024	2023
Canada	\$ (1,106,319)	\$ (2,631,449)
Mexico	2,224,399	(713,199)
<b>Total comprehensive income (loss)</b>	<b>\$ 1,118,080</b>	<b>\$ (3,344,648)</b>

**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.

Related party transactions for the three months ended March 31, 2024 and 2023 are as follows:

		Three Months Ended	
		March 31,	
Transaction Type	Nature of Relationship	2024	2023
Non-cash share-based payments	Directors and officers	\$ 818,418	\$ 822,456
Salaries and benefits	Officers	670,666	508,750
Director fees	Directors	87,500	81,250
		<b>\$ 1,576,584</b>	<b>\$ 1,412,456</b>

**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, 2024 and 2023

---

A summary of amounts due to related parties:

<b>Transaction Type</b>	<b>Nature of Relationship</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Salaries and benefits payable	Directors, officers, and employees	\$ -	\$ 1,103,245
		<b>\$ -</b>	<b>\$ 1,103,245</b>