



## **ANNUAL INFORMATION FORM**

For the Fiscal Year Ended December 31, 2023

Dated March 28, 2024

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Except for statements of historical fact, information contained, or incorporated by reference, herein constitutes “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “planned”, “expect”, “project”, “predict”, “potential”, “targeting”, “intends”, “believe”, and similar expressions, or describes a “goal”, or variation of such words and phrases or states that certain actions, events or results “may”, “should”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Statements relating to mineral resources are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described exist in the quantities predicted or estimated or that it will be commercially viable to produce any portion of such resources. Forward-looking statements in this AIF include, but may not be limited to, statements and expectations regarding: outlooks for the Cordero Project pertaining to production rates, mining and processing rates, total cash costs, all-in sustaining costs, capital spending, cash flow, operational performance, mine life, value of operations and decreases to costs resulting from the intended mill expansion; intended infrastructure investments in, method of funding for, and timing of completion of the development and construction of the Cordero Project, planned continuation of negotiation of formal agreements with land owners and Mexican authorities with respect to the Cordero Project, as well as other statements and information as to strategy, plans or future financial and operating performance, such as project timelines, production plans, expected sustainable impact improvements, expected exploration programs, costs and budgets, forecasted cash shortfalls and the ability to fund them and other statements that express management’s expectations or estimates of future plans and performance. Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made, including among other things, the future prices of gold, silver, lead, zinc, and other metals, the price of other commodities such as coal, fuel and electricity, currency exchange rates and interest rates; favourable operating conditions, political stability, timely receipt of governmental approvals, licenses, and permits (and renewals thereof); access to necessary financing; stability of labour markets and in market conditions in general; availability of equipment; the accuracy of mineral resource estimates, and of any metallurgical testing completed to date; estimates of costs and expenditures to complete our programs and goals; the speculative nature of mineral exploration and development in general; there being no significant disruptions affecting the development and operation of the project, including due to the COVID-19 or other possible pandemic; exchange rate assumptions being approximately consistent with the assumptions in the report; the availability of certain consumables and services and the prices for power and other key supplies being approximately consistent with assumptions in the report; labour and materials costs being approximately consistent with assumptions in the report and assumptions made in mineral resource estimates, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological assumptions, capital and operating cost estimates, and general marketing, political, business and economic conditions. Many of these assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies, and other factors that are not within the control of Discovery Silver Corp. (“**Discovery**” or the “**Corporation**”) and could thus cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information.

Forward-looking information and forward-looking statements herein includes, but is not limited to: risks associated with exploration, development, and operating risks, and risks associated with the early-stage status of the Corporation’s mineral properties; the nature of exploration could have a negative effect on the Corporation’s operations and valuation; risk related to the cyclical nature of the mining business; permitting and license risks; risks related to title to land and the potential acquisition of neighboring land packages and the timing thereof; risks related to requiring a significant supply of water for the Corporation’s operations and being able to source it; the availability of adequate infrastructure for the Corporation’s operations; risks related to community relations; environmental risks and hazards and the limitations that environmental regulation poses on the Corporation; market price volatility of the Corporation’s common shares; uncertainties with respect to economic conditions; the Corporation’s mineral exploration activities being subject to extensive laws and regulations and the risk of failing to comply with those laws or obtain required permits; risks and uncertainties related to operating in a foreign country, and specifically, risks arising from operating in Mexico; risks posed by health epidemics and other outbreaks, such as COVID-19; climate change risks; the risk that commodity prices decline; cybersecurity risks; risks of adverse publicity; potential dilution to the common shares; risks associated with contractual agreements and subsidiaries; the potential of future lack of funding; credit and liquidity risks; the Corporation’s history of net losses and negative

operating cash flow; the Corporation's reliance on a limited number of properties; uninsurable risks; costs of land reclamation; pandemic and global health risks on the Corporation's business, operations, and market for securities; the competitive nature of mineral exploration and in the mining industry generally; the Corporation's reliance on specialized skills and knowledge; risks associated with acquisitions and integrating new business; future sales of common shares by existing shareholders; risks associated with having multiple shareholders holding over 10% of the common shares; influence of third-party stakeholders; litigation risk; conflicts of interest; reliance on key executives; reliance on internal controls; risks stemming from international conflicts; global financial conditions; currency rate risks; potential enforcement under the *Extractive Sector Transparency Measures Act* (Canada); and the potential to pay future dividends. Such factors include, among others: the timing and possible outcome of regulatory and permitting matters; the ability to obtain, maintain or renew the underlying licenses and permits in Mexico in accordance with the requirements of applicable mining, environmental, and other laws in Mexico; satisfaction of requirements relating to the submissions and successful defence of Environmental Impact Assessment reports ("EIAS"); exploration, development, and operating risks, and risks associated with the early stage status of the Corporation's mineral properties and the nature of exploration; could have a negative effect on the Corporation's operations and valuation; discrepancies between actual and estimated mineral resources; possible variations of mineral grade or recovery rates; fluctuations in commodity prices and relative currency rates; volatility, changes, or disruptions in market conditions; government regulation of mining operations and changes in government legislation and regulation, including pursuant to the *Canadian Extractive Sector Transparency Measures Act* (Canada); foreign operations risks, political instability, hostilities, insurrection, or acts of war or terrorism (and the potential consequential capital and financial market reaction); reputational risks; potential dilution of Common Shares (as defined in this Annual Information Form ("AIF")) voting power or earnings per share as a result of the exercise of warrants, RSUs, DSUs, or Options (all as defined in this AIF), future financings or future acquisitions financed by the issuance of equity; uncertainties associated with minority interests and joint venture operations; ability to satisfy contractual obligations and additional capital needs generally; reliance on a finite number of properties; contests over title to properties; availability of adequate infrastructure; costs and results derived from community relations activities; environmental risks and hazards; the cost, timing, and amount of estimated future capital, operating exploration, acquisition, development, and reclamation activities; limited operating history and no earnings; limits of insurance coverage and uninsurable risk; accidents, labour disputes, and other risks of the mining industry, including but not limited to environmental risks and hazards, pitwall failures, flooding, rock bursts, and other acts of God or natural disasters; unfavourable operating conditions; limitations on the use of community water sources; risks associated with the Corporation's indemnified liabilities; pandemics including COVID-19 or other pandemic (and the potential consequential governmental regulations and capital and financial market reaction); competitive conditions in the mineral exploration and mining businesses; the ability of the Corporation to retain its key management employees and the impact of shortages of skilled personnel and contractors; potential acquisitions and their integration with the Corporation's current business; future sales of Common Shares by existing shareholders; influence of third party stakeholders; successful defence against existing, pending, or threatened litigation or other proceedings; conflicts of interest; the Corporation's designation as a "passive foreign investment company"; the adequacy of the Corporation's system of internal controls; credit and/or liquidity risks; cyber security risks; the interpretation and actual results of historic data associated with, and drill results from, those properties, and the reliance on technical information provided by third parties; changes in labour costs or other costs of exploration and development; failure of equipment or processes to operate as anticipated; completion of expenditure and other obligations under earn-in or option agreements to which the Corporation could be a party; judgement of management when exercising discretion in their use of proceeds from offerings of securities; those general business, economic, competitive, political, regulatory, and social uncertainties, disruptions or changes in the credit or securities markets and market fluctuations in prices for Discovery's securities that may occur outside of management's control; the Corporation's history of net losses and negative operating cash flow; the Corporation's major shareholder(s) having the ability to influence matters submitted to Discovery's shareholders for approval; and the risks involved in the exploration, development, and mining business in general.

Although the Corporation has attempted to identify important factors that could cause actual performance, achievements, actions, events, results, or conditions to differ materially from those described in forward-looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results, or conditions to differ from those anticipated, estimated, or intended. Further details relating to many of these factors is discussed in the section entitled "*Risk Factors*" in this AIF.

Forward-looking statements and forward-looking information contained herein are made as of the date of this AIF and the Corporation disclaims any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events, or results or otherwise, except as required by applicable law. There can be no assurance

that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

### **CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED, AND INFERRED RESOURCES**

Information in this AIF, including any information incorporated by reference, and disclosure documents of Discovery that are filed with Canadian securities regulatory authorities concerning mineral properties have been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of United States securities laws.

Without limiting the foregoing, these documents use the terms “measured resources”, “indicated resources”, and “inferred resources”. Shareholders in the United States are advised that, while such terms are defined in and required by Canadian securities laws, the United States Securities and Exchange Commission (the “SEC”) does not recognize them. Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration; however, there is no certainty that these inferred mineral resources will be converted into mineral reserves, once economic considerations are applied. Under Canadian rules inferred mineral resources must not be included in the economic analysis, production schedules, or estimated mine life in publicly disclosed Pre-Feasibility or Feasibility Studies, or in the Life of Mine plans and cash flow models of developed mines. Inferred Mineral Resources can only be used in economic studies as provided under NI 43-101 (as defined below). These standards are similar to, but differ in some ways from, the requirements of the SEC that are applicable to domestic United States reporting companies and foreign private issuers not eligible for the multijurisdictional disclosure system. Any mineral reserves and mineral resources reported by the Corporation in accordance with NI 43-101 (as defined below) may not qualify as such under SEC standards under Subpart 1300 of Regulation S-K. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of contained ounces is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report resources as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in these documents may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

### **CAUTIONARY NOTE REGARDING FUTURE-ORIENTED FINANCIAL INFORMATION**

This AIF also contains future-oriented financial information and outlook information (collectively, “FOFI”) about the Cordero Project. This information is subject to the same assumptions, risk factors, limitations, and qualifications as set forth below in the below paragraphs. FOFI contained in this AIF is made as of the date of this AIF and is being provided for the purpose of providing further information with respect to the Cordero Project. The Corporation disclaims any intention or obligation to update or revise any FOFI contained in this AIF, whether as a result of new information, future events, or otherwise, unless required pursuant to applicable law. Readers are cautioned that FOFI contained in this AIF should not be used for purposes other than for which it is disclosed herein.

### **FINANCIAL INFORMATION AND NON-GAAP MEASURES**

Discovery has prepared its consolidated financial statements, incorporated herein by reference, in accordance with non-IFRS GAAP (generally accepted accounting principles) performance measures as it believes that these generally accepted industry performance measures provide a useful indication of the Company’s operational performance. These non-IFRS GAAP performance measures do not have standardized meanings defined by IFRS Accounting Standards and may not be comparable to information in other Company reports and filings. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS Accounting Standards.

The non-IFRS GAAP performance measures can include – cash cost per silver equivalent payable ounce, working capital, all-in sustaining cost per silver equivalent payable ounce (“AISC”), and free cash flow.

#### Total Cash Costs per Silver Equivalent Payable Ounce

The Corporation calculated total cash costs per silver equivalent (“AgEq”) payable ounce by dividing the sum of operating costs, royalty costs, production taxes, refining and shipping costs, net of by-product silver credits, by payable ounces. While there is no standardized meaning of the measure across the industry, the Corporation believes that this measure is useful to external users in assessing operating performance.

#### All-in Sustaining Costs and All-in Sustaining Costs per Silver Equivalent Payable Ounce

The Corporation has provided an all-in sustaining costs performance measure that reflects all the expenditures that are required to produce an ounce of silver from operations. While there is no standardized meaning of the measure across the industry, the Corporation’s definition conforms to the all-in sustaining cost definition as set out by the World Gold Council in its 2018 updated Guidance Note. The Corporation believes that this measure is useful to external users in assessing operating performance and the Corporation’s ability to generate free cash flow from current operations. Subsequent amendments to the guidance have not materially affected the figures presented.

AISC is calculated as: [Operating costs (mining, processing and G&A) + Royalties + Concentrate Transportation + Treatment & Refining Charges + Concentrate Penalties + Sustaining Capital (excluding \$37M of capex for the initial purchase of mining fleet in Year 1)] / Payable AgEq ounces.

#### Free Cash Flow

Free Cash Flow is a non-GAAP performance measure that is calculated as cash flows from operations net of cash flows invested in mineral property, plant, and equipment and exploration and evaluation assets. The Corporation believes that this measure is useful to the external users in assessing the Corporation’s ability to generate cash flows from its mineral projects.

### **PRELIMINARY NOTES**

Throughout this Annual Information Form (“AIF”), Discovery Silver Corp. is referred to as “**Discovery**” or the “**Corporation**”. All information contained in this AIF is given as of December 31, 2023, unless otherwise stated.

#### **Currency**

All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars, the same currency that the Corporation uses in its consolidated financial statements as its reporting currency.

#### **Certain Defined Terms**

Throughout this AIF, the common shares in the capital of Discovery are referred to as “**Common Shares**”.

## Measurements and frequently used abbreviations and acronyms

In this AIF, metric units are used with respect to the Corporation’s various mineral properties and operations. Conversion rates from imperial measures to metric units and from metric units to imperial measures are provided in Table 1 set out below:

**Table 1: Conversion Rates from Imperial Measures to Metric Units and from Metric Units to Imperial Measures**

Imperial Measure	Metric Unit	Metric Unit	Imperial Measure
2.471 acres	1 hectare (“ha”)	0.4047 hectares	1 acre (“ac”)
3.281 feet	1 metre (“m”)	0.3048 metres	1 foot (“ft.”)
0.621 miles	1 kilometres (“km”)	1.609 kilometres	1 mile (“mi.”)
2.20 pounds	1 kilogram (“kg”)	0.454 kilograms	1 pound (“lb.”)
0.032 troy ounces	1 gram (“g”)	31.1 grams	1 troy ounce (“oz.”)

Measurements and amounts in this AIF have been rounded to the nearest two decimal places.

## Financial Statements and Management Discussion and Analysis

This AIF should be read in conjunction with the audited consolidated financial statements of Discovery for the year ended December 31, 2023 (the “**Audited Financial Statements**”) and the accompanying management’s discussion and analysis (“**MD&A**”) for that year.

Unless otherwise indicated, financial information contained in this AIF is presented in accordance with IFRS Accounting Standards. The Audited Financial Statements and accompanying MD&A documents are available at [www.discoverysilver.com](http://www.discoverysilver.com) and on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## Standard Resource and Reserve Reporting System

National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, Companion Policy 43-101CP, and Form 43-101F1 (collectively, “**NI 43-101**”) are a set of rules developed by the Canadian Securities Administrators, which has established standards for all public disclosure an issuer makes of “scientific and technical information” concerning mineral projects (“**Technical Information**”). Unless otherwise indicated, all Technical Information, including resource estimates attributable to Discovery’s property interests contained in this AIF, and including any information contained in certain documents referenced in this AIF, has been prepared in accordance with NI 43-101, and those standards of the Canadian Institute of Mining, Metallurgy and Petroleum Standing Committee on Reserve Definitions.

The named individuals who supervised the preparation of, and approved, the Technical Information contained in this AIF are qualified persons, as defined under NI 43-101 (each individually, a “**Qualified Person**”). Each such Qualified Person is an author of one of the technical reports that form the basis for the majority of the Technical Information reproduced in this AIF.

## Material Property Interests

As at the date of this AIF, the Corporation holds an interest in one mineral property considered to be material within the meaning of applicable Canadian securities laws:

Project Name	Ownership entity	% Interest
Cordero	Minera Titán, S.A. de C.V.	100%

See discussion in this AIF under headings “*Intercorporate Relationships*” and “*Cordero Project*” for summaries of, and Technical Information for, the Cordero Project.

### Technical Disclosure

Unless otherwise indicated, Discovery has prepared the Technical Information in this AIF based on information contained in the technical reports and news releases (collectively the “**Disclosure Documents**”) available under the Corporation’s issuer profile and the issuer profile of Levon Resources Ltd. (“**Levon**”), both available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Each of the Disclosure Documents was prepared by or under the supervision of a Qualified Person. Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information.

With the exception of the Cordero Project, any inferences disclosed in this AIF of potential quantity and grade at the Corporation’s exploration property interests are conceptual in nature, and there has been insufficient exploration to date to define a mineral resource. It is uncertain if further exploration will result in other targets at the Cordero Project, or any of the Corporation’s other mineral property interests, being delineated as a mineral resource.

Mineral resource estimates contained herein are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from the one indicated by drilling results and the difference may be material. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Gernot Wober, P. Geo., the Corporation’s Vice President Exploration and a ‘Qualified Person’ and Pierre Rocque, P.Eng., an Independent Consultant to the Company and an independent ‘Qualified Person’, have prepared and approved the Scientific and Technical Information in this AIF. Mr. Wober and Mr. Rocque have consented to the inclusion of the Technical Information in the form and context in which it appears in this AIF.

## CORPORATE STRUCTURE

### Name, Incorporation, and Registered Office

The Corporation was incorporated on October 10, 1986 as “R B Technologies Inc.” under the Company Act (British Columbia). On November 18, 1986, the Corporation’s name was changed to “Vertech Systems Corporation”, then on June 26, 1989, to “Vercan Investments Inc.”, then on January 26, 1998, to “Watersave Logic Corporation”, then on July 27, 2006, to “Abode Mortgage Holdings Corp.”, then on August 19, 2013, to “Ayubowan Capital Ltd.”

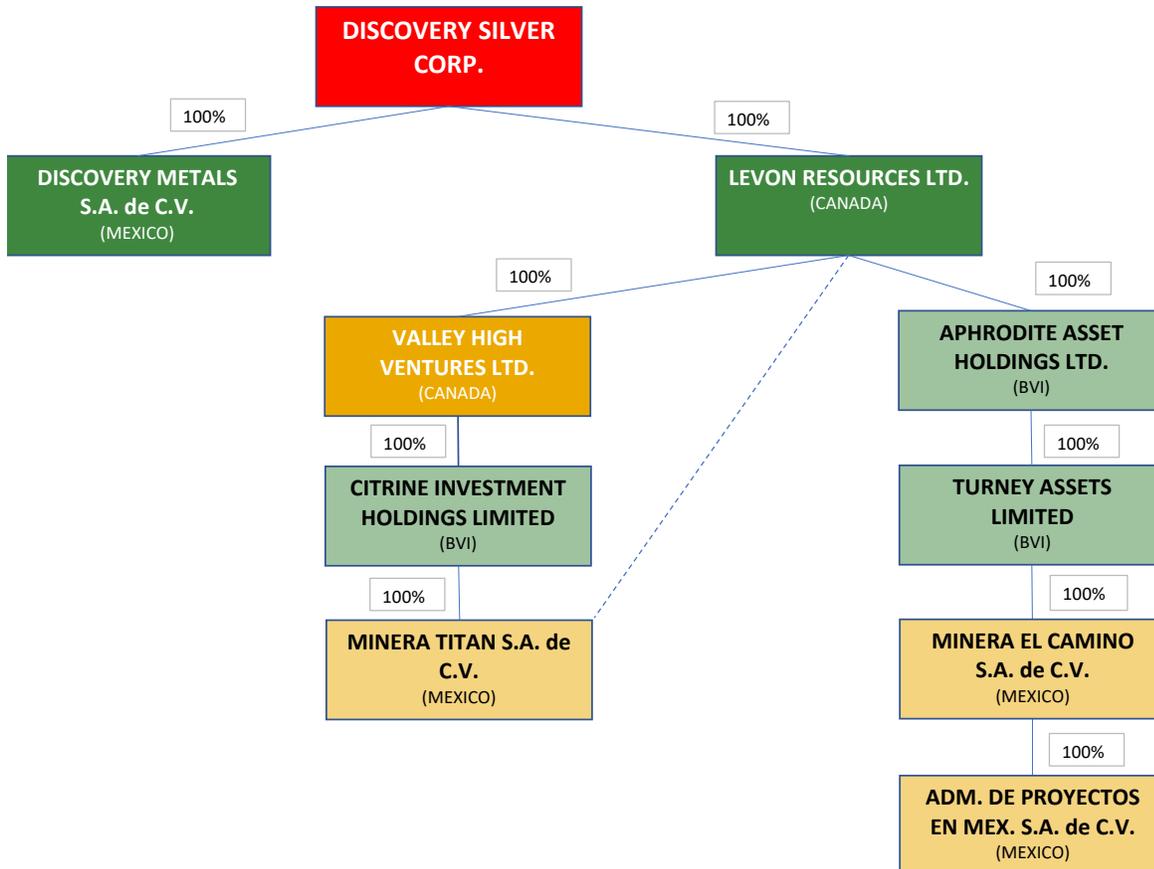
On June 13, 2017, the Corporation’s name was changed to “Discovery Metals Corp.”, and subsequently on April 13, 2021, to “Discovery Silver Corp.”, the Corporation exists pursuant to the *Business Corporations Act* (British Columbia). See “*General Development of the Business – Three Year History – 2021 Developments*” in this AIF for further details.

The principal place of business of the Corporation is located at 701-55 University Avenue, Toronto, Ontario, Canada. The registered office of the Corporation is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, Canada.

The Corporation also has offices in the Mexican cities of Chihuahua, Parral, and Hermosillo to support the Cordero Project.

**Intercorporate Relationships**

A significant portion of the Corporation’s business is carried on through its various subsidiaries. The following chart illustrates, as at the date of this AIF, the Corporation’s subsidiaries, including their respective places of incorporation and the percentage of voting securities in each that are held by the Corporation either directly or indirectly.



**GENERAL DEVELOPMENT OF THE BUSINESS**

**Three Year History**

*2021 Developments*

On January 19, 2021, the Corporation announced its 2021 work program and budget for its Cordero Project.

On February 22, 2021, the Corporation announced that an aggregate of 31,140,000 Common Share purchase warrants were exercised, resulting in gross proceeds of approximately C\$31 million.

On March 12, 2021, the Corporation announced the appointment of Jennifer Wagner to the Corporation’s Board of Directors (the “**Board**”).

On April 9, 2021, the Corporation announced it changed its name from Discovery Metals Corp. to Discovery Silver Corp. to better align the Corporation with its silver-primary flagship project.

On May 12, 2021, the Corporation announced the appointment of various consultants for a Preliminary Economic Assessment (“**PEA**”) on the Cordero Project (as defined below), including Ausenco as lead consultant and principal author.

On September 27, 2021, the Corporation entered into an arm’s length assignment and assumption agreement with Monumental Gold Ltd. (“**Monumental**”) whereby the Corporation agreed to transfer and assign its rights and obligations under the option agreement on the Jemi Rare Earth Property (the “**Jemi Property**”) for consideration of 9.9% of the issued and outstanding common shares of Monumental on a non-diluted basis. In addition, subject to the exercise of the option to acquire the Jemi Property pursuant to the agreement with Monumental, the Corporation would retain a 1.5% net smelter returns royalty payable upon the commercial production of the Jemi Property.

On October 20, 2021, the Corporation released an updated Mineral Resource Estimate on the Cordero Project with 87% of the contained metal included in the Measured and Indicated category and totalling 910Moz AgEq and Inferred Resources of 140Moz AgEq. The NI 43-101 technical report in respect of this Mineral Resource Estimate on the Cordero Project was filed on December 6, 2021.

On November 2, 2021, the Corporation released its inaugural Environmental, Social and Governance (“**ESG**”) report.

On November 30, 2021 the Corporation reported its Preliminary Economic Assessment on the Cordero Project with an after-tax net present value of US\$1.2 billion, an internal rate of return of 38% and a payback period of two years. The NI 43-101 technical report in respect of this Preliminary Economic Assessment on the Cordero Project was filed on January 13, 2022.

#### *2022 Developments*

On January 13, 2022, the Corporation filed on SEDAR+ its NI 43-101 technical report titled “Preliminary Economic Assessment of the Cordero Silver Project Chihuahua State, Mexico, dated November 30, 2021” in respect of Discovery’s Cordero Project. The report was authored by Ausenco Engineering Canada Inc. with support from AGP Mining Consultants Inc. and Knight Piésold and Co. (USA).

On February 1, 2022, the Corporation announced its 2022 work program and budget for its Cordero Project.

On March 14, 2022, the Corporation announced the appointment of Anthony Esplin as Chief Operating Officer of the Corporation.

On April 12, 2022, the Corporation announced the appointment of Tony Makuch to the Board.

On June 6, 2022, the Corporation announced a leadership transition with Tony Makuch appointed as Interim Chief Executive Officer.

On June 9, 2022, the Corporation announced that an aggregate total of 22,727,267 Warrants and 804,545 Finder Warrants with an exercise price of \$0.77 per Common Share and \$0.55 per Common Share, respectively, were exercised prior to their expiry on May 29, 2022, and June 8, 2022, respectively, resulting in gross cash proceeds of approximately \$18 million over the exercise period.

On June 27, 2022, the Corporation announced the results of its Annual General Meeting held on June 24, 2022, noting in particular that Mark O’Dea did not stand for re-election.

On July 21, 2022, the Corporation announced the release of its 2021 ESG Report.

On August 2, 2022, the Corporation announced the filing of (i) an amended technical report titled “Preliminary Economic Assessment of the Cordero Silver Project Chihuahua State, Mexico”, dated July 27, 2022, originally dated November 30, 2021; and (ii) an updated 2021 Annual Information Form dated July 29, 2022.

On November 11, 2022 the Corporation announced the receipt of its official Socially Responsible Enterprise (Empresa Socialmente Responsable, or ESR) Distinction and provided other updates on its 2022 ESG initiatives.

### *2023 Developments*

On January 12, 2023, the Corporation announced its 2023 work program and budget for the Cordero Project.

On January 23, 2023, the Corporation announced the appointment of Tony Makuch as Chief Executive Officer of the Corporation. As noted above, Mr. Makuch had been the Interim Chief Executive Officer since June 6, 2022.

On January 24, 2023, the Corporation reported its Preliminary Feasibility Study on the Cordero Project with an after-tax net present value of US\$1.2 billion, an internal rate of return of 28%, and a payback period of approximately four years. The NI 43-101 technical report in respect of this Preliminary Feasibility Study on the Cordero Project was filed on February 10, 2023.

On February 2, 2023, the Corporation graduated to the Toronto Stock Exchange (the “**TSX**”) and delisted from the TSX Venture Exchange.

On February 10, 2023, the Corporation filed its NI 43-101 technical report titled “Cordero Silver Project – NI 43-101 Technical Report & Pre-Feasibility Study” with an effective date of January 20, 2023, in respect of the Cordero Project. The report was authored by Ausenco Engineering Canada Inc. with support from AGP Mining Consultants Inc., Hard Rock Consulting, LLC, and Knight Piésold Ltd. (USA).

On March 22, 2023, the Corporation announced results from follow-up drilling activity at the Cordero Project, since the release of the pre-feasibility study, which showed a number of higher-grade intercepts within and below the reserves pit in areas that were previously modeled as low-grade or waste demonstrating the potential to further lower the strip ratio through converting waste to ore within the pit and to expand the pit at depth.

On March 24, 2023, the Corporation filed a final short form base shelf prospectus in each of the provinces and territories in Canada. The prospectus allows for the sale of Common Shares, Warrants, Subscription Receipts and Units of the Company in one or more series of issuances for aggregate gross proceeds of up to C\$300 million for a period of 25 months following the filing.

On April 19, 2023, the Corporation closed a “bought deal” public offering consisting of the sale of 43,125,000 Common Shares at a price of C\$1.20 per Common Share for aggregate gross proceeds of approximately C\$51.75 million, which included the exercise in full of an over-allotment option. The offering was conducted by a syndicate of underwriters led by Clarus Securities Inc. and Cormark Securities Inc.

On May 24, 2023, the Corporation announced results from additional drilling at the Cordero project, highlighting the potential to further grow reserves within and on the margins of the open pit.

On June 22, 2023, the Corporation provided a further update on critical de-risking items on the Cordero project; securing surface rights, identifying potential sources of water for the project and obtaining water rights, power capacity in the existing grid and accessibility of the grid for mine operations and updates on permits.

On July 6, 2023, the Corporation announced the release of its 2022 ESG Report.

On August 2, 2023, the Corporation announced results from further drilling at the Cordero project consisting of reserve expansion and definition drilling to be incorporated in a Feasibility Study in conjunction with a resource update planned for the first half of 2024.

On August 24, 2023, the Corporation announced key appointments to the Board and the Management Team: Barry Olson joining the Board; Jonathan Gill and Mike Neumann becoming Advisors to the Board; José Jabalera appointed as the Director, Corporate Affairs Mexico; Gord Leavoy appointed as the Vice President, Mineral Processing, and Bindu Satyajit appointed as the Corporate Secretary and Manager, Administrative Services.

On August 31, 2023, the Corporation formally submitted for evaluation its Environmental Impact Assessment (Manifestación de Impacto Ambiental or “**MIA**”), one of the principal permits required for the development of the Cordero project, to Secretaría de

Medio Ambiente y Recursos Naturales (“SEMARNAT”), the federal government agency responsible for evaluating MIA submissions.

On October 26, 2023, the Corporation announced results from its Feasibility Study (“FS”) metallurgical test program from its Cordero project that demonstrated improved metallurgical performance including a higher proportion of silver recovered to the precious metals concentrate, significantly lower reagent consumption and improved oxide-sulphide blending.

On November 29, 2023, the Corporation announced the departure of Tony Esplin as the Chief Operating Officer (COO) of the Corporation.

#### *Recent Developments*

On January 24, 2024, the Corporation announced its 2024 work program for the Cordero Project.

On February 20, 2024, the Corporation announced the results from its Feasibility Study on the Cordero Project with an average annual production of 37 Moz AgEq (Year 1 to Year 12), an average AISC of less than \$12.50 over the first eight years of the mine life, after-tax NPV5% (“NPV”) of \$1.2 billion and IRR of 22% with NPV expanding to \$2.2 billion in Year 4, reserves of Ag – 302 Moz, Au – 840 koz, Pb – 3.0 Blb and Zn – 5.2 Blb and an initial investment of over \$600 million and estimated tax contributions of over \$1.4 billion within Mexico. The NI 43-101 technical report in respect of this Feasibility Study on the Cordero Project was filed on March 28, 2024. For further details concerning the technical report, please see “*THE CORDERO PROJECT*” in this AIF.

#### **Significant Acquisitions**

The Corporation did not complete any significant acquisitions during the financial year ended December 31, 2023.

### **DESCRIPTION OF THE BUSINESS**

The Corporation is principally engaged in the acquisition and exploration of mineral properties, or interests in companies controlling mineral properties, which feature strong grades, meaningful size, and access to existing infrastructure in mining-friendly jurisdictions.

The Corporation’s technical and management team are currently focused on advancing one project with strong exploration and production potential in northern Mexico: the Cordero project located in Chihuahua, Mexico (the “**Cordero Project**”), considered the Corporation’s material property.

#### *The Cordero Project*

The Cordero Project is considered one of the world’s largest undeveloped silver resources. The Cordero Project has all the attributes of a quality project: grade, scale, significant organic growth opportunities, and well located in mining-friendly Chihuahua state on a prolific silver belt. Since acquiring the Cordero Project in August 2019, Discovery’s focus has been on leveraging the under-explored higher-grade zones within the larger mineralized system with the objective of defining a high-margin project with scale.

A new Resource estimate, incorporating geology and structure for the first time as well as data from more than 500 drill holes was filed on December 6, 2021 (effective October 20, 2021). This was followed by a new “Preliminary Economic Assessment of the Cordero Silver Project” (the “**PEA Report**”), focused on the Cordero Project’s high-grade resource and integrating new metallurgical testwork and engineering studies, that was filed on January 13, 2022, and amended and restated on July 27, 2022 (with an effective date of November 30, 2021), and by the “Cordero Silver Project: NI 43-101 Technical Report & Pre-feasibility Study (Chihuahua State, Mexico)” (the “**PFS**”) with an effective date of January 20, 2023, published on February 10, 2023 (the “**PFS Report**”). For a summary of information from the PFS Report, see “The Cordero Project” below.

The most recent NI 43-101 technical report on the Cordero Project is the “Cordero Silver Project: NI 43-101 Technical Report & Feasibility Study (Chihuahua State, Mexico)” (the “**Cordero Technical Report**”) with an effective date of February 16, 2024, and a report date of **March 28, 2024**. The Mineral Resource Estimate for Cordero was most recently updated in August 2023. This update incorporated an additional 33,400 m of drilling for a total of 310,900 m of drilling in 793 drill holes. The Measured &

Indicated Resource grew by 70 Moz AgEq to 1,202 Moz AgEq with the Inferred Resource decreased by 12 Moz AgEq to 155 Moz AgEq. The Cordero Technical Report includes all material information about the Cordero Project. The Cordero Technical Report and the NI 43-101 Resource updates are available on the Corporation's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca) or on the Corporation's website at [www.discoverysilver.com](http://www.discoverysilver.com).

For further details concerning the Cordero Project, please see "THE CORDERO PROJECT" in this AIF.

### **Expected Changes to the Business**

Management of the Corporation does not expect any material changes to the business; however, as is typical of the mineral exploration and development industry, from time to time the Corporation reviews potential merger, acquisition, investment, divestiture, and joint venture transactions and opportunities that could enhance shareholder value.

Current scientific and technical information may change as a result of further exploration and development programs. Accordingly, readers of this AIF are urged to read the press releases issued by the Corporation as they become available at [www.sedarplus.ca](http://www.sedarplus.ca) for full and up-to-date information concerning the Corporation's business and its material exploration property interests.

### **Area of Interest and Limitations on the Business**

In order to keep the claims in good standing at the Cordero Project, the Corporation was required to spend a minimum of approximately US\$3.5 million during 2023 and actually spent approximately US\$19.8 million during that year. The Corporation has met the annual work requirements on the Cordero Project.

### **Competitive Conditions**

The Corporation's business is intensely competitive, and the Corporation competes with other exploration, development, and mining companies, many of which also have significant resources and experience. As described in this AIF under "Risk Factors", competition in the base metals mining industry is primarily for mineral rich properties which can be developed and operated economically and the capital of which can be used for the purpose of financing development of desired properties. In addition, this competition may impact the Corporation's ability to recruit or retain qualified employees with the technical expertise to find, develop, or operate such properties.

### **Specialized Skills and Knowledge**

Successful exploration, development and operation of the Cordero Project will require access to personnel in a wide variety of disciplines, including engineers, geologists, geophysicists, drillers, managers, project managers, accounting, financial and administrative staff, and others. Management believes that the Corporation's access to the skills and experience needed for success is sufficient.

### **Employees and Directors**

Discovery believes that its success is dependent on the performance of its management and key employees, many of whom have specialized knowledge and skills relating to the precious and base metals' exploration business. Discovery believes it has adequate personnel with the specialized skills required to successfully carry out its operations. As at December 31, 2023, the Corporation and its subsidiaries had 68 direct employees.

Key members of the Corporation's management team and Board have extensive experience, skills, and knowledge in exploration and development as well as running foreign business operations, including operations in Mexico and other Latin American countries.

Tony Makuch, the Chief Executive Officer of the Corporation, has over 35 years of mining industry experience and was most recently President, CEO and director of Kirkland Lake Gold Ltd. ("Kirkland Lake") from 2016 to 2021, leading the transformation of the company with a share price increasing over 530% during his tenure. Prior to joining Kirkland Lake, Mr. Makuch was the CEO and President of Lake Shore Gold, which was acquired by Tahoe Resources in 2016.

Andreas L'Abbé, the Chief Financial Officer of the Corporation, has spent over 10 years of his career specifically focused on Mexico. Mr. L'Abbé was previously the Director of Finance for Tahoe Resources Inc., which has multiple mineral operations in Latin America, and the Vice-President Finance for Timmins Gold Corp., which operated on multiple mineral properties in Mexico.

Roman Solis was recently promoted from Vice President to Senior Vice President, Mexico, is a Mexican national and, during his career of more than 20 years, has focused on exploration, strategy, and planning in Mexico. He was previously Chief Geologist at Alio Gold Inc. based in Sonora, Mexico.

José Jabalera, was recently promoted from Director of Corporate Affairs to Vice President of Corporate Affairs and Sustainability, Mexico, is a Mexican national and has worked collaboratively with mining companies and different government agencies in areas such as community consultation, community agreements and in developing guidelines for responsible mining in Mexico. Prior to joining the Corporation, he was the General Director of Mining Development in the Federal Ministry of Economy (Mexico) from 2019 to 2022 and served as Director of Mining for the State Government of Chihuahua and Industrial Promoter from 2010 to 2019.

Gernot Wober, the Vice President of Exploration of the Corporation has more than 35 years' experience in the mining industry including substantial focus in Latin America in senior management positions.

Dimitry Demianuk was recently promoted from Director, Projects to Vice President of Projects and has more than 20 years of experience in project development, project management and engineering management. His experience spans base metals and precious metals, and he advanced projects in numerous jurisdictions in North and South Americas, Asia, and Europe.

Gord Leavoy, the Vice President of Mineral Processing has over 40 years' experience in mineral processing including processing plant operations, plant maintenance, plant design and construction and mine tailings dam construction and operation.

Forbes Gemmell, the Vice President of Corporate Development of the Corporation has more than 15 years' experience in the mining industry across capital markets, exploration, project development and operations, including senior and executive management roles for Guyana Goldfields Inc. and Lago Dourado Minerals Ltd., companies with operations in Latin America.

Daniel Vickerman, a director of the Corporation, was previously the Chairman of Levon prior to its acquisition by the Corporation in 2019. Levon has owned the rights to the Cordero Project in Chihuahua, Mexico since 2011 (and continues to hold those rights as a subsidiary of the Corporation), including during the tenure of Mr. Vickerman's leadership at Levon.

Murray John and Jeff Parr have been directors of the Corporation since 2017, and through the Corporation have experience with multiple mineral resource properties in Mexico. Murray John has additional significant experience in Mexico and Latin America through his current directorship roles with Prime Mining Corp. and Osisko Gold Royalties Ltd. while Mr. Parr serves as Vice Chair of Agnico Eagle Mines Limited, a company with global operations, including Mexico. Moira Smith has been a director since 2019 and has extensive experience throughout the Americas, including managing successful exploration programs in the USA, Panama, and Mexico. Jennifer Wagner has been a director since 2021 and has more than 15 years of experience in corporate securities law in the mining sector, having most recently been EVP, Corporate Affairs and Sustainability at Kirkland Lake. Barry Olson has recently joined the Board and has extensive operating experience in Mexico, including building the Peñasquito mine, while at Goldcorp Inc.

The Corporation's executive and corporate senior management team is either fluent in both written and spoken Spanish or has a working understanding of the language. In addition, the Corporation's senior management in Mexico all speak fluent English or have working understanding of English. Language is not considered a barrier to operations.

### **Health, Safety, and Environment**

The Corporation places great emphasis on providing a safe and secure working environment for all of their employees and recognizes the importance of operating in a sustainable manner.

The Sustainability Committee of the Board meets at least quarterly to review the Corporation's performance and compliance as related to such matters. Discovery has also adopted a Sustainability Charter and has communicated the importance of working in a safe and secure working environment to all employees and significant contractors.

The Corporation believes awareness and communication of risks are critical steps in preventing accidents on each of the property interests operated by the Corporation. The Corporation requires:

- Mandatory orientation sessions for all site workers and visitors on the properties;
- Drill safety meetings at start-up of drill programs, weekly safety meetings while drill programs are underway, and safety meetings after any accidents/incidents; and
- The use of cell phones or “spot-devices” at all times for personnel in the field, including satellite phones when traveling to remote locations.

The Corporation had one lost-time incident during the year ended December 31, 2023. There have been no lost time incident from January 1, 2024, to the date of this AIF.

The Corporation is subject to federal, provincial, territorial, state, and local environmental laws and regulations. Management have put in place ongoing monitoring programs at the Corporation’s properties and posts surety bonds, as required, in compliance with state and local closure, reclamation, and environmental obligations. The estimate for future reclamation and property closure costs (current and non-current) for the Corporation’s projects at December 31, 2023, was \$nil.

There were no environmental incidents at any of the exploration properties at which the Corporation is the operator through the twelve months ended December 31, 2023, and up to the date of this AIF.

One of the more significant environmental risks associated with the Corporation’s exploration projects relates to the handling of fuel and fuel storage systems. These risks are mitigated through the use of various spill protection equipment. Management have also developed emergency plans in the event that a significant spill does occur. The Corporation maintains Material Safety Data Sheets for substances where such is required and does not use anything in the drilling program other than standard additives, all generally benign, including bentonite, polymer, cement, soda ash, cellophane flakes, paper flakes, and (dish) detergent.

Discovery’s projects are subject to periodic monitoring by government agencies with respect to environmental protection plans and practices, which must be detailed when applying for exploration permits.

### **Corporate Social Responsibility and ESG**

Discovery works closely with the communities, including ejidos, in the state of Chihuahua in Mexico in order to engage stakeholders and build positive relationships based on transparency, trust, and shared benefits. Where possible, the Corporation hires locally for labour, earth works, geological services, water transport and piping supplies, camp services and supplies, infrastructure items such as trailers and storage sheds, vehicles, and health and safety supplies and training, and all supplies are sourced locally to the extent available. The Corporation has given presentations to the local communities, in order to explain the activities at the Cordero Project and has sponsored local events. As it relates to health and safety, the Corporation is constantly investigating ways to continue supporting employees, communities, and other stakeholders.

In addition, on July 21, 2023, the Corporation published its third annual ESG report (based on 2022 data) in English and Spanish outlining accomplishments to date and strategy going forward. Key highlights include:

- Approximately \$26 million in goods and services purchased from local Mexican businesses;
- Over \$6.7 million in salaries and benefits paid to local employees;
- Total workforce of 153 includes 77 employees and 76 contractors;
  - Employees: 85% Mexican nationals, 15% Canadian
  - Contractors: 99% Mexican nationals, 1% Canadian
  - Diversity: 32.5% women, 67.5% men
- Total Scope 1, 2 and 3 GHG emissions of 1,693 tonnes of CO<sub>2</sub> equivalent;
- Total water consumed of 9,461 m<sup>3</sup>;
- Zero fatalities and a 0.52 total recordable injury frequency rate; and
- Zero reportable environmental incidents

All ESG reports are available on the Corporation's website at [discoverysilver.com](http://discoverysilver.com). To the best of management's knowledge, the Corporation's activities in 2023 were, and continue to be, in compliance in all material respects with such environmental regulations applicable to its exploration activities. The Corporation intends to release its 2023 ESG report in the second half of the year.

### **Foreign Operations**

The Corporation's material property interests are located in Mexico, and as such the Corporation's operations are exposed to various levels of regulatory, economic, political and other risks and uncertainties. See *Foreign Operations Risk* under "Risk Factors" below.

### **Business Cycles**

Mining is a cyclical industry and commodity prices fluctuate according to global economic trends and conditions. See "Risk Factors– Risk Related to the Cyclical Nature of the Mining Business" below.

## **RISK FACTORS**

**An investment in securities of the Corporation involves a significant degree of risk and must be considered highly speculative due to the nature of the Corporation's business and the present stage of exploration and development of its mineral property interests. There are a number of risks that may have a material and adverse impact on the future operating and financial performance of the Corporation and could cause the Corporation's operating and financial performance to differ materially from the estimates described in forward-looking statements related to the Corporation.**

**The risks set out below are not the only risks facing the Corporation. There are widespread risks associated with any form of business and specific risks associated with Discovery's business and its involvement in the mining industry, in particular the exploration and development of precious and base metals projects.**

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits, which, though present, are insufficient in quantity or quality to return a profit from production. **Shareholders of the Corporation may lose their entire investment.**

In addition to the other information set forth elsewhere in this AIF, the following risk factors should be carefully reviewed by prospective investors. These risks may not be the only risks faced by Discovery. Risks and uncertainties not presently known by Discovery or which are presently considered immaterial may also adversely affect Discovery's business, properties, results of operations and/or condition (financial or otherwise). **If any of the following risks actually occur, the Corporation's business, financial condition, results, and prospects could be adversely affected.**

Additional risks and uncertainties not presently known to Discovery or those that are currently deemed immaterial may also impair the Corporation's business operations. If any such risks actually occur, the business, financial condition, and operating results of the Corporation could be materially harmed. All references to "**Discovery**" or the "**Corporation**" in this section entitled "*Risk Factors*" include Discovery and its subsidiaries, except where the context otherwise requires. Before making an investment decision, prospective investors should carefully consider the risks and uncertainties herein, as well as the other information contained in the Corporation's public filings.

Mexico is still considered to be an emerging market. Many of the Risk Factors identified in this AIF reflect risks and characteristics unique to operating in an emerging market.

**Exploration, Development, and Operating Risks, and Risks Associated with the Early-Stage Status of the Corporation's Mineral Properties and the Nature of Exploration could Have a Negative Effect on the Corporation's Operations and Valuation**

The Corporation's mineral property interests are of high risk and are considered to be speculative in nature. There is no certainty that the expenditures made by the Corporation towards the search for and evaluation of minerals with regard to its mineral property interests, or otherwise, will result in discoveries of commercial quantities of silver or other minerals.

In addition, the Corporation may expend substantial funds in exploring some of its properties only to abandon them and lose its entire expenditure on the properties if no commercial or economic quantities of minerals are found. Even if commercial quantities of minerals are discovered, the exploration properties might not be brought into a state of commercial production.

Finding mineral deposits is dependent on a number of factors, including the technical skill of exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as content of the deposit including harmful substances, size, grade, and proximity to infrastructure, as well as metal prices and the availability of power and water in sufficient supply to permit development. Most of these factors are beyond the control of the entity conducting such mineral exploration. Where expenditures on a property have not led to the discovery of mineral reserves, such incurred expenditures will generally not be recoverable. Furthermore, the exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate or even mitigate. While the discovery of a mineral-bearing structure may result in an increase in value for shareholders, few properties which are explored are ultimately developed into producing mines. Substantial expenditures are required to locate and establish mineral reserves through drilling, for development of metallurgical processes to extract the metal from the ore, and in the case of new properties, for construction of the mining and processing facilities and infrastructure at any site chosen for mining.

It is difficult to ensure that the exploration or development programs planned by the Corporation will result in a profitable commercial mining operation. Whether a silver or other precious or base metal or mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of mineralization and proximity to infrastructure; mineral prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. Other factors include: the ability to hire and retain qualified people, the ability to obtain suitable machinery, equipment or labour, and the ability to obtain necessary services in jurisdictions in which the Corporation operates. Unfavourable changes to these and other factors have the potential to negatively affect the Corporation's operations and business.

In the exploration and development phases of a project, no absolute assurance can be given that any particular level of recovery of minerals will be realized or that any potential quantities and/or grade will ever qualify as a resource, or that any such resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, if production is commenced, mineral reserves are finite and there can be no assurance that the Corporation will be able to locate additional reserves as its existing reserves are depleted.

Although there are initial mineral resource estimates defined for targets at the Cordero Project, it is uncertain if further exploration will result in additional targets at the Cordero Project, or others in the Corporation's portfolio being delineated as a mineral resource. Any reference to potential quantities and/or grade is conceptual in nature, as there has been insufficient exploration at these other projects to define any additional mineral resource and it is uncertain if further exploration will result in the determination of any mineral resource. The term "Reserve(s)" is only applicable to the Cordero Project. Quantities and/or grade described in this AIF for targets other than at the Cordero Project should not be interpreted as assurances of a potential resource or reserve, or of potential future mine life or of the profitability of future operations. Information concerning mineral resource/reserve estimates and the economic analysis thereof contained in the results of the pre-feasibility study reflect a prediction of the mineralization that would be encountered, and the results of mining, if a mineral deposit were developed and mined.

In general, mining operations involve a high degree of risk. The Corporation's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of silver, precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, and possible legal liability. In addition, statements regarding the results of the pre-feasibility study and the anticipated capital and operating costs, sustaining costs, net present value, internal rate of return, payback period, process capacity, average annual metal production, average process recoveries, concession renewal, permitting of the Project,

anticipated mining and processing methods, proposed pre-feasibility study production schedule and metal production profile, anticipated construction period, anticipated mine life, expected recoveries and grades, anticipated production rates, infrastructure, social and environmental impact studies, availability of labour, tax rates and commodity prices that would support development of the Cordero Project have inherent risk.

### **Risk Related to the Cyclical Nature of the Mining Business**

The mining business and the marketability of the products that are produced are affected by worldwide economic cycles. At the present time, the demand for silver and other commodities in many countries is driving increased prices, but it is difficult to assess how long such demand may continue. Fluctuations in supply and demand in various regions throughout the world are common.

As the Corporation's mining and exploration business is in the exploration stage and as the Corporation does not carry on production activities, its ability to fund ongoing exploration is affected by the availability of financing which is, in turn, affected by the strength of the economy and other general economic factors.

### **Permitting and License Risks**

In the ordinary course of business, Discovery will be required to obtain and renew governmental licenses or permits for the operation and expansion at each of its property interests; or for the development, construction, and commencement of mining at any of the Corporation's mineral resource properties. Obtaining or renewing the necessary governmental licenses or permits is a complex and time-consuming process involving numerous jurisdictions with public hearings and costly permitting and other legal undertakings.

In Mexico, as with many jurisdictions, there are various federal, state, and local laws governing land, power, and water use, the protection of the environment, development, occupational health and safety, waste disposal, and appropriate handling of toxic substances. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and require the Corporation to obtain permits from various governmental agencies. Further, the timing of receipt of such permits may be impacted by governmental changes, including but not limited to, the upcoming municipal, state and federal elections which may cause further delays with respect to permitting timelines which are outside of the control of the Corporation.

Exploration generally requires one form of permit while development and production operations require additional permits. Each stage of a property's development can also require multiple permits. There can be no assurance that all permits which the Corporation may require for future exploration or possible future development will be obtainable at all or on reasonable terms. In addition, future changes in applicable laws or regulations could result in changes in legal requirements or in the terms of existing permits applicable to the Corporation or its properties. This could have a negative effect on the Corporation's exploration activities or the Corporation's ability to develop its properties.

The duration and success of the Corporation's efforts or those of its partners to obtain and renew licenses or permits are contingent upon many variables not within Discovery's control, including the interpretation of applicable requirements implemented by the particular licensing authority. The Corporation may not be able (and no assurances can be given with respect to its ability) to obtain or renew licenses or permits that are necessary to operations at Discovery's property interests, including, without limitation, an exploitation or operations license, or the cost to obtain or renew licenses or permits may exceed what Discovery believes can be recovered from its property interests if they are put into production. Any unexpected refusals of required licenses or permits or delays or costs associated with the licensing or permitting process could prevent or delay the development or impede the operation of a mine, which could adversely impact the Corporation's operations and profitability.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or other remedial actions.

The Corporation cannot be certain that it will receive the necessary permits and licenses at all, or on acceptable terms required to conduct further exploration and to develop its properties and bring them into production. The failure to obtain such permits or

licenses, or delays in obtaining such permits or licenses, could increase the Corporation's costs and delay its activities, and could adversely affect the properties, business, or operations of the Corporation.

In 2024, there has been a reduction in government office staffing levels which could result in delayed timelines for evaluation and issuance of permits. The responses from the government may also be influenced by the transition in presidential leadership and changes at senior levels within the government. The Corporation currently has all necessary drill permits to complete planned work in 2024, however any future applications could be adversely impacted by potential delays.

### **Land Title**

The acquisition of the right to explore and/or exploit mineral properties is a detailed and time-consuming process. Although the Corporation is satisfied it has taken reasonable measures to acquire unencumbered rights to explore its mineral property interests in Mexico, no assurance can be given that such claims are not subject to prior unregistered agreements or interests or to undetected or other claims or interests which could be material or adverse to the Corporation.

The Corporation's mineral properties at the Cordero Project in Mexico are primarily 26 contiguous mining claims that cover the entire mining district and total 34,908.7 hectares. The mineral rights at the Cordero Project have been secured by staking contiguous lode claims (*concesiones mineras*) and purchasing inlying claim parcels. The claims are 100% owned by Titán, a wholly-owned indirect subsidiary of Discovery. See "*CORPORATE STRUCTURE - Intercorporate Relationships*" and "*THE CORDERO PROJECT*" in this AIF.

Uncertainties also arise as related to such things as sufficiency of mineral discovery, proper posting and marking of boundaries and possible conflicts with other claims not determinable from descriptions of record. Since a substantial portion of all mineral exploration, development and mining in the United States now occurs on unpatented mining claims, this uncertainty is inherent in the mining industry.

The present status of the majority of the Corporation's unpatented mining claims located on public lands provides the Corporation with the exclusive right to mine and remove valuable minerals, such as precious and base metals. The Corporation is also allowed to use the surface of the land solely for purposes related to exploration, mining, and processing the mineral-bearing ores.

The Corporation may need to enter into negotiations with landowners and other groups in the local communities in Chihuahua and Coahuila in order to conduct future exploration and development work on the Cordero Project. There is no assurance that future discussions and negotiations will result in agreements with landowners and other local community groups in Mexico or if such agreements will be on terms acceptable to the Corporation so that the Corporation can continue to conduct exploration and development work on these properties.

### **Water Sources**

The Corporation has recently released the Cordero Technical Report for the Cordero project. For development with the objective of commencing full-scale production, the mine and processing infrastructure will require a significant supply of water. The Company is currently exploring groundwater around the project site in addition to alternative or complementary sources of supply from the nearby city wastewater treatment plant (WWTP), which is approximately 32 km from the project. This may require entering into lease or consumption agreements with the city as well as the design and engineering of the WWTP for improvements and use on the project. Future operations may require mapping routes for ducts to supply water to the project, land tenure ownership boundaries, topography and accessibility. These activities may be very costly to the Corporation.

### **Infrastructure**

Mining, processing, development, and exploration activities depend on the availability of adequate infrastructure. Reliable roads, bridges, power sources, fuel and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Corporation's operations, financial condition, and results of operations.

## **Community Relations and Social Risks**

The Corporation's relationships with the communities in which it operates, and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Corporation, its operations or extractive industries generally, could have an adverse effect on the Corporation and may impact relationships with the communities in which the Corporation operates and other stakeholders. While the Corporation is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk. Further, damage to the Corporation's reputation can be the result of the perceived or actual occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Corporation and its activities, whether true or not. While the Corporation strives to uphold and maintain a positive image and reputation, it does not ultimately have control over how it is perceived by others. Reputation loss may lead to increased challenges in developing, maintaining community relations and advancing its projects and decreased investor confidence, all of which may have a material adverse impact on the financial performance and growth of the Corporation. In addition, due to the location of the Corporation's operations, an increase in activity as well as publicity through social media could result in the Corporation being exposed to criminal activity.

## **Environmental Risks and Hazards**

The Corporation currently has no known financial obligations relating to environmental protection. However, all phases of the Corporation's operations are subject to environmental regulation (including EIAs and permitting) in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation and international standards are evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation and standards, if any, will not adversely affect the Corporation's business, condition, or operations. Environmental hazards may exist on the properties on which the Corporation holds interests which are unknown to the Corporation at present and which have been caused by previous or existing owners or operators of the properties.

The Corporation cannot give any assurances that breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially and adversely affect its financial condition. There is no assurance that any future changes to environmental regulation, if any, will not adversely affect Discovery.

## **The Corporation's Securities are Subject to Market Price Volatility**

The market price of the Common Shares may be adversely affected by a variety of factors relating to Discovery's business, including fluctuations in the Corporation's operating and financial results, the results of any public announcements made by Discovery and the failure to meet analysts' expectations.

The market prices of securities of Discovery have experienced wide fluctuations which may not necessarily be related to the financial condition, operating performance, underlying asset values, or prospects of Discovery. Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, the price of silver and other commodities, and market perceptions of the attractiveness of particular industries. This volatility may adversely affect the market price of the Common Shares.

The price of the Corporation's public securities is also likely to be significantly affected by short-term changes in silver or other mineral prices. Other factors unrelated to the Corporation's performance that may have an effect on the price of the Common Shares include the following: (i) the extent of analytical coverage available to investors concerning the Corporation's business may be limited if investment banks with research capabilities do not follow and publish coverage of the Common Shares; (ii) lessening in trading volume and general market interest in the Corporation's securities may affect an investor's ability to trade significant numbers

of Common Shares; (iii) the size of the Corporation's public float, and changes thereto, may limit the ability of some institutions to invest in the Common Shares; and (iv) a substantial decline in the price the Common Shares that persists for a significant period of time could cause the Common Shares to be delisted from the TSX or from any other exchange upon which the Common Shares may trade from time to time, further reducing market liquidity.

As a result of any of these factors, the market prices of the Common Shares at any given point in time may not accurately reflect the Corporation's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

### **Current Economic Conditions**

There are significant uncertainties regarding the prices of silver and other precious and base metals and minerals and the availability of financing for the purposes of mineral exploration and development. A reduction in the price of silver or other metals may prevent the Corporation's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of lower metal prices. The price of metals may also have a significant influence on the market price of the Common Shares. The prices of silver and other metals are affected by numerous factors beyond the Corporation's control, such as the level of inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, and the political and economic conditions of major silver producing countries throughout the world. The future gold and silver prices are expected to continue to be impacted by the uncertainty surrounding expectations of the US Federal Reserve Bank's tapering of quantitative easing which has injected unprecedented levels of liquidity into capital markets over the last year and a half. Additionally, the geopolitical fears fueled by the Russia-Ukraine and Palestine-Israel conflicts could have unpredictable effects on the market for silver and base metals. As a result of interrelated global economic factors, the Corporation may have difficulty raising debt or equity financing for the purposes of mineral exploration and development, and, if obtained, on terms favourable to the Corporation and/or without excessively diluting present shareholders of the Corporation. In Canada and the United States, inflation remained elevated throughout 2023 and early 2024. Factors such as supply chain disruptions, labor shortages, and increased consumer demand have contributed to higher prices. Central banks in both countries have adjusted monetary policy to address inflationary pressures, including potential interest rate hikes. In Mexico, inflation has also been elevated during this period, driven by similar factors such as supply chain disruptions, rising energy prices, and currency depreciation. The Bank of Mexico has implemented monetary policy measures to manage inflation and stabilize prices. As inflation rates increase, the prices of commodities and precious metals may also rise as investors seek to protect their wealth. In addition, any future pandemic or international conflict could have an adverse impact on global economic conditions, which may adversely impact the market price of the Common Shares, the Corporation's operations, its ability to raise debt or equity financing for the purposes of mineral exploration and development, and the operations of the Corporation's suppliers, contractors, and service providers.

### **Government Regulation**

In addition to risks outlined in "*Permitting and License Risks*" above, the mineral exploration activities (as well as the potential for eventual mining, processing, and development activities) of the Corporation are subject to extensive laws and regulations governing prospecting, exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, waste disposal, water use, land claims of local people, protection of historic and archaeological sites, mine development, protection of endangered and protected species, and other matters.

Government approvals, approval of local peoples, and permits are currently, and may in the future be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained; the Corporation may be curtailed or prohibited from continuing its exploration or mining operations or from proceeding with planned exploration or development of mineral properties.

It is ultimately individuals who make interpretations and application of legislation and policy intended to benefit industry while providing protections to flora, fauna, and culturally significant areas. Accordingly, there is a risk that the Corporation and its business is impacted negatively by government regulation in ways that were not previously anticipated.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Regulators in Mexico have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards.

The Corporation's mineral exploration activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry, including permitting, water rights, usage rights, or other material considerations which affect the Cordero Project, including shifts in political conditions that increase royalties payable or the costs related to the Corporation's activities or maintaining its properties. Current and future operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, government-imposed royalties, claim fees, export controls, income taxes, and expropriation of property, environmental legislation, and mine safety. There is furthermore the potential impact from a lack of application of regulations, leading to delays in permitting. The effect of these factors cannot be accurately predicted. Although the Corporation's exploration and development activities are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Furthermore, any shift in political attitudes, or amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof are beyond the control of the Corporation and could have a substantial adverse impact on the Corporation.

### **Foreign Operations Risk**

The majority of Discovery's operations and exploration activities are conducted outside of Canada and consequently may be affected in varying degrees by political stability and government regulations relating to foreign investment, taxation, social unrest, corporate activity, pandemics such as COVID-19, and other extractive related activities.

Discovery may also acquire or invest in additional properties located in less stable jurisdictions in the future and, as such, its operations are and may increasingly be exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; repression; fluctuations in currency exchange rates; government imposed currency controls; high rates of inflation; labour unrest; the risks of war or civil unrest, whether within the geographic borders or in neighbouring countries; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; and changing political conditions, norms and governmental regulations, including those having to do with environmental requirements.

The relevant governments have granted permits, licenses, or concessions that enable Discovery to conduct operations or exploration and development activities. Notwithstanding these arrangements, our ability to conduct operations or exploration and development activities is subject to obtaining and/or renewing permits or concessions from all levels of government, and often from different ministries of government, changes in laws or government regulations, or shifts in political attitudes beyond our control.

Political instability may cause changes to existing governmental regulations affecting mineral exploration and mining activities and/or may have a material adverse effect on the Corporation's properties, business, and results of operations. Such changes, if any, in jurisdictions in which Discovery holds properties or assets may adversely affect its operations or potential profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on operations, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

In addition, in the event of a dispute arising from foreign operations, Discovery may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. Discovery may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for Discovery to accurately predict such developments or changes in laws or policy or the extent to which any such developments or changes may have a material adverse effect on Discovery's properties, business, operations, or financial condition. The Corporation does not currently carry political risk insurance covering its investments. From time to time, management assesses the costs and benefits of obtaining and maintaining such insurance. There can be no assurance that, if obtained, political risk insurance would be available to Discovery, or that particular losses suffered with respect to the Corporation's foreign investments will be covered by any insurance that Discovery may obtain in the future. Any such losses could have an adverse impact on the Corporation's future cash flows, earnings, results of operations and financial condition.

### **Risks arising from Operations in Mexico**

The Corporation's Mexican property interests and operations are subject to the political risks and uncertainties associated with investment in any emerging market. The Corporation's property interests located in Mexico are subject to Mexican federal and state laws and regulations. As a result, the Corporation's mining investments are subject to the risks normally associated with the conduct of business in emerging markets. Investors should assess the political risks of investing in an emerging market. Any variation from the current regulatory, economic, and political climate could have an adverse effect on the affairs of the Corporation.

In addition, the enforcement by the Corporation of its legal rights to exploit its properties may not be recognized by the government of Mexico or by its court system. Furthermore, the recent COVID-19 pandemic restricted mobility to certain markets, including in Mexico and therefore any future pandemics could result in the same or additional restrictions. These risks may limit or disrupt the Corporation's operations, restrict the movement of funds and people or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

The Corporation cannot assure investors that changes in the Mexican federal policies, by the current government or any future governments, will not adversely affect the Corporation's business, financial condition, and results of operations. In particular, tax legislation in Mexico is subject to continuous change, and there are no assurances that the Mexican government will maintain existing political, social, economic or other policies or that such changes would not have a material adverse effect on our business, financial condition, results of operations and prospects. 2024 is an election year in Mexico and the Corporation cannot assure investors that the resulting change in government and new president elect, will not have a material adverse effect on our business or the mining industry in the country.

Investors and credit rating agencies may be cautious about the president's political party administration's policies, which could contribute to a decrease in the Mexican economy's resilience in the event of a global economic downturn. Similar measures could be taken in the future, which could have a negative effect on Mexico's economy.

In addition, Mexico is currently experiencing high levels of violence and crime due to the activities of organized crime, particularly in the northern states that border the United States. In response, the Mexican government has implemented various measures to increase security and has strengthened its police and military forces. Despite these efforts, organized crime (especially drug-related crime) continues to exist and operate in Mexico. The lack of security and safety in Mexico is likely to worsen if and as the economy continues to deteriorate. These activities, their possible escalation and the violence associated with them have had, and may continue to have, a negative impact on the Mexican economy and, consequently, on our results of operations. The presence of violence among drug cartels, and between the cartels and Mexican law enforcement and armed forces, or an increase in other types of violent crime, pose a risk to our business, and might negatively impact business continuity.

### **Health and Safety**

The Corporation faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions.

The Corporation's business could be adversely impacted by the effects of a virus outbreak or other epidemics. The extent to which epidemics impact the Corporation's business, including its operations and the market for its securities, will depend on future

developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of outbreaks and the actions taken by each country's respective government to contain or treat outbreaks. In particular, the spread of a virus globally could materially and adversely impact the Corporation's operating activities including but not limited to: employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, restrictions to its drill program and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Corporation's control, which may have a material and adverse effect on the its business, financial condition, and results of operations.

There can be no assurance that the Corporation's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs / insurance premiums as a result of these health risks.

In addition, a significant outbreak of coronavirus could result in a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the demand for precious metals and the Corporation's future prospects.

### **Climate Change**

The Corporation operates in jurisdictions where regulatory requirements have taken effect to monitor, report and/or reduce greenhouse gas (“GHG”) emissions. Increasing regulation and regulatory uncertainty regarding GHG emissions and climate change issues may adversely affect the Corporation's operations. While the costs to comply with future regulatory requirements are difficult to predict, such costs are not expected to have a material adverse effect on the Corporation's operations. However, future regulatory amendments may have unexpected effects on the Corporation and may result in material adverse effects on the Corporation's financial performance and operations. Mexico is a party to the Paris Agreement (ratified in 2016) and has enacted climate change legislation with a GHG emissions reduction target of 25% (unconditional) to 40% (conditional) from 2013 levels by 2030. By doing so, they have also committed to work towards limiting the global average temperature rise to below 2 degrees Celsius.

The potential physical impacts of climate change on the Corporation's operations are highly uncertain and may be particular to the unique geographic circumstances associated with each of its operations. These may include extreme weather events, changes in rainfall patterns, water shortages, energy disruptions and changing temperatures. There may also be supply chain implications in getting supplies to the Corporation's operations, including transportation issues. In addition, global efforts to transition to a lower-carbon economy may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, focus and jurisdiction of these changes, transition risks may pose varying levels of financial and reputational risk to the Corporation.

### **Commodity Price Risks**

The price of the Common Shares, the Corporation's financial results and exploration, and development and mining activities may in the future be significantly and adversely affected by declines in the price of silver or other minerals. The price of silver or other minerals fluctuates widely and is affected by numerous factors beyond the Corporation's control, including but not limited to the sale or purchase of commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar, the Mexican peso, and other foreign currencies, global and regional supply and demand, the political and economic conditions of major mineral-producing countries throughout the world, and the cost of substitutes, inventory levels and carrying charges. Future price declines in the market value of silver or other minerals could cause continued development of and commercial production from the Corporation's properties to be impracticable. Depending on the price of silver and other minerals, cash flow from mining operations may not be sufficient and the Corporation could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Economic viability of future production from the Corporation's mining properties, if any, is dependent upon the prices of silver and other minerals being adequate to make the properties economic.

In addition to adversely affecting any resource estimates of the Corporation and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is

ultimately determined to be economically viable, the need to conduct such a reassessment may cause delays or may interrupt operations until the reassessment can be completed.

### **Cybersecurity Risks**

As the Corporation continues to increase its dependence on information technologies to conduct its operations, the risks associated with cyber security also increase. The Corporation relies on management information systems and computer control systems. Business and supply chain disruptions, plant and utility outages, and information technology system and network disruptions due to cyber-attacks could seriously harm its operations and materially adversely affect its operation results. Cybersecurity risks include attacks on information technology and infrastructure by hackers, damage, or loss of information due to viruses, the unintended disclosure of confidential information, the issue or loss of control over computer control systems, and breaches due to employee error. The Corporation's exposure to cyber security risks includes exposure through third parties on whose systems it places significant reliance for the conduct of its business. The Corporation has implemented security procedures and measures in order to protect its systems and information from being vulnerable to cyber-attacks. The Corporation believes these measures and procedures are appropriate. To date, it has not experienced any material impact from cyber security events. However, it may not have the resources or technical sophistication to anticipate, prevent, or recover from rapidly evolving types of cyber-attacks. Compromises to its information and control systems could have severe financial and other business implications.

### **Reputational Risk**

Reputational risk is the potential that adverse publicity, whether true or not, will or may cause a decline in financial results, liquidity, share price, social license to operate, or shareholder base due to its impact on the Corporation's image. Reputational risk is inherent in virtually all of the Corporation's business transactions, even when the transaction or activity is fully compliant with legal and regulatory requirements. Reputational risk cannot be managed in isolation, as it often arises as a result of operational, regulatory and other risks inherent to the business. For these reasons, Discovery's framework for reputational risk management is integrated into all other areas of risk management and is a key component of the codes of business conduct and ethics of which the Corporation's personnel are expected to observe. Discovery places a high emphasis on safeguarding the Corporation's reputation, as once compromised, it can be difficult to restore.

### **Additional Capital and Potential Dilution to Common Shares**

Discovery's articles of incorporation allow the Corporation to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as shall be established by the Board, in many cases, without the approval of the shareholders.

As at the date of this AIF, there are 396,639,715 Common Shares issued and outstanding. The increase in the number of Common Shares issued and outstanding through further issuances (including those arising from the exercise of dilutive securities) may have a depressive effect on the price of the Common Shares and will dilute the voting power of the Corporation's existing shareholders.

While as at the date of this AIF the Corporation has sufficient treasury to fund the current exploration program and budget, the further exploration and development of the Corporation's properties will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development, or production on any or all of the Corporation's properties or even a loss of property interest. In particular, if the Corporation acquires additional mineral properties which necessitate exploration expenditures, the Corporation may not have sufficient funds to finance such operations. The primary source of funding available to the Corporation consists of equity financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Corporation. In addition, any future financing may be dilutive to existing shareholders of the Corporation.

In addition, the Corporation has issued potentially dilutive securities in the form of incentive stock options to purchase Common Shares (the "**Options**") pursuant to Discovery's Stock Option Plan (2023) for which 19,320,325 are issued and outstanding as at the date of this AIF. The Corporation has other long-term incentive plans, most recently approved by shareholders on May 12, 2023, for which 5,793,165 RSUs (defined below) and 2,375,997 DSUs (defined below) are issued and outstanding as at the date of this AIF. See "*Prior Sales – Non-Trading Securities – Options*" in this AIF for information on numbers of Options exercisable, and see "*Prior*

*Sales – Non-Trading Securities – Restricted Share Units and Deferred Share Units*” in this AIF for information on the issued RSUs and DSUs.

The Corporation may issue additional Common Shares in future offerings (including through the sale of securities convertible into or exchangeable for Common Shares), and on the exercise or conversion of RSUs, DSUs, Warrants, and Options. The Corporation may also issue Common Shares or dilutive securities to finance future acquisitions and other projects. Discovery cannot predict the size of future issuances of Common Shares or dilutive securities, or the effect that future issuances and sales of Common Shares or dilutive securities will have on the market price of the Common Shares.

Issuances of a substantial number of additional Common Shares or dilutive securities, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and Discovery may experience dilution in the Corporation’s earnings per Common Share.

### **Subsidiaries**

The Corporation owns 100% interest in the Cordero Project through 100% ownership of the Corporation’s indirect subsidiary, Minera Titán S.A. de C.V. (“**Titán**”). See “*Corporate Structure – Intercorporate Relationships*” and “*Cordero Project*” in this AIF.

Accordingly, the Corporation is subject to the typical risks associated with contractual agreements. In addition, any limitation on the transfer of cash or other assets between the Corporation and its subsidiaries, or among such entities, could restrict the Corporation’s ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Corporation’s value and stock price.

### **Risks Associated with a Lack of Funding to Satisfy Contractual Obligations**

The Corporation may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party. The Corporation may have its property interests subject to such agreements reduced as a result or even face termination of such agreements. The Corporation is required to incur expenditures on the Cordero Project totaling approximately USD\$3.5 million per year.

### **Credit and Liquidity Risk**

Credit risk arises from cash and cash equivalents held with banks and financial institutions, as well as amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets. Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Corporation’s objective in managing liquidity risk will be to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time. The total cost and planned timing of acquisitions and/or other development or construction projects is not currently determinable, and it is not currently known precisely when the Corporation will require external financing in future periods.

Discovery has no debt, and at the date of this AIF, has approximately C\$52.0 million in cash and short-term deposits, primarily held with large Canadian commercial banks. The existing financial resources of the Corporation are not sufficient to bring any of its projects into commercial production. The Corporation will need to obtain additional financing from external sources in order to fund the development of its properties and/or to engage in other strategic business opportunities. There is no assurance that the Corporation will be able to obtain such financing on favourable terms, or at all.

This risk of financial resources is further amplified by the recent COVID-19 pandemic, wars and other political turmoil which has had significant impact on global economies and financial markets. Should depressed market conditions continue in the medium to long-term, it may be more difficult for the Corporation to obtain required financing to complete its long-term objectives. Failure to obtain financing could result in delay or indefinite postponement of further exploration and development of the Corporation’s properties.

### **History of Net Losses and Negative Operating Cash Flow**

The Corporation generates no operating revenue from the exploration activities on its property interests and has negative cash flow from operating activities. Therefore, it is subject to many risks common to comparable companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial, and other resources, as well as a lack of revenues. The Corporation anticipates that it will continue to have negative cash flow until such time that commercial production is achieved at a particular project. The Corporation has no sources of revenue and has significant cash requirements to meet its exploration commitments, administrative overhead, and maintain its mineral interests. The Corporation expects to continue to incur losses unless or until one or more of its properties enters into commercial production and generates sufficient revenue to fund continuing operations. The Corporation will need to raise sufficient funds in order to finance ongoing exploration, advance its projects, if warranted, to the feasibility stage, provide for capital costs of building mining facilities, and to provide for ongoing general and administrative expenses. There can be no assurance that the current work program will result in the discovery of commercial deposits or, ultimately, in profitable mining operations.

### **Reliance on a Limited Number of Properties**

The Cordero Project is the only material property of the Corporation. As a result, unless (i) the Corporation acquires additional property interests, or (ii) another project, any adverse developments affecting any one of these properties could have a material adverse effect upon the Corporation and would materially and adversely affect the potential mineral resource production, profitability, financial performance and results of operations of the Corporation. While the Corporation may seek to acquire additional mineral properties that are consistent with its business objectives, or may at a future date designate any or all of its other interests in mineral properties as a material property, there can be no assurance that the Corporation will be able to identify suitable additional mineral properties or, if it does identify suitable properties, that it will have sufficient financial resources to acquire such properties or that such properties will be available on terms acceptable to the Corporation or at all.

### **Insurance and Uninsured Risks**

The Corporation's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Corporation's properties or the properties of others, delays in the ability to undertake exploration, monetary losses, and possible legal liability.

Although the Corporation maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Corporation does not carry political risk insurance. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Corporation or to other companies in the mining industry on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards which it may not be insured against or which the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

### **Costs of Land Reclamation**

It is difficult to determine the exact amounts which will be required to complete all land reclamation activities in connection with the Corporation's properties. Reclamation bonds and other forms of financial assurance represent only a portion of the total amount of money that will be spent on reclamation activities over the life of a mine. Accordingly, it may be necessary to revise planned expenditures and operating plans in order to fund reclamation activities. Such costs may have a material adverse impact upon the business, financial condition, and results of operations of the Corporation.

## **Pandemic and Global Health Risks**

The extent to which a pandemic-causing virus could impact the Corporation's business, including its operations and the market for its securities, will depend on the severity and spread of the virus. Any future developments associated with a pandemic are highly uncertain and cannot be predicted, including the duration, severity, and scope of the outbreak and the actions taken to contain or treat the outbreak. In particular, any significant spread of a virus globally could materially and adversely impact the Corporation's business including without limitation, employee health, workforce productivity, potential obligations regarding flow-through shares, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, restrictions to its drill program and/or the timing to process drill and other metallurgical testing, and other factors that will depend on future developments beyond the Corporation's control, which may have a material and adverse effect on the Corporation's business, financial condition, and results of operations.

There can be no assurance that the Corporation's personnel will not be impacted by any such virus or outbreak. The Corporation may ultimately see its workforce productivity reduced and may incur increased medical costs and insurance premiums as a result of these health risks.

The Corporation will continually assess any ongoing impact that a pandemic has on its operations, including its exploration activities. Overall, the key risks related to exploration activities currently relate to (a) availability of drilling and assay services; (b) the procurement of goods and potential supply chain issues; and (c) impact to both site-based personnel and head office personnel.

In addition, any actual and threatened spread of a virus globally could continue to negatively impact global economies and financial markets, resulting in an economic downturn, affecting the trading price of the Corporation's Common Shares, and also adversely impact the Corporation's ability to raise capital. Any of these developments, and others, could have a material adverse effect on demand for precious and base metals and the Corporation's business.

## **Competitive Conditions**

The mineral exploration and mining business is competitive in all phases of exploration, development, and production. The Corporation competes with a number of other entities in the search for and the acquisition of potentially productive mineral properties. In particular, there is a high degree of competition faced by the Corporation for desirable mining property interests, suitable prospects for drilling operations and necessary mining equipment, and many of these companies have greater financial resources, operational experience and/or more advanced properties than the Corporation. As a result of this competition, the majority of which is with companies with greater financial resources than the Corporation, the Corporation may be unable to acquire attractive properties in the future on terms it considers acceptable. The Corporation also competes with other resource companies, many of whom have greater financial resources and/or more advanced properties, in attracting equity and other capital necessary for the Corporation to advance the exploration and development of its mineral properties.

The ability of the Corporation to acquire additional properties depends on, among other things, its available working capital, its ability to explore and develop its existing properties, its ability to attract and retain highly skilled employees, and on its ability to select, acquire and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Corporation may affect the marketability of minerals mined or discovered by the Corporation. Mineral prices have historically been subject to fluctuations and are affected by numerous factors beyond the control of the Corporation.

## **Specialized Skill and Knowledge**

Various aspects of the Corporation's business require specialized skills and knowledge. Such skills and knowledge include the areas of permitting, geology, drilling, metallurgy, logistical planning, and implementation of exploration programs, as well as finance and accounting. The Corporation has found that it can locate and retain such employees and consultants and believes it will continue to be able to do so; however, no assurances can be made in that regard.

## Acquisitions and Integration

From time to time, it can be expected that the Corporation will examine opportunities to acquire additional exploration and/or mining assets and businesses. Any acquisition that the Corporation may choose to complete may be of a significant size, may change the scale of the Corporation's business and operations, and may expose the Corporation to new geographic, political, operating, financial, and geological risks. The Corporation's success in its acquisition activities depends upon its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Corporation. Any acquisitions would be accompanied by risks. If the Corporation chooses to raise debt capital to finance any such acquisitions, the Corporation's leverage will be increased. If the Corporation chooses to use equity as consideration for such acquisitions, existing shareholders may suffer dilution. Alternatively, the Corporation may choose to finance any such acquisitions with its existing resources. There can be no assurance that the Corporation would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

## Future Sales of Common Shares by Existing Shareholders

Sales of a large number of Common Shares in the public markets, or the potential for such sales, could decrease the trading price of the Common Shares and could impair the Corporation's ability to raise capital through future sales of Common Shares.

## Major Shareholders with Greater than 10% Holding

As at the date of this AIF, 2176423 Ontario Ltd., a company owned by Eric Sprott, owns in excess of 10% of the Common Shares, directly holding approximately 22.6% of the issued and outstanding Common Shares on an undiluted basis. 2176423 Ontario Ltd. is the Corporation's largest shareholder. Jupiter Investment Management Limited ("**Jupiter**") indirectly holds through certain investment funds managed by it approximately 11.3% of the issued and outstanding Common Shares on an undiluted basis. As a result, 2176423 Ontario Ltd. and Jupiter may have the ability to influence the outcome of matters submitted to the Discovery shareholders for approval, which could include the election and removal of directors, amendments to Discovery's corporate governance documents, and business combinations. Discovery's interests and those of 2176423 Ontario Ltd. and Jupiter may at times conflict, and this conflict might be resolved against Discovery's interests. The concentration of approximately 33.9% of Discovery's issued and outstanding shares in the hands of two shareholders may discourage an unsolicited bid for the Common Shares, and this may adversely impact the value and trading price of the Common Shares. 2176423 Ontario Ltd.'s and Jupiter's participation in, or failure to participate in any issuance of additional securities of Discovery may have a material impact on the value and trading price of the Common Shares.

## Influence of Third-Party Stakeholders

Some of the lands in which Discovery holds an interest, or the exploration equipment and roads or other means of access which Discovery intends to utilize in carrying out its work programs or general business mandates, may be subject to interests or claims by third party individuals, groups, or companies. If such third parties assert any claims, Discovery's work programs may be delayed, even if such claims are without merit. Such delays may result in significant financial loss and loss of opportunity for Discovery.

## Risk of Litigation

Discovery may become involved in disputes with third parties in the future that may result in litigation. The results of litigation cannot be predicted with certainty and defence and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. If Discovery is unable to resolve these disputes favourably or if the cost of the resolution is substantial, such events may materially and adversely affect its business and financial conditions.

## Conflicts of Interest

Certain of the directors and officers of the Corporation also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently, there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving the Corporation should be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders.

In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the BCBCA and other applicable laws.

### **Key Executives**

The Corporation is dependent on the services and technical expertise of several key executives, including the directors of the Corporation and a small number of highly skilled and experienced executives and personnel. Due to the relatively small size of the Corporation, the loss of any of these individuals may adversely affect the Corporation's ability to attract and retain additional highly skilled employees and may impact its business and future operations.

This risk was further increased by the recent COVID-19 pandemic and could be increased by any potential future pandemic which could impact health and safety measures and therefore accessibility to key personnel who might no longer be working under normal conditions as a result of health and safety protocols or the temporary closure of non-essential services implemented by both Canadian and Mexican governments. This risk is partially mitigated by the availability of additional communication tools implemented by the Corporation. Although the Corporation has no identified cases of COVID-19 at site or at its corporate or regional offices, should any key personnel contract the virus or any other virus, the loss, temporary or otherwise, could have a material adverse effect on the Corporation's operations.

### **Internal Controls**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation. The Corporation has undertaken to put into place a system of internal controls appropriate for its size, and reflective of its level of operations in order to provide reasonable assurance that: (i) material information relating to the Corporation has been made known to them; and (ii) information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

### **International Conflicts**

International conflicts and other geopolitical tensions and events, including war, military action, terrorism, trade disputes and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global commodity and financial markets and supply chains. Russia's invasion of Ukraine in February 2022 has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices, supply chains and global economies more broadly. In October 2023, Israel and Hamas, the terrorist organization and current ruling political party in the Gaza Strip, engaged in a series of violent exchanges, primarily in southern Israel and the Gaza Strip. This has resulted in a significant increase in tension in the region and may have far reaching effects on the global economy. Volatility in commodity prices and supply chain disruptions may adversely affect the Corporation's business, financial condition and results of operations. The extent and duration of the current conflicts in the Ukraine and Israel and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified in this short form prospectus, including those relating to commodity price volatility and global financial conditions. The outcome of these conflicts is uncertain, and these conflicts may escalate and may result in escalated tensions within and outside of Eastern Europe and the Middle East, respectively. This could result in significant disruption of supplies of oil and natural gas from the region and could cause a significant worldwide supply shortage of oil and natural gas and have a significant impact on worldwide prices of oil and natural gas. A lack of supply of energy and high prices of oil and natural gas could have a significant adverse impact on the world economy. The situation is rapidly changing and unforeseeable impacts, including on the Corporation's shareholders and counterparties on which the Corporation relies and transacts with, may materialize and may have an adverse effect on the Corporation's operations and trading price of the Common Shares.

### **Global Financial Conditions Can Reduce Share Prices and Limit Access to Financing**

In recent years, global financial markets have been characterized by extreme volatility impacting many industries, including the mining industry. Global financial conditions remain subject to sudden and rapid destabilizations in response to future economic

shocks, as government authorities may have limited resources to respond to future crises. A sudden or prolonged slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates and tax rates, may adversely affect the Corporation's growth and profitability. Future economic shocks may be precipitated by a number of causes, including, but not limited to, material changes in the price of oil and other commodities, the volatility of metal prices, governmental policies, geopolitical instability, war, terrorism, the devaluation and volatility of global stock markets and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Corporation's ability to obtain equity or debt financing in the future on terms favorable to the Corporation or at all. In such an event, the Corporation's operations and financial condition could be adversely impacted.

### **Currency Rate Risks**

The Corporation's functional currency is the Canadian dollar. At the date of this AIF, cash balances were held primarily in Canadian and US dollars. Foreign currency risk is the risk that the value of the Corporation'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 Corporation's financial position, results of operations, and cash flows. The Corporation 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 Corporation's exploration expenses are paid in USD, and over the past two years the Corporation converted a portion of its CAD cash balances into USD to reduce its currency risk exposure related to the CAD.

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

There have been significant fluctuations in currency valuations during the period subsequent to December 31, 2023. There is no certainty that currency valuations will return to pre-pandemic or pre-conflict levels and as such could have a material adverse impact on the Corporation's operations.

### **Canada's *Extractive Sector Transparency Measures Act***

The Canadian *Extractive Sector Transparency Measures Act* ("**ESTMA**"), which became effective June 1, 2015, requires public disclosure of payments to governments by mining and oil and gas companies engaged in the commercial development of oil, gas and minerals who are either publicly listed in Canada or with business or assets in Canada. Mandatory annual reporting is required for extractive companies with respect to payments made to foreign and domestic governments at all levels, including entities established by two or more governments, including Indigenous groups. ESTMA requires reporting on the payments of any taxes, royalties, fees, production entitlements, bonuses, dividends, infrastructure improvement payments, and any other prescribed payment over \$100,000. Failure to report, false reporting or structuring payments to avoid reporting may result in fines of up to \$250,000 (which may be concurrent). Discovery commenced ESTMA reporting in 2018. If Discovery becomes subject to an enforcement action or in violation of ESTMA, this may result in significant penalties, fines and/or sanctions imposed on us resulting in a material adverse effect on our reputation.

### **Dividend Policy**

No dividends on the Common Shares have been paid by the Corporation to date. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including the Corporation's operating results, financial condition and current and anticipated cash needs. At this time, the Corporation has no source of cash flow and anticipates using all available cash resources towards its stated business objectives and retaining all earnings, if any, to finance its business operations.

## THE CORDERO PROJECT

As of the date of this AIF, the most recent NI 43-101 technical report on the Cordero Project is the FS: the “*Cordero Silver Project – NI 43-101 Technical Report & Feasibility Study (Chihuahua State, Mexico)*”, with an effective date of February 16, 2024 and a report date of **March 28, 2024**, addressed to the Corporation and authored by Qualified Persons Tommaso Roberto Raponi, P. Eng. (Ausenco Engineering Canada ULC.), John McCartney, C.Geol. (Ausenco Sustainability Canada Inc.), Jonathan Cooper, P.Eng. (Ausenco Sustainability Canada Inc.), Scott Weston, P.Geo. (Ausenco Sustainability Canada Inc.), Willie Hamilton, P.Eng. (AGP Mining Consultants Inc.), Mo Srivastava, P.Geo. (Red Dot 3D Inc.), Nadia Caira, P.Geo. (Discovery Silver Corp.), Humberto Preciado, PE. (WSP USA Environment and Infrastructure Inc.), Blake Easby, PE. (WSP USA Environment and Infrastructure Inc.). The Cordero Technical Report was filed with Canadian securities regulatory authorities on the Corporation’s issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

The Cordero Technical Report is incorporated into this AIF by reference. The following is the executive summary extracted from the Cordero Technical Report. The following summary includes certain table and section references to the FS as well as certain defined terms that are defined in the Cordero Technical Report. The information contained in this summary has been derived from the Cordero Technical Report, is subject to certain assumptions, qualifications, and procedures described in the Cordero Technical Report, and is qualified in its entirety by the full text of the Cordero Technical Report.

### Executive Summary

#### Introduction

Discovery Silver Corp. (Discovery Silver) commissioned Ausenco Engineering Canada ULC (Ausenco) to compile a feasibility study (FS) of the Cordero Project (the Project). The FS was prepared in accordance with the Canadian disclosure requirements of National Instrument 43-101 (NI 43-101) and in accordance with the requirements of Form 43-101 F1.

The responsibilities of the engineering companies who were contracted by Discovery Silver to prepare this report are as follows:

Ausenco managed and coordinated the work related to the report and developed FS-level design and cost estimate for the process plant, general site infrastructure, and economic analysis.

Libertas Metallurgy Ltd. (Libertas) supported Ausenco with the metallurgical test program.

Ausenco Sustainability ULC (Ausenco) conducted a review of the environmental studies completed by Consultores Interdisciplinarios en Medio Ambiente S.C. (CIMA) and carried out an assessment of the site-wide water management, including sizing and designing water management related structures for the Waste rock stockpiles and process area.

Ausenco Chile Limitada (Ausenco) prepared designs for a perimeter pit de-watering system and designs for makeup water supply from district wellfields.

AGP Mining Consultants Inc. (AGP) designed the open pit mine, ore stockpiles, waste rock stockpiles, mine production schedule, and mine capital and operating costs.

WSP USA Environment & Infrastructure Inc. (WSP) completed geotechnical studies, site wide water balancing, and developed the FS-level design and cost estimate of the tailings storage facility.

Discovery Silver completed the work related to property description, accessibility, local resources, geological setting, deposit type, exploration work, drilling, exploration works, (Sections 4 through 10).

RedDot3D Inc. (RedDot3D) completed the work related to sample preparation and analysis, data verification and developed the mineral resource estimate for the project (Sections 11, 12 and 14).

A preliminary economic assessment (PEA) was filed with SEDAR in 2021 for the Cordero Project to process oxides and sulphides separately using a phased approach; the first phase focused on high-grade zones through a conventional flotation concentrator, followed by a second phase that expands into adjacent zones where the grades are generally lower but still moderate to high. A pre-feasibility study (PFS) was then completed in 2023 based on further metallurgical optimization, infill drilling, and the results of further environmental and social consideration studies, and also to process the oxides and sulphides co-currently as a blended feed.

This FS herein proposes the Cordero Project to be developed by a three-phased approach, with the first phase focused on high-grade zones through a conventional flotation concentrator at a nominal throughput of 25.5 kt/d (average through Year 1-3), a second phase that expands the plant to process material at a nominal throughput of 51.0 kt/d (average through Year 4+), and a third phase where the zinc cleaning and concentrate dewatering circuits will be expanded to process higher zinc grades in the feed material. The process plant has been designed to account for variable ore hardness.

The Project has operated under an Environmental Protection Plan filed with the government that describes the reclamation procedures that will be required when exploration activities are completed. Environmental and social baseline studies have been completed for the project, and a study of surface and groundwater is currently underway.

### **Property Description and Location**

Cordero is a silver deposit owned by Discovery Silver in northern Mexico, in the south of the state of Chihuahua, approximately 600 km from the border with the United States (Figure 0-1). The Project is accessed by vehicle 35 km southwest from Chihuahua City along State Highway 16 to the Parral turn-off to State Highway 24, then 150 km south on Highway 24 where an access road heads east for 10 km to the project site.

### **Mineral Tenure, Surface Rights, Water Rights, Royalties and Agreements**

The Cordero property consists of the 26 titled mining concessions totalling 34,909 contiguous hectares owned by Minera Titán S.V. de C.V. Mexico (Titán), a wholly owned Mexican subsidiary of Discovery Silver. Mining concessions are granted for 50 years and may be renewed for an additional 50 years. Concessions are granted on a mining lot that may comprise the area requested by the interested party. There are no limitations to the number of hectares for each mining lot.

The main obligations of the concessionaires are:

to carry out exploration and exploitation works,

pay mining duties,

comply with safety and environmental protection regulations, and

submit reports to the authorities and fulfill other obligations of lesser importance.

For the San Pedro concession, there is an agreement (the “Cordilleras Contract” in Figure 4-5) between Cordilleras and Titán that requires Titán to pay Cordilleras a 2% NSR royalty. Titán can assign the obligation of payment of the royalty to a third party by written notice sent to Cordilleras. If Cordilleras decides to sell its right to receive the royalty, Titán will have the right of first refusal on the same terms and conditions that Cordilleras offered to a third party.

For the Josefina, Berta, La Unidad II, and La Unidad claims there is an agreement (the “Eloy Contract” in **Error! Reference source not found.**) between Titán and two concessionaires: Mr. Eloy Herrera Martínez and Cleotilde de la Rosa Ríos which requires Titán to pay a 1% NSR royalty to the concessionaires. If the concessionaires decide to sell their right to receive the royalty, Titán will have the right of first refusal on the same terms and conditions that the concessionaires offered to a third party.

### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The deposit lies in a region that has a long history of silver mining dating back to the 1600s. In the hills where the Cordero deposit lies, there are several small mines with rich silver veins that reach the surface. In the past two decades, the possibility of a large bulk mining target at depth at Cordero was explored and tested through drilling carried out by Levon. Since 2019, when Discovery Silver acquired the project in a merger with Levon, drilling has continued, with a focus on high-grade zones at depth, well below the reach of the small-scale historical mines, but within reach for a modern industrial open pit operation.

The QP is not aware of any significant factors or risks that might affect access, title or the right or ability to perform work on the property. Discovery Silver is currently awaiting the Semarnat decision to permit the Project based on the Environmental Impact Assessment (EIA) submitted by the Company in 2023.

**Figure 0-1: Location of the Cordero Project in Southern Chihuahua State, Mexico**



Source: RedDot3D, 2023.

### History

Historical records and anecdotal information indicate that the region around Cordero has supported mining activity since the early 17th century when the Spanish established Real de San José at what is now the town of Hidalgo de Parral (or simply, “Parral”). At Cordero, 35 shallow vertical shafts can still be found along with associated small prospect pits on outcrops of high-grade silver-lead-zinc mineralization. In shafts that remain accessible, small open stopes can be found at the bottom. The lack of commentary on production at Cordero by the Parral Silver Company, suggests that mining on the higher ground of Cordero remained small in scale and unorganized into the late 19th century. By the start of the 20th century, the American Smelting and Refining Company (Asarco) operated small mines on what is now the Cordero property, including La Luz, La Ceniza, and Josefina where they worked veins and breccias with high-grade sulphide mineralization. The lack of tailings around the old mill at La Luz, the largest of Asarco’s mines at Cordero, indicates that it was not operational for any significant length of time. In 2013, Titán consolidated claim ownership in the district, bringing unorganized artisanal mining at Cordero to an end. From the very earliest artisanal mining at Cordero, through to the past decade, a shallow water table has created difficulties with dewatering, making all the historical mines at Cordero

necessarily shallow. Although three centuries of mining confirm that Cordero hosts abundant silver, lead, zinc, and gold, historical mines have drawn their production only from some of the near-surface resources. Deeper mineralization remains untouched by past production.

In 2000, Industrias Peñoles completed a review of the region for copper, molybdenum, and gold potential, and drilled a few short holes on the Sansón stock, and on the Valle Intrusive Complex at Porfido Norte. From 2006 to 2009, Valley High Ventures Ltd. (Valley High) owned the claims through their wholly-owned subsidiary, Coro Minera. Valley High carried out surface exploration work, compiled the project's first comprehensive database, and organized drill core that had been stored in several different secure locations. By 2009, Valley High had dropped half of its claim holdings and entered into a joint venture agreement with Levon Resources Ltd (Levon). Beginning in 2009, Levon re-staked mineral claims that had been dropped by Valley High and added adjoining claims. By 2011, Levon had met their vesting requirements for 100% of the property and bought out Valley High. In 2013, Levon added a significant addition to the package of mining concessions with purchase of the Aida claim. In 2019, Levon merged with Discovery Metals Corp. In April 2021, Discovery Metals Corp., which changed its name to Discovery Silver Corp., held 100% ownership of the mineral rights that cover all the land needed for a large open pit that targets Cordero's bulk of mineralization at depth.

Exploration work completed by Valley High included geological mapping, rock sampling, gridded soil sampling, and trenching at the Sansón, La Ceniza, and the Cordero Main target areas. Historic drill core was re-logged and re-sampled, and the results recognized the potential for bulk tonnage targets on the property. Levon carried out reconnaissance mapping which confirmed the importance of three mineralized magmatic hydrothermal belts on the property. In 2009, 2010, and 2011, several different geophysical survey companies completed ground-based and airborne-based geophysical surveys over the Cordero Magmatic-Hydrothermal Belt including ground-based gravity and 3D induced polarization (IP) surveys over the Dos Mil Diez, Pozo de Plata, and Molino de Viento targets. The Cordero main intrusive complex, and La Ceniza Stock defined areas where the chargeability shows a strong multi-km long anomaly both within, and well outside the current resource area to the northeast. In 2010, Aeroquest flew an airborne electromagnetic, magnetic, and radiometric survey over the main Cordero magmatic-hydrothermal belt. The aeromagnetic results defined a sizeable inferred buried intrusive center, north-northeast of the current resource area with an estimated depth of 3.0 km. The radiometric survey defined a high potassium anomaly centered over the current resource pit as well as along the entire Cordero Magmatic-Hydrothermal Belt coincident with known exploration targets. In 2013, Levon completed a 3D IP survey over the La Perla target as well as a magnetotelluric (MT) survey over the Molino de Viento target.

Levon initiated the first significant drilling on the project starting in 2009 and continuing through 2017. Drilling by Levon totaled 133,620 m for a total of 292 core holes ending at drill hole C17-292. The drilling by Levon resulted in the initial definition of the bulk tonnage mineral resource at Cordero.

Evidence of past production at Cordero consists of 35 vertical shafts and approximately 104 mined-out stopes that reach to surface. The stopes vary between 1 and 2 meters in width and are characterized by oxides and sulphides of high-grade Ag-Pg-Zn ± Au veins and vein breccias, some of which outcrop on surface. Local workers and former small-scale underground miners that historically worked in the stopes reported that most of the production involved directly shipping mineralized material that was hand sorted, shipped, and processed in Parral. The historical mines of La Luz, La Ceniza and Josefina show evidence of water pumping efforts and support the anecdotal knowledge that the Cordero project area has abundant groundwater. Local workers have reported that most of the vertical workings are excavated to the water table located at an approximate depth of 50 to 80 m. No reliable records of historical mining have been encountered to date.

Levon filed a technical report on SEDAR that described a mineral resource estimate based on all data available through April 2014. The mineral resource estimate was prepared in accordance with the requirements of NI 43-101. The mineral resource was estimated using an inverse distance ID6 model constrained by an open pit shell. A silver equivalent grade was calculated for each block based on the metal grades, estimate of mill recovery for each metal, and the metal prices. Although the 2017 resource estimate was prepared in accordance with NI 43-101, no qualified person has done sufficient work to classify the historical estimate as current mineral resources and it has since been superseded by the Company's own current mineral resource estimate provided in section 14 of this report. Discovery Silver is not treating the historical estimate as current.

In 2018, Levon produced a PEA report with an effective date of March 1, 2018, that was prepared in accordance with NI 43-101. The 2018 mineral resource estimate was based on 263 drill holes (126,235 meters of drilling) completed by the end of 2017. The mineral resource was estimated utilizing an inverse distance methodology and contemplated an open pit geometry based on a standard flotation mill with separate zinc and lead circuits, mill recoveries, operating costs for processing, G&A, and mining. A silver equivalent grade was calculated for each block based on metal grades, estimate of mill recovery for each metal, and the metal prices. No qualified person has done sufficient work to classify the historical estimate as current mineral resources and Discovery Silver is not treating the historical estimate as current mineral resources. The 2018 historical mineral resource estimate has been superseded by the Company's own current mineral resource estimate provided in section 14 of this report.

## Geology and Mineralization

Regionally, Cordero lies in an area where sedimentary rocks of the Eastern Basin and Range geological province meet the volcanic rocks of the Sierra Madre Occidental province. The tectonic and magmatic history of the Sierra Madre Occidental (Tertiary Volcanic Province) is thought to extend into parts of eastern and southern Chihuahua as far south as Cordero where the landscape is dominated by Oligocene-Miocene basaltic-andesites, Oligocene ignimbrites, and Eocene volcanic and intrusive rocks (Ferrari et al., 2007). There are three major southwest to northeast magmatic-hydrothermal belts that crosscut the Cordero property subparallel to major transcurrent faults in the area. Other faults in the area include reverse (compressional), extensional and normal faults.

The relationship at Cordero between structural, stratigraphic, magmatic, and geochemical characteristics is complex. The focus of drilling in the current resource area in the past decade has been along the central Cordero magmatic-hydrothermal belt comprised of high-K felsic to intermediate igneous rocks and related breccias, locally forming resistant silicified structural domes bisected by a series of sub-parallel transcurrent mineralized structural corridors (e.g., Cordero, Parcionera, Josefina and Todo Santos) to name a few. The Cordero structural corridor has uniquely been exploited by a sheeted dyke complex that can be followed for at least 3 km from Pozo de Plata in the southwest to La Boquilla in the northeast and beyond. Several NNW-trending reverse faults have severely deformed the sediments and several parallel NW-trending normal faults (e.g., Mega and Southwest faults) have offset the sedimentary and igneous rock package down to the southwest in a stair-step fashion.

Metal tenor, mineralization style and associated alteration changes from La Ceniza and Sanson in the northeast where replacement style Zn-Cu (Ag-Pb) calc silicate skarn cut by quartz molybdenite-(chalcopyrite) stockwork has recently been defined in several deep drill holes including C23-760 to a downhole depth of 1700.9 m. In sharp contrast the Pozo de Plata breccia complex in the southwest is dominated by veinlet, disseminate, and open-space vein breccia silver-lead-(zinc) mineralization where gold grades are higher lacking calc-silicate skarn.

Historical small-scale mining was focused on NE-trending Ag-Pb-Zn mineralized structural corridors comprised of vein, vein breccia, stockwork, and mill breccias that bisect earlier intrusions and associated calc-silicate skarn alteration/mineralization. At the Pozo de Plata breccia complex higher gold grades are associated with the interface between galena-pyrite in electrum and spatially associated with silver tellurides. Favoured mineralization sites include a variety of breccias derived from differing mechanisms including contact breccia, intrusive breccia, mill breccia, mud/phreatic breccia, fault breccia and sedimentary collapse breccia as well as mineralization in disseminate, vein selvage, and open space breccia cement.

The precious and base metal mineralization is spatially associated with sulphide minerals such as pyrite, argentiferous galena (the main silver-bearing phase), sphalerite (both iron-rich and iron-poor), and chalcopyrite as well as pyrargyrite, hessite, tetrahedrite, rare electrum and PGM's. Weathering has created a near-surface oxide layer, locally up to 40 m in thickness, where sulphide minerals are generally absent and precious metals including silver and gold are elevated in grade.

Cordero has characteristics of contrasting paleo-levels juxtaposing different temperatures of emplacement. The southwest part of the resource pit presents as intermediate temperature of formation (e.g., sulfosalt dominant) in shales and calcareous siltstones with similarities to some extensional (E-type) intermediate sulphidation epithermal systems. The majority of Cordero presents as both intermediate temperature Ag-Au-Pb > Zn (open-space breccia, sulfosalt-dominant to high temperature Zn-Pb-Ag<sup>±</sup>-Cu<sup>±</sup>-Au<sup>±</sup>- Mo CRD-skarn, a magmatic-hydrothermal system directly related to the emplacement of quartz monzonite and associated intrusions.

This deposit type comprises many economically important deposits located throughout the Cordillera of North and South America and are attractive exploration targets. Northeast Cordero mineralization is characterized by extensive Zn-Cu calc-silicate skarn forming annular metamorphic aureoles around exposed and buried quartz monzonite intrusions as well as Pb-Zn +/- Ag mineralization along fluid escape structures (e.g., Cordero and associated faults). In contrast, southwest Cordero is characterized by massive sulphide Pb-Zn (Ag-Cu-Au) replacements (mantos) forming parallel to favorable stratigraphy at rhyodacite sill contacts and sulphides in crosscutting veinlet/vein breccia/stockwork networks at high angles to sill contacts.

## Deposit Types

Recent results from deep drilling at La Ceniza and various studies completed in 2023, including Spot SEM, petrography, fluorescence, and results from  $^{40}\text{Ar}$ - $^{39}\text{Ar}$  age dates associated with silver-base metal mineralization across the deposit have shed further light on the Cordero deposit type. The Cordero CRD-skarn magmatic-hydrothermal system is directly related to the emplacement of intrusions like other nearby and globally distributed CRD deposits (Figure 7-3 and Figure 8-1). Carbonate Replacement Deposits (e.g., CRDs) span a vertically extensive continuum from higher temperature CRD-skarn as in southern Arizona at Bisbee, in northern Chihuahua at Bismarck as well as in central to south Chihuahua at Santa Eulalia and Naica (Figure 7-3). Massive sulphide is dominant at some deposits without a known magmatic association, as at Cinco de Mayo, Chihuahua (Beinlich, 2019). Regional variations in metal assemblage, tectonic environment, and relations to intrusions have been studied, showing a common genetic theme (Titley, 1993; Megaw, 1996).

Regionally, these deposits form at temperatures > 250 degrees Celcius from saline brines in replacements of platform limestones and dolomites. In Mexico, CRD deposits are typically located along the west side of the Chihuahua Trough littered with known and inferred Eocene-age magnetic intrusions emplaced at varied paleodepths. Typically, CRD deposits are clustered in a continental crust setting (Titley, 1993) and have concordant and discordant deposit geometries with the variable presence of calc-silicate skarn.

Mineralization at the Cordero Project is polymetallic (Pb, Zn, Ag, Au, Cu) and occurs in a large CRD +/- skarn. The oldest mineralization at Cordero is replacement calc-silicate skarn with Zn-Cu and lesser Pb-Ag, considered spatially and genetically related to vertically extensive Eocene-age quartz monzonite intrusion(s) at Sanson recently dated at ~ 38Ma (U-Pb zircons at 38.02 +/- 0.53 Ma), an age close to the molybdenite mineralization that crosscuts it at ~ 38Ma (La Ceniza Re-Os on molybdenite at 38.50 +/- 0.16 Ma). Alteration envelopes composed of adularia, sanidine, K-feldspar, white micas to high-grade silver-rich mineralization at Pozo de Plata and elsewhere within the current resource pit places the alteration associated with high grade silver-base metal mineralization at ~36 to 38 Ma (adularia  $^{40}\text{Ar}/^{39}\text{Ar}$  isochron age of  $37.56 \pm 0.04$  Ma ( $2\sigma$ , MSWD = 1.44) from Pozo de Plata and alkali feldspar, sanidine, white micas returned age dates ~36 to 38 Ma. These results suggests that mineralization taken from widely spaced locations within the current resource pit are temporally and likely genetically related.

The Cordero deposit massive sulfides formed at contacts of reactive wall rock with rhyodacite laccolith/sill complex that transition to veinlet/disseminate within these high-level intrusions. Alteration associated with mineralization is typically phyllic (+/- adularia) in faults/fractures discordant (crosscutting stratigraphy) as well as concordant (parallel to stratigraphy) in bedding parallel faults, some along fold axes. Replacement style Zn-Cu mineralization in calc-silicate skarn is dominant at the northeast end of the current resource pit with cross-cutting Zn-Pb and quartz Mo+/- Cu veinlet mineralization.

## Exploration

The deposit type CRD-skarn are challenging exploration targets for many reasons. They have structural, stratigraphic, magmatic, and geochemical controls that can vary at different locations within the current resource pit and along the vast 10-km long Cordero magmatic-hydrothermal belt. This includes the fact that approximately 85% of the Cordero project is covered with recent alluvium, colluvium, and volcanic capping deposits that potentially masks mineralization of interest. A variety of geophysical tools have been utilized to aid in identifying areas of interest at Cordero including the following:

Induced polarization (IP) surveys assist in defining high pyrite contents (5% to 20%) in areas of high fluid flow, where chargeability highs (high conductive minerals like pyrite) and resistivity highs are coincident with intrusive igneous complexes (high resistive minerals).

Radiometric surveys assist where potassium (%K), thorium (%Th), and uranium (%U) provide a guide to radioactive minerals often associated with unique igneous rocks and hydrothermal alteration in areas of high fluid flow; potassium feldspar (e.g., orthoclase, sanidine). Potassium-bearing adularia-sericite (white mica) and buddingtonite also aid as a guide to erosion levels where adularia occurs at lower temperature and shallower depths of emplacement (e.g., Pozo de Plata) and orthoclase/sandine might occur at higher temperature and deeper depths of emplacement (e.g., La Ceniza).

Magnetic surveys assist where magnetic highs might represent buried magma chambers, or magnetic pyrrhotite and/or magnetite mineralization in skarn-replacement mineralization.

Electromagnetic (EM) surveys assist where conductivity (high or low) is measured, and hydrothermal alteration creates an EM response; alteration along structures and key fault intersections are often highlighted with EM surveys.

In addition, structurally controlled deposits are best defined by remote sensing tools including structural interpretations from satellite-based ASTER imagery to define the following:

major regional long-range west-northwest structures intersected by northeast-trending structures that parallel major terrane boundaries.

structural/alteration targets at structural intersections.

magmatic-hydrothermal trends including domal and circular features.

Geological and geochemical mapping and sampling programs defined the following:

high copper (Cu), high zinc (Zn) +/- high lead (Pb) and/or high (Mo) values suggesting proximity to an intrusion-related hydrothermal systems.

high silver values (Ag), high gold values (Au), high lead (Pb), and zinc (Zn) values in vein-, stockwork-, breccia-, fault-, and shear-related precious metal and base metal mineralization.

alteration zonation from lower temperature mineralization towards high temperature alteration and mineralization includes from adularia-white mica to sanidine-white micas.

vein-gangue and vein-sulphide definition.

## **Drilling**

Extensive drilling has been completed on the Cordero property totaling 354,424.59 meters in 928 drill holes (includes Discovery Silver's mine infrastructure holes). These drilling campaigns took place over several years by Levon from 2009 to 2014 and in 2017, and core drilling continued between 2019 to 2023 by Discovery Silver. The most recent exploration core hole drilled on the project was C23-767 ending in September 2023.

Table **0-1** summarizes the year, number, total meters and intent of the drilling completed by Discovery Silver from 2019 through 2023.

**Table 0-1: Summary of Drilling by Discovery Silver to December 2023**

Company	Year	Drill Holes	Meters	Notes
Discovery Silver	2019	17	5,905	Resource area core holes
Discovery Silver	2020	99	39,484	Resource area core holes
Discovery Silver	2021	178	85,347	Resource area core holes
Discovery Silver	2021	2	808	Geotech oriented core (pit-wall stability piezometer holes)
Discovery Silver	2022	149	59,621	Resource core holes and exploration core holes
Discovery Silver	2022	17	1,919	Geotechnical oriented core (pit-wall stability)
Discovery Silver	2022	89	4,546	Oxide resource definition in core holes
Discovery Silver	2022	6	2,190	Reverse circulation (hydrology holes)
Discovery Silver	2023	32	13,655	Resource area and exploration holes
Discovery Silver	2023	3	1,395	Geotechnical oriented core (pit-wall stability)
Discovery Silver	2023	1	401	Large diameter water hole
Discovery Silver	2023	12	5,265	Reverse circulation (hydrology holes)
Discovery Silver	2023	20	986	Mine Infrastructure holes (TSF embankment)
Discovery Silver	2023	11	285	Mine infrastructure holes (geotech holes around plant site)
<b>Totals</b>	-	<b>636</b>	<b>221,807</b>	<b>Exploration and engineering holes</b>

Notes: **1.** Includes holes drilled on other exploration targets outside of the 2023 resource pit. **2.** Drill holes counted in the year in which they were completed. **3.** Reverse-circulation holes were drilled for engineering and environmental purposes. **4.** Some numbers may not sum exactly due to rounding.

Additional drilling by Discovery Silver has allowed updated interpretation of deposit type as well as of the structural, stratigraphic, magmatic, and geochemical controls, and definition of dominant fluid flow corridors of high-grade mineralization. These controls and domains have been used to more accurately update the estimate of resources. The average estimated recovery factor for holes drilled by Discovery Silver is approximately 98%. The QP is unaware of any recovery or sampling factors that could materially impact the accuracy and reliability of the assay results. The current mineral resource estimate is based on a drill dataset consisting of 310,861 m of drilling (793 drill holes); of which 188,672 m of drilling (526 drill holes) was completed by Discovery.

### Sample Preparation, Analyses and Security

The reliability of the resource and reserve estimates rests on the sample preparation, analysis, security, and QA/QC procedures of two companies: Levon Resources Ltd. from 2007 through 2017, and Discovery Silver Corp. from 2019 to the present. At this Feasibility Study stage, the majority (62%) of the samples used for resource estimation are from holes drilled since 2019 by Discovery Silver.

Both Levon and Discovery Silver used similar sample preparation procedures, sawing their HQ core in half, sending one half to the lab, and retaining the other half for future studies. The labs that received samples from the Cordero Project have all been accredited by the Standards Council of Canada and certified to the ISO/IEC 17025 standard which require laboratories to have internal quality assurance and quality control (QA/QC) programs to monitor the reliability of the analytical information they provide to clients.

Sample preparation at the lab consisted of the conventional steps for precious and base metals projects: crushing to 2 mm, followed by pulverizing to either 105 microns (Levon) or 75 microns (Discovery Silver).

The analyses of gold grades were done by fire assay with an atomic absorption finish, using a sub-sample of the homogenized pulp material, either 30 grams (Levon) or 50 grams (Discovery Silver). The analyses of silver, lead and zinc were done by ICP on a 0.5-gram sample digested by aqua regia (Levon) or on a 0.25-gram sample digested by a four-acid procedure (Discovery Silver).

In general, the procedures chosen by Discovery Silver are an improvement over those used by Levon: finer pulverization, larger sub-sample for gold analyses, four-acid digestion instead of two-acid. But the QA/QC programs of each company showed that both the Levon and Discovery Silver analyses were acceptable for mineral resource estimation. The vast majority of checks of certified reference material were with the prescribed tolerances; the very few CRM assays that were beyond the acceptable tolerances were due to sample numbering mix-ups. The QA/QC analyses of blank material confirmed that there was no detectable cross-contamination between samples. The blank material used by Levon had low but detectable concentrations of zinc; Discovery Silver changed to a different blank material that was properly barren for all four revenue-producing metals. Checks of duplicate assays showed high correlations and no systematic inter-lab bias.

Discovery Silver did dry bulk density measurements for several thousands of samples. Most of these were done at site by the project's geologists; some were done by an independent, commercial lab. The sample preparation for these included drying of 10-15 cm segments of quarter-core, followed by weighing of the dried sample. The sample was then weighed again when immersed in liquid so that the dry bulk density could be calculated by Archimedes' Principle. These density measurements included QA/QC samples and were compared to grains density measurements which are known to be slightly higher than bulk density measurements. Of the many thousands of dry bulk density measurements, approximately 5,800 were retained for interpolating density directly into the block model.

Sample security arrangements were similar for both companies. The samples are bagged and zip-tied with a security seal and held at the geology logging area at the project site until they are picked up by the commercial lab. Travel to the site from public roads can only be done through a padlocked gate that the Discovery Silver controls.

#### **Data Verification**

From 2007 to 2017, the Levon database was maintained as a Microsoft Access database that was checked by Independent Mining Consultants, Inc. (IMC) when they exported drill hole and assay information from Access into their own database management software. IMC reported to Levon any problems, including mismatches between the digital database and assay certificates.

When Discovery Silver acquired the project, they verified the entire Levon data base when they imported it into their GeoInfo Tools database management system. A comprehensive check of digital data against original assay certificates was done at this time.

The QP for Data Verification has analyzed the results of independent verification samples collected from the project site in 2021; these results, done on quarter-core from intervals chosen by the QP and analyzed at a lab chosen by the QP, are consistent with the results in the digital data base. The QP also checked assay certificates against the digital data base for approximately 40% of the Discovery Silver drill holes in the Measured and Indicated regions of the block model. This check confirmed that all the instances where the data base assay values did not exactly match the original assay certificate were due either to the original assay having been above the upper limit for the analytical method or to Discovery Silver's requests for reanalysis due to QA/QC failures. In both cases, the digital data base contains an assay value found on a different assay certificate done at a later time.

#### **Mineral Processing and Metallurgical Testwork**

Extensive metallurgical testwork has been undertaken on the Cordero project by Discovery Silver, and previously by Levon Resources dating back to 2011.

QEMSCAN analysis of multiple composites and geometallurgical samples confirmed the predominant sulphide mineral contained across the volcanic, sedimentary, and breccia samples was pyrite. Sphalerite and galena were present in the volcanic, sedimentary, and breccia samples to a lesser extent. The oxide composites did not contain significant amounts of sulphide minerals.

The gangue mineralogy was dominated by quartz, plagioclase, K feldspar, Si/Al clays, and calcite. The sedimentary samples contained the largest concentration of calcite, while the oxide samples contained the least calcite. The oxide samples contained the most amount of Si/Al clays compared to the other lithologies.

At a primary grind size of 80% passing 200 µm averaged across the 30 variability composites, the galena averaged approximately 65% liberation, and the sphalerite averaged approximately 78% liberation. Where unliberated, the galena and sphalerite were in binary association with pyrite or ternary association with non-sulphide gangue.

The various phases of testwork have culminated in the selection of a robust, differential lead-zinc flotation flowsheet after relatively coarse (80% passing or  $k_{80}=200$  µm) primary grind. This flowsheet has been proven to be effective across upwards of 90 variability, master and blended (oxide and sulphide) composites with average locked cycle test performance from all phases of testwork returning the following average metallurgy from metallurgical testing results:

Lead/silver concentrate grading 52% Pb and 3,026 g/t Ag at lead and silver recoveries of 86% and 76% respectively.

Zinc concentrate grading 52% Zn and 274 g/t Ag at zinc and silver recoveries of 85% and 9% respectively.

Global silver recovery (to lead and zinc concentrates) of 85%

Due to the relatively coarse primary grind and moderate concentrate regrinds, the final tails generated via the flotation circuit dewater readily. The majority of the final tails products from locked cycle testing have been shown to be non-acid generating, with a relatively minor amount of samples being classified as potentially acid generating.

The lead and zinc concentrate dewatering testwork conducted during the FS indicated that lead concentrates can be filtered to about 11% w/w moisture and zinc concentrates can be filtered to about 7-9% w/w moisture. For the lead concentrate, this is higher than what was achieved in the PFS (at about 8% w/w moisture) and this is attributed to a combination of slightly finer regrind  $k_{80}$  resulting from the optimized flowsheet and the inclusion of oxide material in the composite used to generate the final concentrates. This is currently under further investigation and transport moisture limits and flow moisture point (TML/FMP) testwork is required to determine whether this represents a potential risk to the project.

Concentrate quality scans were conducted on locked cycle test products. The main deleterious elements were:

Mercury (Hg) content of the lead and zinc concentrates averaged 13 g/t and 13 g/t respectively.

Organic carbon content of all concentrates were below 2.6%  $C_{ORG}$ .

Arsenic (As) content of the lead and zinc concentrates averaged 0.31% and 0.23% respectively.

Cadmium (Cd) content of the lead and zinc concentrates averaged 505 g/t and 4,950 g/t respectively.

Chlorine (Cl) content was consistently low (0.01% Cl) and often below detection limit.

Comminution testwork conducted on variability samples and composite blends indicate that Cordero ore is hard to very hard, with an average Bond Ball Work Index of approximately 18 kWh/t and an average SMC ore competency (Axb) value of 58.

Heap leaching of the oxide zone was considered for additional silver recovery, but column leach and bottle roll testwork was suspended in 2022 in favour of blending the oxide material in with the sulphides at low blend ratios, via the flotation circuit.

Testwork has shown that the oxides can be blended with the sulphide ore and processed via the flotation circuit at blend proportions up to 20%. Reductions in metal recoveries and concentrates were observed, especially when the oxide proportions exceeded 10% but these reductions are commensurate to the proportion of oxide material. The recommended oxide blend is up to 15%.

Robust metallurgical projection models have been derived for the sulphides from locked cycle and batch cleaner variability testwork and are appropriate for this level of study. Using the latest mine plan head grades, the LOM metallurgical projections are as follows:

Silver/lead concentrates grading 47% Pb, 4.4% Zn and 2,904 g/t Ag at lead and silver recoveries of 84% and 73% respectively.

Zinc concentrates grading 49% Zn and 251 g/t Ag at zinc and silver recoveries of 84% and 10% respectively.

Global silver recovery to combined concentrate of 84%.

### **Mineral Resource Estimate**

The geological modeling, geostatistics, and grade estimations were performed using Leapfrog Geo® and Leapfrog EDGE® software, version 2022.1.1. The current Mineral Resource Estimate (MRE) is based on a drill hole data base that contains information on 310,861 m of drilling from 793 drill holes; this includes 34,957 m in 103 drill holes completed since the Preliminary Feasibility Study. The Feasibility Study MRE considers geological and structural domains, which are determined based on lithological and structural controls.

Ordinary kriging (OK) was used as the interpolation method to estimate average grades of silver, gold, lead, and zinc for resource model blocks in each domain. The analysis of spatial continuity was done using pairwise relative experimental variograms which were used to create the variogram models used by ordinary kriging. Validation of the OK block model included: i) comparison with an inverse-distance model; ii) visual checks of consistency with drill hole data and geological logging; iii) swath plots; iv) geostatistical checks of the block model's grade tonnage curves calculated for each classification region versus the volume-variance adjusted global grade-tonnage curve calculated from drill hole assays; and, v) checks of original assays versus block estimates in those blocks penetrated by drill holes.

The classification of the MRE into Measured, Indicated and Inferred regions was developed by evaluating block-by-block metrics that assess the proximity of nearby data; these block-by-block metrics were spatially smoothed to ensure that the classification was consistent over practically mineable regions. Additionally, an optimized pit shell was used to further constrain the reported Mineral Resource. This step was taken to ensure that the resource meets the reporting code requirement of having "reasonable prospects for eventual economic extraction".

The Mineral Resource has been divided into sulphide and oxide zones. The reporting cutoff for each zone is based on a net-smelter-return (NSR) that has been determined by considering various technical and economic factors, such as metallurgical recoveries and payabilities, then deducting treatment costs and refining charges from the net revenue generated from the sale of metals. The NSR reporting cutoff is the same for both oxide and sulphide zones, but the technical and economic parameters of the silver-equivalent calculation are different for each zone.

Mineral Resources do not have demonstrated technical and economic viability. In this report, Mineral Resources are reported inclusive of Mineral Reserves.

The Cordero Project's total Mineral Resources, which are presented in

Table 0-2 below, include both sulfide resources at depth and oxide resources near the ground surface. The sulfide resources generally have lower recoveries, which affects the calculation of NSR in each zone. The sulfide and oxide resources are shown separately in the following sections, along with the technical and economic parameters used in each zone.

**Table 0-2: Total Mineral Resources for the Cordero Project, with an Effective Date of August 31, 2023, above an NSR Cut-off of \$7.25/t and within a Reporting Pit Shell**

Class	Tonnage Mt	Grade					Contained Metal				
		Ag g/t	Au g/t	Pb %	Zn %	AgEq g/t	Ag Moz	Au Koz	Pb Mlb	Zn Mlb	AgEq Moz
Measured	353	24	0.07	0.33	0.60	56	274	812	2,561	4,644	643
Indicated	366	19	0.04	0.28	0.55	48	218	490	2,252	4,456	559
<b>M&amp;I</b>	<b>719</b>	<b>21</b>	<b>0.06</b>	<b>0.30</b>	<b>0.57</b>	<b>52</b>	<b>492</b>	<b>1,303</b>	<b>4,813</b>	<b>9,099</b>	<b>1,203</b>
<b>Inferred</b>	<b>148</b>	<b>14</b>	<b>0.02</b>	<b>0.18</b>	<b>0.35</b>	<b>33</b>	<b>65</b>	<b>121</b>	<b>606</b>	<b>1,140</b>	<b>154</b>

Notes: **1.** The parameters used to calculate AgEq in the sulphide and oxide zones are shown in the footnotes of the following tables. **2.** The tabulated grades and metal contents are in situ estimates, and do not include factors such as external dilution, mining losses and process recovery losses. As such, these are mineral resources, not mineral reserves, and do not have demonstrated economic and technical viability. **3.** The QP is not aware of any factors or issues that materially affect the development of the reported Mineral Resource other than normal risks faced by mining projects in Mexico in terms of legal, environmental, permitting, taxation, socio-economic, and political factors. **4.** The tabulated numbers have been rounded to reflect the level of precision appropriate for the estimates and may appear not to sum correctly due to rounding.

### Sulphide Mineral Resource

Sulphide mineralization is defined as the mineralization located below a well-defined oxide boundary that extends to depths of up to 100 meters below the surface. To report sulphide resources, an NSR cut-off of \$7.25 per tonne has been applied. This cut-off value was determined based on estimating the costs associated with processing and general administrative expenses (G&A) for the standard flotation processing method applied to this material.

**Table 0-3: Sulphide Mineral Resources for the Cordero Project, with an Effective Date of August 31, 2023, above an NSR Cut-off of \$7.25/t and Within a Reporting Pit Shell**

Class	Tonnage Mt	Grade					Contained Metal				
		Ag g/t	Au g/t	Pb %	Zn %	AgEq g/t	Ag Moz	Au Koz	Pb Mlb	Zn Mlb	AgEq Moz
Measured	324	24	0.07	0.34	0.63	57	247	745	2,413	4,473	598
Indicated	329	18	0.04	0.28	0.58	48	190	416	2,045	4,215	506
<b>Measured + Indicated</b>	<b>653</b>	<b>21</b>	<b>0.06</b>	<b>0.31</b>	<b>0.60</b>	<b>53</b>	<b>437</b>	<b>1,161</b>	<b>4,458</b>	<b>8,687</b>	<b>1,104</b>
Inferred	116	12	0.02	0.16	0.35	30	45	86	418	906	111

Notes: **1.** AgEq for sulphide mineral resources is calculated as  $Ag + (Au \times 15.52) + (Pb \times 32.15) + (Zn \times 34.68)$ ; these factors are based on commodity prices of Ag - \$24.00/oz, Au - \$1,800/oz, Pb - \$1.10/lb, Zn - \$1.20/lb and assumed recoveries of Ag – 87%, Au – 18%, Pb – 89% and Zn – 88%. **2.** The tabulated grades and metal contents are in situ estimates, and do not include factors such as external dilution, mining losses and process recovery losses. As such, these are mineral resources, not mineral reserves, and do not have demonstrated economic and technical viability. **3.** The QP is not aware of any factors or issues that materially affect the development of the reported Mineral Resource other than normal risks faced by mining projects in Mexico in terms of legal, environmental, permitting, taxation, socio-economic, and political factors. **4.** The tabulated numbers have been rounded to reflect the level of precision appropriate for the estimates and may appear not to sum correctly due to rounding.

### Oxide Mineral Resource

Oxide mineralization is situated above the oxide boundary, characterized by weathered material that exhibits distinct alteration mineralization. The depth of the oxide zone varies within the deposit, ranging from approximately 20 meters in the Pozo de Plata area to depths of up to 100 meters in specific areas within the South Corridor and the far northeast of the deposit. For the reporting of oxide mineralization, a net-smelter-return (NSR) reporting cut-off of \$7.25 per tonne has been used. This cut-off value is

determined based on the estimated costs associated with processing and G&A for blending oxide material into the standard flotation process.

**Table 0-4: Oxide Mineral Resources for the Cordero Project, with an Effective Date of August 31, 2023, above an NSR Cut-off of \$7.25/t and Within a Reporting Pit Shell**

Class	Tonnage Mt	Grade					Contained Metal				
		Ag g/t	Au g/t	Pb %	Zn %	AgEq g/t	Ag Moz	Au Koz	Pb Mlb	Zn Mlb	AgEq Moz
Measured	29	29	0.07	0.23	0.27	49	27	67	148	171	45
Indicated	37	24	0.06	0.25	0.29	44	28	74	207	241	53
<b>Measured + Indicated</b>	<b>66</b>	<b>26</b>	<b>0.07</b>	<b>0.24</b>	<b>0.28</b>	<b>46</b>	<b>55</b>	<b>142</b>	<b>355</b>	<b>412</b>	<b>99</b>
Inferred	32	19	0.03	0.26	0.33	42	20	35	188	234	43

Notes: **1.** AgEq for sulphide mineral resources is calculated as  $Ag + (Au \times 22.88) + (Pb \times 19.71) + (Zn \times 49.39)$ ; these factors are based on commodity prices of Ag - \$24.00/oz, Au - \$1,800/oz, Pb - \$1.10/lb, Zn - \$1.20/lb and assumed recoveries of Ag - 59%, Au - 18%, Pb - 37% and Zn - 85%. **2.** The tabulated grades and metal contents are in situ estimates, and do not include factors such as external dilution, mining losses and process recovery losses. As such, these are mineral resources, not mineral reserves, and do not have demonstrated economic and technical viability. **3.** The QP is not aware of any factors or issues that materially affect the development of the reported Mineral Resource other than normal risks faced by mining projects in Mexico in terms of legal, environmental, permitting, taxation, socio-economic, and political factors. **4.** The tabulated numbers have been rounded to reflect the level of precision appropriate for the estimates and may appear not to sum correctly due to rounding.

#### Mineral Reserve Estimate

The mineral reserves for the Cordero project are based on the conversion of the Measured and Indicated mineral resources in the study mine plan within the ultimate open pit limits. The level of information from drill holes and degree of certainty on assumptions used in the mine plan estimates provides reasonable support to classify Measured mineral resources as Proven reserves. Indicated mineral resources are converted directly to Probable reserves. Inferred mineral resources were treated as waste. The estimates assume conventional open pit mining and equipment.

Mineral reserves estimates are based on metal prices of \$20/oz silver, \$0.95/lb lead, \$1.20/lb zinc, and \$1600/oz gold. The reserves total is approximately 327 Mt of ore containing 0.72% Zn, 0.41% Pb, 28.7 g/t Ag, and 0.08 g/t Au. Mineral Reserves for the Cordero project are shown in metric units in Table 0-5. This estimate has an effective date of February 16, 2024.

**Table 0-5: Proven and Probable Mineral Reserve**

Reserve Class	Process Feed (Mt)	Grade				Contained Metal			
		Ag (g/t)	Au (g/t)	Pb (%)	Zn (%)	Ag (Moz)	Au (Moz)	Pb (Blb)	Zn (Blb)
Proven	223	30.0	0.089	0.42	0.73	214	0.64	2.04	3.57
Probable	104	25.9	0.060	0.40	0.70	87	0.20	0.91	1.62
<b>Proven &amp; Probable</b>	<b>327</b>	<b>28.7</b>	<b>0.080</b>	<b>0.41</b>	<b>0.72</b>	<b>302</b>	<b>0.84</b>	<b>2.96</b>	<b>5.18</b>

Note: This mineral reserve estimate has an effective date of February 16, 2024, and is based on the mineral resource estimate dated August 31, 2023. The Mineral Reserve estimate was completed under the supervision of Willie Hamilton, P.Eng. of AGP Mining Consultants Inc., who is a Qualified Person as defined under NI 43-101. Mineral Reserves are stated within the final pit designs based on a \$20.00/oz silver price, \$1,600/oz gold price, \$0.95/lb lead price and \$1.20/lb zinc price. An NSR cut-off of \$10/t was used to define oxide and sulphide reserves. The life-of-mine mine operating cost averaged \$2.35/t mined, while preliminary processing costs and G&A/closure costs were \$7.28/t ore and \$0.85/t ore processed respectively. Oxide and sulphide materials were incorporated in the mine schedule; however, oxide material was restricted to a maximum of 15% of the total mill feed to improve

the likelihood of saleable concentrates. For mine scheduling, metal recoveries were fixed for oxides and variable according to head grades for sulphides as follows: **1.** Oxide recoveries to zinc concentrates were 85%, 9% and 8% for zinc, silver, and gold respectively. **2.** Oxide recoveries to lead concentrates were 37%, 50% and 10% for lead, silver, and gold respectively. **3.** Sulphide recoveries to zinc concentrate (for sulphide mill feed at the life-of-mine average grade) is approximately 95%, 14.3%, and 9.5% for zinc, silver, and gold, respectively. **4.** Sulphide recoveries to lead concentrate (for sulphide mill feed at the life-of-mine average grade) is approximately 87.5%, 73.9%, and 12.6% for lead, silver, and gold respectively.

The QP has not identified any known legal, political, environmental, or other risks that would materially affect the potential development of the mineral reserves. Permitting risk would typically be considered low as this project would increase employment in this mining friendly region, however, this risk will need to be monitored as the current government has made proposals to prohibit open pit mining.

## **Mining Methods**

### **Overview**

The Cordero project will use open pit mining methods with truck and shovel equipment that has been proven in similar operations. The major production unit operations will include drilling, blasting, loading, hauling, and dumping. These activities are planned to be completed with an owner/operator fleet. There is currently no plan to extend the mine operation using underground mining methods.

Mining will occur on 10-meter lifts with safety benches every 20 meters using the provided (by WSP) geotechnical parameters by sector for maximum slope angles. Haul roads are designed at 37 m wide to accommodate 190-220 tonne class haul trucks. The mine fleet will be diesel powered.

The mine plan is based on proven and probable mineral reserves only. The mill facility will produce both zinc and lead concentrates with contained payables for silver, gold, lead and zinc. The plant will primarily process sulphide minerals, but the processing of high-grade oxides is included up to a maximum of 15% of the feed.

Dilution was applied on a block-by-block basis taking into consideration the diluted material grade. This resulted in an increase in mill feed tonnage by 2.4%, and a 2.8% lower silver grade than the in-situ feed summary.

Mining activity commences in advance of the sulphide process plant achieving commercial production and includes the placement of material into stockpiles. The mine schedule plans to deliver 327 Mt of mill feed grading 28.7 g/t Ag, 0.08 g/t Au, 0.72% Zn and 0.41% Pb over a mine life of 17 years. Processed rock is comprised of 307 Mt of sulphide material and 20 Mt of oxide material. Oxides were included in the mill feed when they could displace lower value sulphides up to a maximum of 15% of the mill feed on a period basis. Of the life-of-mine mill feed ore tonnes, 5.1% were high-grade oxides and 19 Mt of oxide material remained in stockpiles at the end of processing due to the 15% blending limit. Waste tonnage totalling 696 Mt will be delivered to either the tailings storage facility located east of the pit or the rock storage facilities adjacent to the pit. The overall strip ratio is 2.2:1 delivered.

Mine operating costs have been estimated from first principles using quotations from local mine equipment vendors plus local supply consumables.

### **Pit Dewatering**

The available information indicates that the pit intersects groundwater in mine Year 2, and the inflow rates increase progressively as the pit deepens year by year. The potential pit inflow rate into the proposed pit shell through the mine life was estimated using the analytical Jacob-Copper solution.

Using the estimated base case pit inflow rates, a pit dewatering strategy was developed to meet the pit dewatering requirements. The pit dewatering strategy consists of vertical wells along the pit perimeter and in-pit wells (targeting permeable hydrogeologic units and features), in addition to the supplemental measures (including precipitation runoff collection sump, and sub-horizontal drains) when necessary.

## Recovery Methods

The process plant design incorporates a staged expansion approach that allows throughput to be increased, variable feed grades to be accommodated, and capital to be deployed efficiently over the life of mine. The selected flowsheet includes a single stage crushing circuit (i.e. gyratory crusher) with crushed product reporting to the crushed ore stockpile. Ore will be reclaimed to the grinding circuit, which consists of a SAG mill and a ball mill operating in closed circuit with a cyclone cluster.

Cyclone overflow will report to a carbon pre-flotation circuit before feeding a two-stage rougher flotation circuit. Lead and silver minerals will report to the concentrate of the first stage, while zinc minerals report to the concentrate of the second stage via the tailings of the first stage. Lead-silver and zinc rougher concentrates will report to dedicated regrind circuits for further size reduction. The reground materials will then be treated in dedicated cleaner flotation circuits to produce final lead-silver and zinc concentrates of requisite quality.

The concentrates will report to dedicated dewatering circuits that include high-rate thickeners and vertical plate-and-frame filter presses. For the lead-silver concentrate, the dewatering circuit also includes a dryer to deal with potential concentrate moisture issues when processing oxide blends. The resulting filter cakes and dried concentrates will be handled by front-end loader(s) for stockpiling and loadout activities. Tailings from the process will be thickened in a high-rate thickener and pumped overland to the tailings management facility.

The staged expansion of the process plant over the mine life as designed is presented below:

Phase 1 (Year 1 to 3) – The process plant will be operated at an average nominal throughput of 25.5 kt/d, and is designed to account for variable ore hardness.

Phase 2 (Year 4 to 6) – The plant will be expanded to process material at an average nominal throughput of 51.0 kt/d, and is designed to account for variable ore hardness.

Phase 3 (Year 7+) – The zinc cleaning and concentrate dewatering circuits will be expanded to process higher zinc grades in the feed material at the average nominal throughput of 51.0 kt/d.

A summary of the design process operating availabilities are as follows:

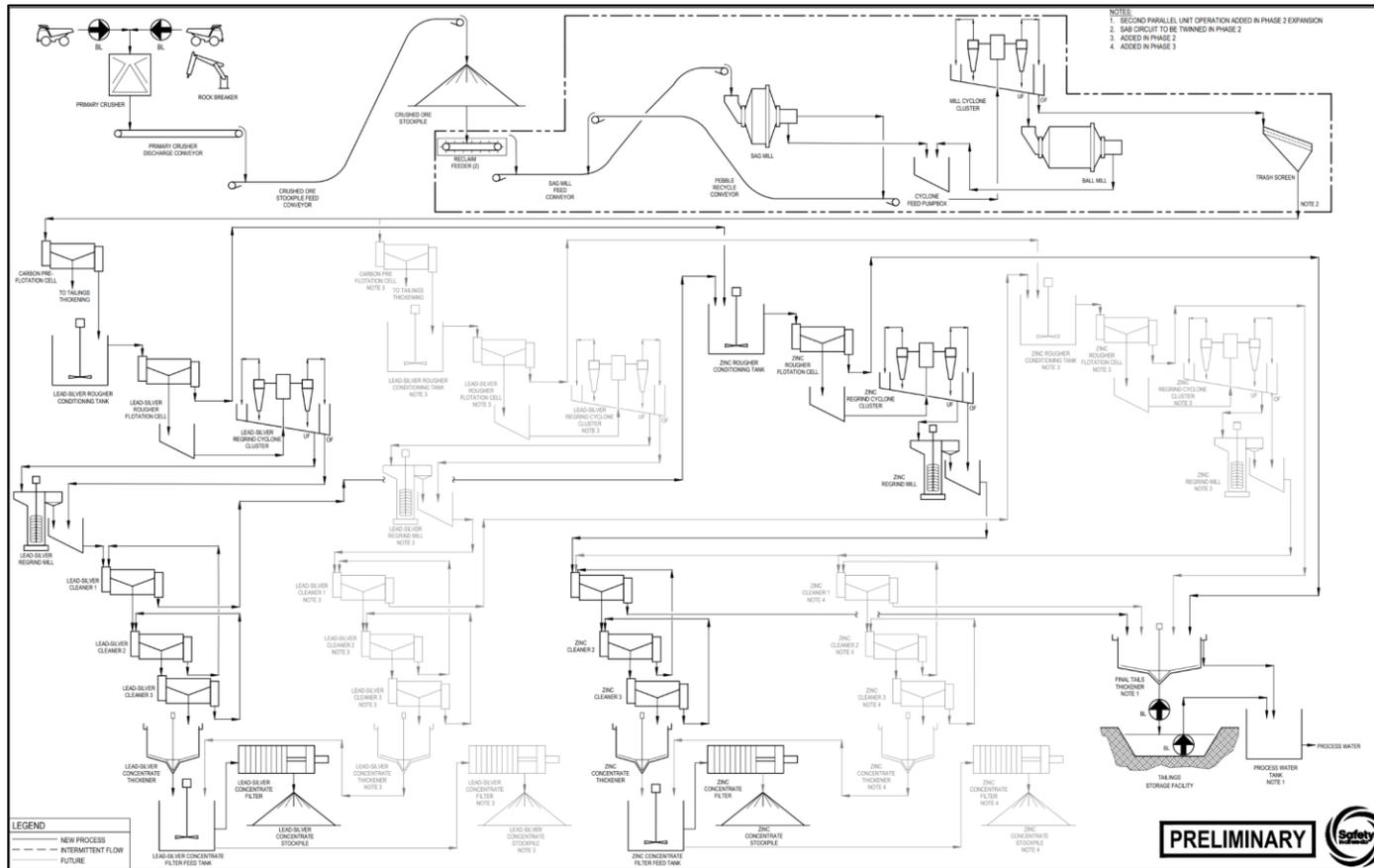
primary crushing availability of 75%

grinding and flotation availability of 91.3%

concentrate filtration availability of 82.2%

The process flowsheet is depicted in Figure 0-2, with Phase 1 equipment shown in black, and Phases 2 and 3 equipment shown in greyscale or indicated by comments.

Figure 0-2: Process Flowsheet



Source: Ausenco, 2023.

## Project Infrastructure

Infrastructure to support the Cordero project will consist of site civil work, site facilities/buildings, on-site roads, a water management system, and site electrical power. Site facilities will include both mine facilities and process facilities, as follows:

mine administration offices, truckshop, explosives storage, fuel storage and distribution, ore stockpiles, waste stockpiles, and truck wash

process facilities including the process plant, crushing facilities, process plant workshop, assay laboratory, freshwater infrastructure, and tailings pipelines

tailings storage facility (TSF)

general facilities include a gatehouse, administration building, communications, switchyard, and weigh scale

catchments, ponds, and other site water management infrastructure.

An overall site layout is provided in Figure 0-3.

The site can be accessed by a series of unpaved roads from federal Highway 24, approximately 1.3 km to the west-southwest. The existing access road will be upgraded including widening, installation of culverts as well as grading of corners to ensure suitability for daily operational traffic.

The roads within the process plant area will be generally 6 m wide, integrated with process plant pad earthworks, and designed with adequate drainage. The roads will allow access between the administration building, warehouses, mill building, crushing buildings, stockpile, mining truck shop, and the top of the mill feed stockpile.

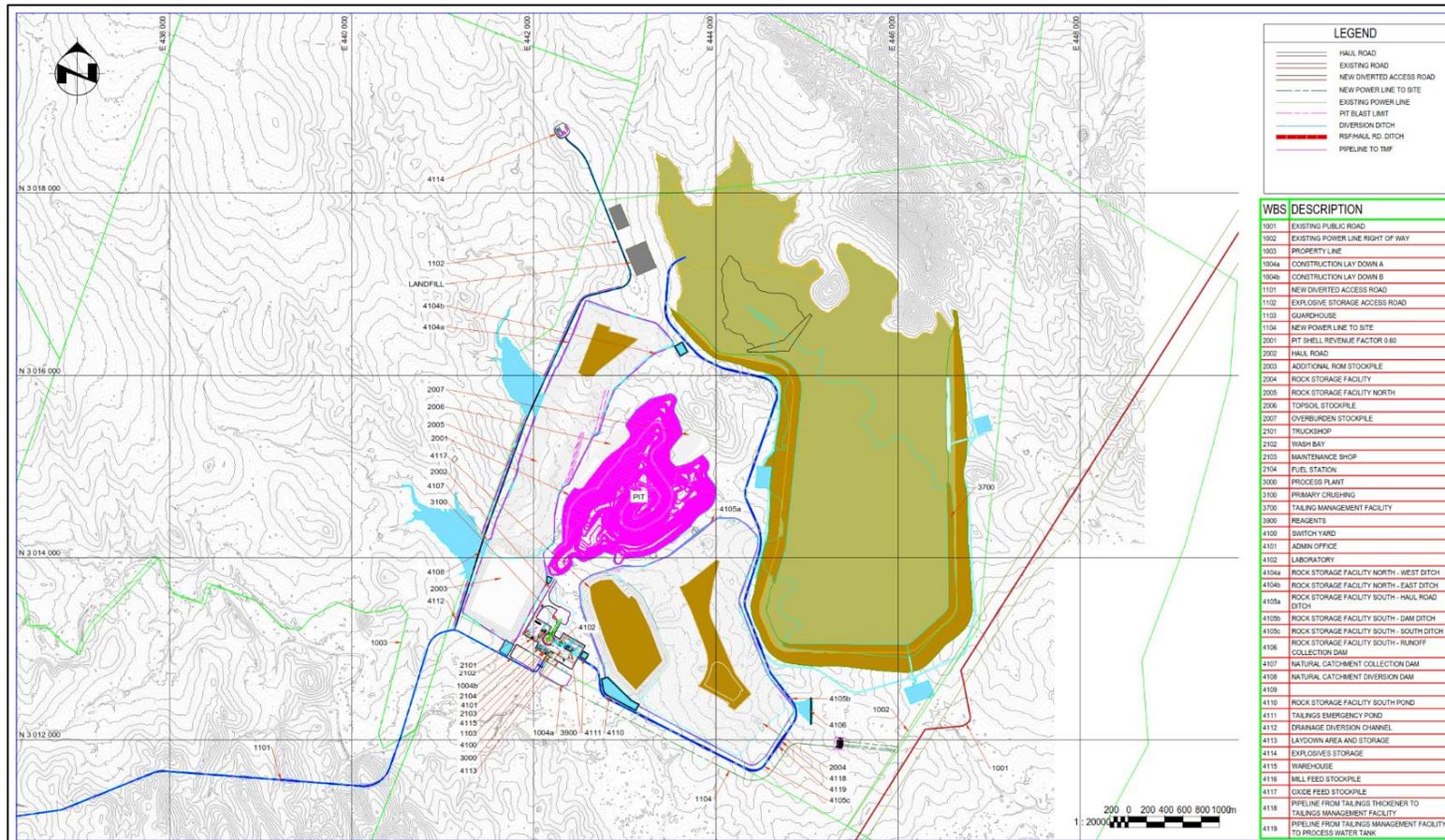
The typical method of clearing, topsoil removal, and excavation will be employed, incorporating drains, safety bunds and backfilling with granular material and aggregates for road structure. The entrance to the process and mine site will be via the gatehouse on the mine access road. Additionally, an existing secondary unpaved public road that follows the existing power transmission corridor crossing the southeast corner of the claim block can be used as an alternative access/exit road.

Material from the pit will be diverted to four main destinations depending on the grade and material type. The barren stripping material will be sent to either the waste rock storage facilities or the TSF dam for construction, while the mineralized oxides and sulphides will be sent to either the mill or two separate main stockpiles areas, primarily for low-grade sulphides and oxides. Each stockpile will have a capacity of approximately 42 Mt. All mill feed is currently envisioned to be hauled from the pit rim by 190-tonne trucks.

Waste rock storage facilities are planned for waste material from the open pit. Two locations were selected for waste rock storage: one south of the ultimate pit limits (WRF01) and one on the northwest side of the pit (WRF02). In general, design considerations assumed an overall reclaimed slope of 18 degrees and a swell density of 2.0 t/m<sup>3</sup>. Total waste rock capacity is approximately 530 Mt.

The mining infrastructure includes haul roads from the pit to the different areas on site, explosive facility, truckshop and truck washbay, mine warehouse, office, and workshop.

Figure 0-3: Overall Site Layout



Source: Ausenco, 2023.

The plant site consists of the necessary infrastructure to support the processing operations. All infrastructure buildings and structures will be built and constructed to all applicable codes and regulations. Due to the warm weather conditions, no closed buildings will be required to cover the process plant. The project site will include administration building, plant maintenance shop and warehouse, and other buildings.

A major power transmission corridor crosses the southeast corner of the claim block approximately 1.5 km from the proposed pit. The existing transmission lines in this corridor do not have sufficient capacity to supply the planned operation according to Comisión Federal de Electricidad (CFE), the national power authority. However, additional lines can be built from the Camargo II substation near Santa Rosalia de Camargo, approximately 75 km to the northeast, utilizing the same corridor.

CFE provided a study regarding the construction of a new 230 kV power transmission line to the Cordero mine site. The proposal included 75 km of new towers and a conductor, as well as a new 230 kV feeder at the Camargo II substation. Since then, an updated power impact assessment and installation reports have been received from CENACE (the national power authority since 2015), and the findings have been incorporated into the FS study.

The outdoor substation is phased into two stages based on power demand. In Phase 1, two 40/53.3 MVA, 230 kV/13.8 kV oil-filled power transformers will be installed, each capable of supplying the plant's maximum demand of 46 MW. The transformers will be connected to a 13.8 kV switchgear with a normally open bus tie. When one transformer is out of service, the power system configuration will allow the other to support the total process load, thus enhancing system reliability.

The plant will be expanded in Phase 2 with the installation of two 37.5/50 MVA transformers and another 13.8 kV switchgear in a similar arrangement to supply the additional loads totalling a maximum demand of 87 MW. The substation will also include four banks of power factor correction equipment, each rated at 4 MVAR.

The project lies within the Valle de Zaragoza aquifer, as designated by the National Water Commission (CONAGUA). This aquifer system is in an unrestricted zone and not subject to a ban on groundwater extraction. The mine site is located approximately 2 km north of the Arroyo San Juan, an intermittent stream flowing through alluvial materials, which will be the potential source of water.

Waste disposal for the Cordero project includes waste rock storage facilities (WRF) and the TSF. The TSF (by WSP) is designed to handle the average throughput of 25.5 kt/d in Years 1 through 4 before throughput expansion for Phase 2 at an average of 51.0 kt/d for the balance of mine operations. The TSF was sized to store approximately 367 Mt of tailings along with the inflow design flood (IDF) and additional freeboard. The selected TSF location is southeast of the open pit in an area of gently rolling hills at natural elevations between 1,500 and 1,600 meters above sea level (masl). The TSF site is underlain by thin to sparse alluvium and residual soils over a bedrock foundation of Cretaceous Mezcalera Formation marine limestone. Water from the TSF is reclaimed and used in the process plant.

The excavation quantities for diversion ditches, diversion channels, collection ditches and ponds, and the site-wide water balance model is further discussed in Section 18.9.2 of this report.

Hydrogeological investigations have identified two wellfields, to the southwest and to the north of the open pit. Hydraulic testing conducted during borehole drilling suggests the wellfields have a combined potential to provide nearly 1,000,000 m<sup>3</sup>/a of groundwater.

## **Market Studies and Contracts**

Discovery Silver retained an external consultant for a review of the treatment costs (TC), refining costs (RC) and transport costs and metal payables (including penalty scales). The market terms for this study are based on the terms proposed by the Exen Consulting Services as well as recently published terms from other similar studies. There are no existing refining agreements, smelting, transportation, handling or sales contract in place for the project. Likewise there are no contract commitments to execute the project – these commitments will be made post receipt of permits and finalization of project financing by the company.

The metal payables as stated in Table 0-6 are used in this study. A summary of the treatment and refining costs is shown in Table 0-7. All amounts are in US dollars.

The estimated transportation costs (trucking, port handling and ocean freight) are \$176/wmt for Pb-Ag concentrate and \$135/wmt for Zn concentrate. Transportation costs assume trucking of the concentrate via bulk trucks or containers to the international port at Guaymas, Sonora, or Manzanillo, Colima, and then shipping via ocean freight to international destinations such as Korea, Japan, China, and Europe. However, there may be opportunities to sell a significant portion of the produced concentrate to domestic smelters.

**Table 0-6: Metal Payables**

Metal	Unit	Zn Concentrate	Pb Concentrate
Zinc	%	85	-
less Deductible	units	8.0	-
Lead	%	-	95
less Deductible	units	-	3.0
Silver	%	70	95
less Deductible	g/dmt	93.3	50.0
Gold	%	70	95
less Deductible	g/dmt	1.0	1.0

**Table 0-7: Summary of Treatment Charges and Refining Costs**

Metal	Concentrate Grade	Treatment Charges (\$/wmt)	Refining Charges (\$/payable lb or oz)	Concentrate Loading Port		Ocean Shipment Mode	
				Zn Concentrate	Pb Concentrate	Zn Concentrate	Pb Concentrate
Zinc	51%	\$200.00	\$0.00	Guaymas	-	Bulk	-
Lead	52%	\$120.00	\$0.00	-	Manzanillo	-	Container/Bulk
Silver	-	-	\$1.00	-	-	-	-
Gold	-	-	\$10.00	-	-	-	-

The metal prices presented in Table 0-7 were used for financial modelling for this technical report.

### Environmental, Permitting and Social Considerations

On May 8, 2023, several amendments to laws concerning the mining industry, commonly referred to in the media as the "Structural Reform of the Mining Industry" (the "Mining Reform"), were published in the Official Federal Gazette. The Mining Reform imposes tighter regulations on the mining industry through amendments to the Mining Law (Ley Minera), the National Water Law (Ley de Aguas Nacionales), the General Law for Ecological Balance and Environmental Protection (Ley General de Equilibrio Ecológico y Protección al Ambiente) ("LGEEPA"), and the General Law for the Prevention and Integral Management of Waste (Ley General para la Prevención y Gestión Integral de los Residuos) ("LGPGIR").

Amendments include the program for the restoration, closure, and post-closure of mines. The amendment creates the program for the restoration, closure, and post-closure of mines. This program is to be submitted to the Ministry of the Environment and Natural Resources (Secretaría de Medio Ambiente y Recursos Naturales), with the purpose of establishing a program to remove deposits from areas subject to mining concessions that affect or may affect the ecosystem or that may contribute to environmental contamination.

The amendment prohibits the granting of authorizations for mining activities in certain areas, including protected natural areas. The amendment for Mining and metallurgical wastes responsibilities establishes that mining and metallurgical wastes are the permanent responsibility of the holder of the mining concession. The amendment also sets forth restrictions for the location of deposits or final disposal sites.

In addition, the amendments create a social impact assessment process to be executed once a favorable ruling is obtained after the bidding process. They also create a process requiring prior, free, and informed consultation with indigenous and Afro-Mexican people and communities to be carried out by the Ministry of Economy, with the cost to be covered by the winner of the bid.

Other key developments introduced by the Mining Reform include revised and expanded indigenous and public consultation rules and processes. Additional economic and administrative obligations to concession holders. Among others, concession holders are required to pay at least five percent of net profits to adjacent / affected indigenous communities. Water for human and domestic use is now expressly considered a priority. Accordingly, even if a water concession has been granted for mining activities, the volume of water subject to the concession may be reduced (and / or the concession canceled) in order to guarantee access to water for human / domestic use in case the government so determines. Further, water and mining concession holders are required to "recycle" at least 60 percent of the water used under the concession.

Until all amendments will be approved by The Federal Executive, the environmental considerations identified for the Cordero project to fulfill actual requirements are summarized below:

Groundwater quantity and quality may be impacted by the Cordero project. Fecal coliforms, total coliforms, turbidity, arsenic and iron presently exceed the maximum permissible limits of the Mexican regulatory guidelines in groundwater. Herbicides and pesticides, total trihalomethanes and BTEX present in low concentrations. The groundwater includes bicarbonated-calcium and bicarbonated-sodium-calcium types (IDEAS, 2022a).

One critical zone related to noise pollution was found in the project site corresponding to an area close to a motogenerator.

Eighteen species of mammals, forty-five species of birds, and eight species of reptiles were identified in the Cordero biodiversity monitoring study area. In total seventy-one species of vertebrates belonging to thirty-nine families. One species is included in Category A-endangered, and two species are category Pr-threatened of the NOM-059-SEMARNAT-2010. Five species are classified as APII (may become in extinction) of the CITES. A rescue and monitoring plan should be prepared by Cordero to conserve and recover endangered and threatened species.

A total of 115 species of vascular plants have been reported for the Cordero project area. One of the species identified is included in Category A-endangered of the NOM-059-SEMARNAT-2010. Thirty species are identified as APII-may become in extinction of the CITES, and twenty-seven identified in the Red List of threatened Species as Least Concern. A rescue and monitoring plan should be prepared by Cordero to conserve and recover endangered and threatened species and a biodiversity management plan to demonstrate that no impact on nature will take place in views of the new amendment for "Protected Natural Areas" to conserve biodiversity.

A Gap Analysis against Equator Principles and IFC Performance Standards was prepared by ERM in January 2023. The intention was to give a reasonable expectation of development of the resource.

### **Closure and Reclamation Considerations**

The new provisions, modifications, and additions, as outlined in the Decree include to prepare and provide to the competent authorities a restoration, closure, and post-closure programs for mines and, a mine closure program and insurance policy, letter of credit, deposit with the Treasury of the Federation (Tesorería de la Federación), or trust, to guarantee to the population living in the areas where mining activities are performed that the necessary resources will be available to cover the possible damages caused by such activities.

A formal Closure and Reclamation Plan has been prepared for the Cordero project by Ausenco (Waste Rock, Pit and Landfill) and WSP (TSF) as it was required by the Mexican Regulatory Agency SEMARNAT to be added to the EIA for its approval. Both Closure Plans were being finalized at the time of the preparation of this report and therefore not included.

### **Permitting Considerations**

Three permits have been obtained: NOM 120 SEMARNAT 2020, Company Registration in Social Security (IMSS) and Community Protection. Registration of Hazardous Waste Management has been presented and Waste Management Plans (Hazardous and Mining) are in process. The EIA has been submitted by CIMA Consultores to the authorities for its approval.

### **Social Considerations**

The area of socioeconomic influence (where workforce would be sourced) of the project is 95% concentrated in the municipality of Hidalgo del Parral, the rest is in the municipality of Valle de Zaragoza. The exploration and access activities for the Cordero project are in the municipality of Hidalgo del Parral, which would be the main source of demand for employment.

Clinics and hospitals are in Hidalgo de Parral, but it is necessary to be employed by a company or the government to access official medical care. Due to the nature of employment activities in the area of influence, more than half of the inhabitants do not have access to official healthcare. Cordero project will not only provide employment, but access to health services as well.

More than 80% of inhabitants own a house; the rest live in rental accommodations or in a house owned by relatives.

More than 51% of the population do not have access to clean drinking water; there is not enough infrastructure to provide this utility. Street lighting and drainage services are also inadequate in the area.

### **Capital and Operating Costs**

#### **Capital Cost Estimate**

The capital cost estimate was developed in Q3 2023 US dollars based on budgetary quotations for equipment and construction contracts, as well as Ausenco's in-house database of projects and studies including experience from similar operations.

The estimate includes mining, processing, onsite infrastructure, tailings and waste rock facilities, offsite infrastructure, project indirect costs, project delivery, owners' costs, and contingency.

The following parameters and qualifications were considered:

No allowance has been made for exchange rate fluctuations.

There is no escalation added to the estimate.

A growth allowance was included.

Data for the estimates have been obtained from numerous sources, including:

mine schedules;

FS-level engineering design by Ausenco, AGP, WSP and Cenace;

Scoping level estimate for the Parrel Water Treatment Plant by M3;

topographical information obtained from the site survey;

geotechnical investigations;  
 budgetary equipment quotes from suppliers based in the Mexico and North America;  
 budgetary unit costs from several local contractors for civil, concrete, steel, electrical, piping, and mechanical works;  
 and  
 data from similar recently completed studies and projects.

Major cost categories (permanent equipment, material purchase, installation, subcontracts, indirect costs, and Owner's costs) were identified and analysed. A contingency was applied in the cost estimate and was based on ranging the accuracy of the data by discipline and WBS level 3 and applying a probabilistic method (Monte Carlo Simulation). An overall contingency amount was derived in this fashion.

The capital cost summary is presented in Table 0-8. The total initial capital cost (Phase 1) for the Cordero project is \$606 million; the Phase 2 (Year 4) expansion capital cost is \$292 million; the Phase 3 (Year 7) expansion capital cost is \$17 million; and LOM sustaining costs are \$463 million inclusive of closure costs (net value \$75 million).

**Table 0-8: Summary of Capital Costs by WBS**

WBS Description	WBS	Initial Capital Cost (\$M)	Expansion Capital Cost (\$M)		Sustaining Capital Cost (\$M)	Total Cost (\$M)
		Phase 1	Phase 2 Y4	Phase 3 Y7	LOM	
Mining	1000	117	2	0.0	110	229
On-Site Infrastructure	2000	44	14	-	-	58
Crushing	3000	28	2	0.0	-	30
Process Plant	4000	183	136	10	-	329
Tailings Facility	5000	28	60	-	221	310
Off-Site Infrastructure	6000	57	-	-	16	73
<b>Total Directs</b>		<b>457</b>	<b>213</b>	<b>11</b>	<b>347</b>	<b>1,028</b>
Project Indirects	7000	73	40	4	11	128
Owner's Costs	8000	11	4	-	-	14
Contingency	9000	65	35	2	31	133
Closure Costs		-	-	-	75	75
<b>Total Indirects</b>		<b>149</b>	<b>79</b>	<b>6</b>	<b>116</b>	<b>350</b>
<b>Project Total</b>		<b>606</b>	<b>292</b>	<b>17</b>	<b>463</b>	<b>1,377</b>

Note: Values may not sum due to rounding. Expansion capital has been split in this FS. Sum of values align with those presented in the press release dated 20<sup>th</sup> February 2024.

### Operating Cost Estimate

The operating cost estimate was developed in Q4 2023 dollars based on budgetary quotes for equipment and consumable rates, a unit rate for power and a survey of local labour salaries provided by Discovery silver, and Ausenco's in-house database of projects and studies from similar projects.

The average yearly operating cost for the project varies as the project considers a variable annual mining rate and undergoes multiple phases with different nominal production rates and mineralized material types.

In this technical report, the plant design and cost estimates have been considered in three phases as per the description provided in Section 17. However, operating costs may at times be grouped in two phases, where Phase 1 considers Years 1-4 and Phase 2 considers Year 5+ to account for the ramp-up period of the process plant during the expansion from an average nominal throughout of 25.5 kt/d to 51.0 kt/d. The values presented in Table 0-10 using the three-phase approach are presented again in Table 0-9 for the two-phase approach.

**Table 0-9: Operating Cost Summary – Two Phase Approach**

Parameter	Units	Cost
Operating Costs	\$M	\$M/a
Mining	\$/t mined	2.35
Mining	\$/t milled	7.35
Processing – Milling (Phase 1)	\$/t milled	6.56
Processing – Milling (Phase 2)	\$/t milled	6.24
Site G&A (Phase 1)	\$/t milled	0.97
Site G&A (Phase 2)	\$/t milled	0.54

Table 0-10 provides a summary of the operating costs for three phases, expressed in both \$M/a and \$/t milled.

**Table 0-10: Operating Cost Summary – Three Phase Approach**

Year	LOM	1-3	4-6	7+	LOM	1-3	4-6	7+
Operating Costs	\$M	\$M/a	\$M/a	\$M/a	\$/t	\$/t	\$/t	\$/t
Mining	2,406	148	150	115	7.35	16.09	8.26	6.16
Processing	2,055	63	113	115	6.28	6.83	6.20	6.24
Site G&A	192	10	10	10	0.59	1.11	0.55	0.54
<b>Total</b>	<b>4,654</b>	<b>222</b>	<b>274</b>	<b>240</b>	<b>14.23</b>	<b>24.03</b>	<b>15.01</b>	<b>12.94</b>

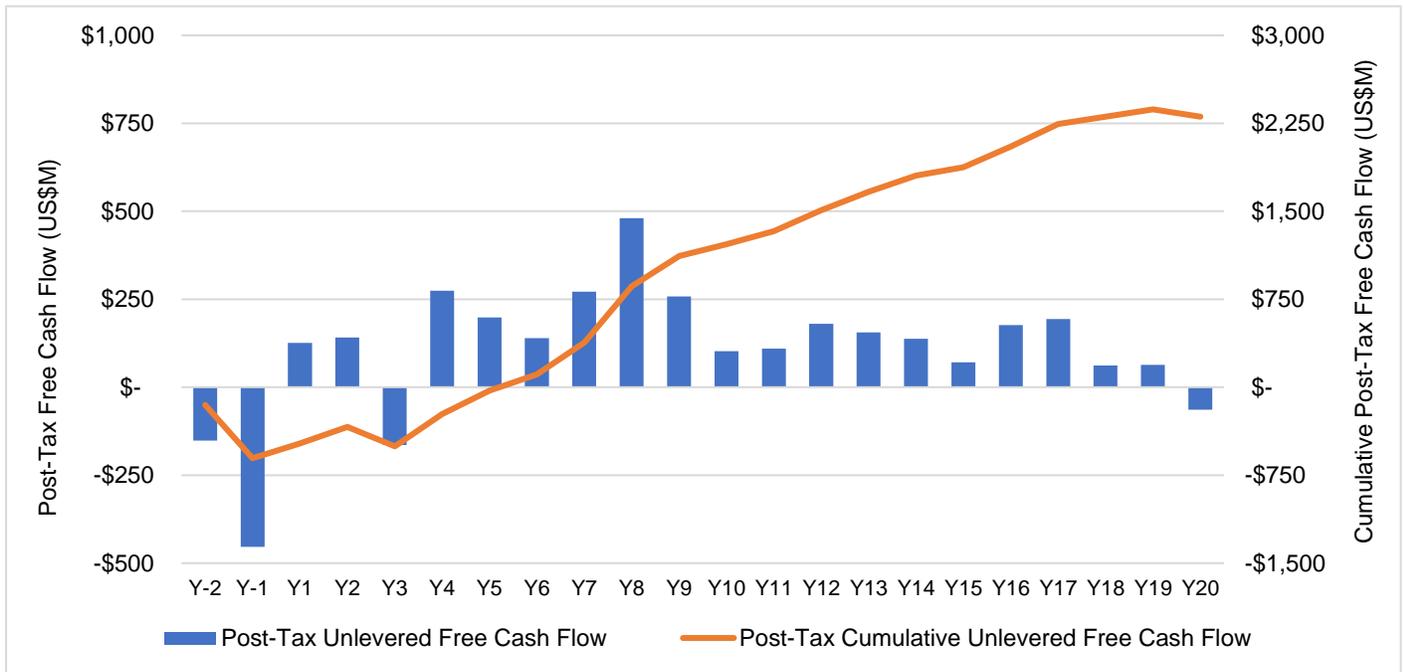
### Economic Analysis

The economic analysis was performed assuming a 5% discount rate. Cash flows have been discounted to the start of construction, assuming that the project execution decision will be taken, and major project financing will be carried out at this time.

The pre-tax NPV discounted at 5% is \$1,980 million; the IRR is 29.4%, and payback period is 4.1 years. On a post-tax basis, the NPV discounted at 5% is \$1,177 million; the IRR is 22.0%; and the payback period is 5.2 years.

A summary of the post-tax project cash flow is shown graphically in Figure 0-4 and listed in Table 0-11.

**Figure 0-4: Life of Mine Post-Tax-Free Cash Flow**



Source: Ausenco, 2024.

**Table 0-11: Economic Analysis Summary**

Description	Unit	Life-of-Mine Total / Average
<b>General Assumptions</b>		
Silver Price	\$/oz	\$22.00
Gold Price	\$/oz	1,600
Lead Price	\$/lb	1.00
Zinc Price	\$/lb	1.20
Discount Rate	%	5.0
<b>Production</b>		
Total Payable Silver	koz	230,229
Total Payable Gold	koz	86
Total Payable Lead	Mlb	2,427
Total Payable Zinc	Mlb	3,733
Total Payable Silver Equivalent	koz	550,390
<b>Operating Costs</b>		
Mining Cost	\$/t mined	2.35
Mining Cost	\$/t milled	7.35
Processing Cost	\$/t milled	6.28
Site G&A Costs	\$/t milled	0.59
<b>Cash Costs and All-in Sustaining Costs (Co-Product Basis)</b>		
Operating Cash Cost <sup>1</sup>	\$/oz AgEq	8.46
Total Cash Cost <sup>2</sup>	\$/oz AgEq	12.83
All-in Sustaining Cost <sup>3</sup>	\$/oz AgEq	13.47
<b>Capital Expenditures</b>		
Initial Capital	\$M	606
Expansion Capital	\$M	309
Sustaining Capital	\$M	388
Closure Costs	\$M	137
Salvage Value	\$M	(62)
<b>Economics</b>		
Pre-tax NPV @ 5%	\$M	1,980
Pre-tax IRR	%	29.4
Pre-tax Payback	years	4.1
Post-tax NPV @ 5%	\$M	1,177
Post-tax IRR	%	22.0
Post-tax Payback	years	5.2

Notes: **1.** Operating cash costs consist of mining costs, processing costs, site-level G&A. **2.** Total cash costs consist of operating cash costs plus transportation cost, royalties, treatment, and refining charges. **3.** AISC is calculated as: [Operating costs (mining, processing and G&A) + Royalties + Concentrate Transportation + Treatment & Refining Charges + Concentrate Penalties + Sustaining Capital (excluding \$37M of capex for the initial purchase of mining fleet in Year 1)] / Payable AgEq ounces. Source: Ausenco, 2024.

A sensitivity analysis was conducted on the base case post-tax NPV and IRR of the project using the following variables: discount rate, head grade, total operating cost, total capital cost, silver, gold, zinc, and lead prices, which were encompassed in a single variable, metal prices.

Table **0-12** summarizes the post-tax sensitivity analysis results.

**Table 0-12: Post-Tax Sensitivity Summary**

Metal Prices	Post-Tax NPV (5%) (\$M)	Total Capital Cost		Total Operating Cost		Head Grade	
	Base Case	(-10%)	(+10%)	(-10%)	(+10%)	(-10%)	(+10%)
-20%	230	338	122	415	41	(107)	564
-10%	707	814	599	888	524	328	1,087
--	1,177	1,285	1,069	1,358	996	751	1,609
10%	1,647	1,755	1,539	1,828	1,466	1,170	2,130
20%	2,117	2,224	2,009	2,297	1,936	1,589	2,652
Metal Prices	Post-Tax IRR (%)	Total Capital Cost		Total Operating Cost		Head Grade	
	Base Case	(-10%)	(+10%)	(-10%)	(+10%)	(-10%)	(+10%)
-20%	9.2	11.5	7.1	12.1	5.8	2.8	14.2
-10%	16.1	18.8	13.9	18.5	13.6	10.7	20.9
--	22.0	24.9	19.4	24.1	19.8	16.7	26.8
10%	27.2	30.5	24.4	29.2	25.2	21.8	32.3
20%	32.1	35.7	29.0	34.0	30.1	26.5	37.4

Source: Ausenco, 2024.

### Adjacent Properties

The QP, has reviewed the claim status on adjacent properties and can find no active mining claims adjacent to the Cordero property. As noted in Section 6, a review of adjacent mining claims conducted by Levon in 2009 led to reclaiming mineral concessions that had been dropped earlier by Valley High Ventures Ltd. In 2013, Levon acquired the last remaining inlying mineral concession.

The Cordero project lies in a region that has been a major producer of silver for centuries and continues to host several producing mines.

### Interpretation and Conclusions

Information from legal experts and Discovery Silver's in-house experts support that the tenure held is valid and sufficient to support a declaration of Mineral Resources and Reserves.

The exploration programs completed to date are appropriate for the style of the deposits in the Cordero Project area.

Sampling methods are acceptable for Mineral Resource and Mineral Reserve estimation. The Mineral Reserve and Mineral Resource estimations for the Cordero Project both conform to industry-accepted practices.

Mining activity commences in advance of the sulphide process plant achieving commercial production and includes the placement of material into stockpiles. The mine schedule plans to deliver 327 Mt of mill feed grading 28.7 g/t Ag, 0.08 g/t Au, 0.72% Zn and 0.41% Pb over a mine life of 17 years. Waste tonnage totalling 696 Mt will be delivered to either the tailings storage facility located east of the pit or the rock storage facilities adjacent to the pit.

The process plant flowsheet designs were based on testwork results and industry-standard practices. The flowsheet was developed for optimum recovery while minimizing capital expenditure and life of mine operating costs. The process methods are conventional to the industry. The comminution and recovery processes are widely used with no significant elements of technological innovation.

Based on the assumptions and parameters presented in this report, the Cordero Feasibility Study shows positive economics (i.e., \$1,177 million post-tax NPV (5%) and 22.0% post-tax IRR). The feasibility study supports a decision to carry out additional detailed studies.

Discovery Silver's mineral exploration activities are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local and indigenous people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a material adverse impact on the operations and financial position of Discovery Silver. In addition, as governments continue to struggle with deficits and concerns over the effects of depressed economies, the mining and metals sector has been targeted to raise revenue. Governments are continually assessing the fiscal terms of the economic rent for a mining company to exploit resources in their countries. The occurrence of election cycles and subsequent changeover of governments and personnel and mining regime changes adds uncertainties that cannot be accurately predicted and any future adverse changes in government policies or legislation in the jurisdictions in which Discovery Silver operates that affect foreign ownership, mineral exploration, development or mining activities, may affect the Discovery Silver's viability and profitability.

## Recommendations

Discovery Silver are awaiting a permitting decision (EIA) from Semarnat. The following recommendations are suggested to further derisk the project by progressing key areas such as exploration, mining, hydrogeology, infrastructure and environmental and permitting considerations. Discovery Silver intend to make a decision on FEED design after completion of the feasibility study in line with permitting timeline, which will further define the project and confirm costing and will be the starting point of the EPCM. EPCM will commence when the company will make a construction decision, which will follow receipt of permitting and finalization of financing process. Table below summarizes recommended work after Feasibility Study and before a construction decision is made.

**Table 0-13: Phase 1 Recommended Work Program**

<b>Program Component</b>	<b>Estimated Total Cost (\$M)</b>
<i>Exploration</i>	<i>0.8</i>
<i>Metallurgical Testwork</i>	<i>0.1</i>
<i>Mine Engineering</i>	<i>0.3</i>
<i>Mine Plan</i>	<i>0.1</i>
<i>Hydrogeology</i>	<i>0.2</i>
<i>Groundwater Development Work Plan</i>	<i>3.3</i>
<i>Tailings Storage Facility</i>	<i>1.6</i>
<i>Site Wide Water Balance</i>	<i>0.5</i>
<i>Environmental Studies, Permitting and Social Considerations</i>	<i>0.5</i>
<b>Total</b>	<b>7.4</b>

For additional information with respect to the Cordero Project and the business of the Corporation, readers are referred to the Cordero Technical Report, incorporated by reference herein, and available electronically under the Corporation's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## DIVIDENDS AND DISTRIBUTIONS

There are no restrictions that prevent the Corporation from paying dividends or distributions. However, the Corporation has not paid any dividends or distributions on its Common Shares since incorporation and there are no plans to pay dividends at this time. At present, all available funds are invested to finance the growth of the Corporation and the exploration and development of its mineral properties. Any decision to pay dividends on its Common Shares in the future will be made by the Board from time to time, in its discretion, on the basis of many factors, including Discovery's earnings, operating results, financial condition, and anticipated cash needs and other conditions existing at such time.

## DESCRIPTION OF CAPITAL STRUCTURE

### Shares

The Corporation is authorized to issue an unlimited number of Common Shares. There are 396,639,715 Common Shares issued and outstanding as of the date of this AIF. Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Corporation, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares are entitled to receive on a pro rata basis such dividends on such Common Shares, if any, as and when declared by the Board at its discretion from funds legally available therefor, and, upon the liquidation, dissolution, or winding up of the Corporation, are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions, and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any preemptive, subscription, redemption, retraction, surrender, or conversion or exchange rights, nor do they contain any sinking or purchase fund provisions.

### Warrants

The Corporation does not have any Warrants issued and outstanding as of the date of this AIF.

### Options

The Corporation has adopted a Stock Option Plan (the "**Option Plan**") pursuant to which the Board may grant stock options (each, an "**Option**") to directors, officers, employees, and consultants of the Corporation and its affiliates. On the exercise of an Option and the payment to the Corporation of the applicable exercise price therefor, the holder thereof will be entitled to receive the equivalent number of Common Shares.

The Board may set vesting terms at the time of issuance of any Options. Options do not entitle the holders thereof to voting rights, dividend rights, or rights on dissolution or winding-up.

The maximum number of Common Shares reserved for issuance under the Option Plan, the RSU Plan (defined below), and the DSU Plan (defined below), including pursuant to Options, RSUs and DSUs currently outstanding, is equal to 10% of the Common Shares outstanding from time to time (the "**10% Maximum**"). The 10% Maximum is an "evergreen" provision, meaning that, following the exercise, termination, cancellation, or expiration of any Options, RSUs, or DSUs, a number of Common Shares equivalent to the number of options so exercised, terminated, cancelled, or expired would automatically become reserved and available for issuance.

The Corporation's current Option Plan is set out in the Corporation's Information Circular dated May 9, 2022, filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

### Restricted Share Units

The Corporation has adopted a Restricted Share Unit Plan ("**RSU Plan**") pursuant to which the Board may grant Restricted Share Units (each, an "**RSU**") to employees, officers, and consultants of the Corporation and its affiliates. On the redemption date of an RSU, the holder thereof will be entitled to receive the equivalent number of Common Shares, or a cash amount equal to the number of Common Shares multiplied by the applicable share price as set out in the RSU Plan, or a combination of cash and Common Shares, at the discretion of the Board.

The Board may set vesting terms at the time of issuance of any RSUs. RSUs may be cancelled on the holder’s cessation of engagement with the Corporation, subject to certain conditions set out in the RSU Plan. RSUs do not entitle the holders thereof to voting rights or rights on dissolution or winding-up.

A maximum of 7,000,000 Common Shares may be reserved for issuance under the RSU Plan. Further, the number of Common Shares that may be reserved for issuance under the RSU Plan are subject to the 10% Maximum, as described above.

The Corporation’s current RSU Plan is set out in the Corporation’s Information Circular dated May 9, 2022, filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The Board has authorized certain revisions to the RSU Plan which will be put to the Corporation’s shareholders for approval at the upcoming Annual General Meeting on May 15, 2024.

### Deferred Share Units

The Corporation has adopted a Deferred Share Unit Plan (“**DSU Plan**”) pursuant to which the Board may grant Deferred Share Units (each, a “**DSU**”) to directors of the Corporation and its affiliates. On the exercise of a DSU and the payment to the Corporation of the applicable exercise price therefor, the holder thereof will be entitled to receive the equivalent number of Common Shares.

The Board may set vesting terms at the time of issuance of any DSUs. DSUs may be cancelled on the holder’s cessation of engagement with the Corporation, subject to certain conditions set out in the DSU Plan. DSUs do not entitle the holders thereof to voting rights or rights on dissolution or winding-up.

A maximum of 3,000,000 Common Shares may be reserved for issuance under the DSU Plan. Further, the number of Common Shares that may be reserved for issuance under the DSU Plan are subject to the 10% Maximum, as described above.

The Corporation’s current DSU Plan is set out in the Corporation’s Information Circular dated May 9, 2022, filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). The Board has authorized certain revisions to the DSU Plan, which will be put to the Corporation’s shareholders for approval at the upcoming Annual General Meeting on May 15, 2024.

### Issued and Outstanding Securities

The following represents the Corporation’s current capital structure:

Designation of Security	Number of Shares Authorized	Outstanding on December 31, 2023	Outstanding on March 28, 2024
Common Shares	Unlimited	395,862,249	396,639,715
Options	Subject to 10% Maximum	19,993,658	19,320,325
Warrants	N/A	nil	nil
RSUs	Subject to 10% Maximum, not exceeding 7,000,000 Common Shares	3,491,631	5,793,165
DSUs	Subject to 10% Maximum, not exceeding 3,000,000 Common Shares	1,475,997	2,375,997

## Principal Shareholders

As at the date of this AIF, no person or company beneficially owns, directly or indirectly, or exercises control or direction over Common Shares carrying more than 10% of the outstanding voting rights attached to the Common Shares other than as follows:

Name	Designation of Security	Number of Securities Owned (as of the date of this AIF)	Percentage of Securities Owned (as of the date of this AIF)
2176423 Ontario Ltd.	Common Shares	89,531,054	22.6%
Jupiter Investment Management Limited	Common Shares	44,520,696	11.2%

## MARKET FOR SECURITIES

### Trading Activity and Volume

The Corporation's Common Shares currently trade on the TSX under the symbol "DSV".

The following table sets forth, for the periods indicated, the reported high and low trading prices (in Canadian dollars) for each period and the aggregate volume of trading of the Common Shares on the TSX during the year ended December 31, 2023.

Month	Monthly High Price	Monthly Low Price	Monthly Volume
January	\$ 1.54	\$ 1.32	4,888,600
February	\$ 1.50	\$ 1.00	6,677,000
March	\$ 1.38	\$ 1.00	9,533,700
April	\$ 1.33	\$ 1.02	15,839,600
May	\$ 1.22	\$ 0.92	7,076,600
June	\$ 1.05	\$ 0.72	10,064,300
July	\$ 0.92	\$ 0.78	3,270,200
August	\$ 0.89	\$ 0.73	3,685,300
September	\$ 0.96	\$ 0.67	7,925,500
October	\$ 0.75	\$ 0.56	9,053,800
November	\$ 0.91	\$ 0.56	6,924,900
December	\$ 0.94	\$ 0.67	6,807,500

### Prior Sales

#### *Non-Trading Securities – Warrants*

In the twelve months ended December 31, 2023, the Corporation did not issue any warrants and did not have any warrants issued and outstanding.

### ***Non-Trading Securities – Options***

In the twelve months ended December 31, 2023, the Corporation issued the following Options:

<b>Date of Grant</b>	<b>Number of Options Granted</b>	<b>Exercise Price (C\$)</b>	<b>Expiry Date</b>
January 26, 2023	1,600,000	\$1.42	January 26, 2028

As at the date of this AIF, there were 19,320,325 Common Shares issuable upon the exercise of outstanding Options at a weighted average exercise price of C\$1.42 per Common Share.

### ***Non-Trading Securities – Restricted Share Units and Deferred Share Units***

The Corporation had 3,491,631 RSUs and 1,475,997 DSUs outstanding as at December 31, 2023. The Corporation's RSU Plan and DSU Plan were reapproved by shareholders at the Corporation's Annual General Meeting on May 12, 2023.

The Corporation issued 3,079,000 RSUs in the period from December 31, 2023, to the date of this AIF. One third of the RSUs vest on March 5, 2025, one third vest on March 5, 2026, and the final third vest on March 5, 2027. RSUs must be redeemed within 30 days of the vesting date. A total of 777,466 RSUs vested and were redeemed on March 18, 2024 with the remaining 2/3rds vesting 1/3<sup>rd</sup> on January 26, 2025 and 1/3<sup>rd</sup> on January 26, 2026.

The Corporation issued 900,000 DSUs in the period from December 31, 2023, to the date of this AIF. The DSUs all vest on the first anniversary of the grant date, or March 5, 2025.

### **Share Ownership by Directors and Executive Officers**

As at December 31, 2023, and as at the date of this AIF, the directors and executive officers of the Corporation, as a group, beneficially owned, or exercised control or direction over, directly or indirectly, an aggregate of 6,263,069 Common Shares and 6,369,142 Common Shares, respectively, representing approximately 1.6% and 1.6%, respectively, of the issued and outstanding Common Shares as of such dates.

On a partially diluted basis, assuming the exercise of all Options, RSUs and DSUs the directors and executive officers of the Corporation, as a group beneficially owned, or exercised control or direction over, directly or indirectly, an aggregate of 22,203,620 Common Shares representing approximately 5.4% of the issued and outstanding Common Shares as of December 31, 2023.

As at the date of this AIF, the group beneficially owned, or exercised control or direction over, directly or indirectly, on a partially diluted basis, an aggregate of 27,194,000 Common Shares representing approximately 6.5% of the issued and outstanding Common Shares.

### DIRECTORS AND OFFICERS OF THE CORPORATION

As of the date of this AIF, the name, province or state and country of residence, position or office held with the Corporation, and principal occupation for the immediately preceding five years of each of the directors and executive officers of the Corporation are as follows, with all companies listed still carrying on business as of the date hereof unless otherwise noted.

<b>Name, Position, Residence</b>	<b>Principal Occupation for Five Preceding Years</b>	<b>Director Since</b>
TONY MAKUCH <sup>(4)(8)</sup> Ontario, Canada President, CEO and Director	Current President and CEO and prior Interim CEO of Discovery Silver Corp. since June 2022. Chair of the Board of Wallbridge Mining Company Limited since April 2022, previously a board member since December 2019. Board member of Karora Resources Inc. since August 2023 and West Red Lake Gold Mines Ltd. since June 2023. Former President and CEO of Kirkland Lake Gold Ltd. prior to their merger with Agnico Eagle Mines Limited, from 2016 to 2022.	April 11, 2022
ANDREAS L'ABBÉ Ontario, Canada CFO and Corporate Secretary	CFO of Discovery Silver Corp. since December 2017 and Corporate Secretary of Discovery Silver Corp. since August 2018. Director of Finance at Tahoe Resources Inc. from October 2015 to May 2017.	N/A
GERNOT WOBER Ontario, Canada VP Exploration	VP of Exploration of Discovery Silver Corp. since July 2018. VP Exploration at Osisko Mining Corp. (formerly Oban Mining Corp.) from January 2015 to June 2018.	N/A
FORBES GEMMELL Ontario, Canada VP Corporate Development	VP of Corporate Development of Discovery Silver Corp. since January 2020. VP of Corporate Development at Guyana Goldfields Inc. from 2015 to 2019.	N/A
DIMITRY DEMIANYUK, Vancouver, Canada VP, Projects	Vice President of Projects at Discovery Silver Corp. and prior Director of Projects since October 2021. Previously held key project development roles with Nevsun Resources, PureGold Mining, Frontera Mining, JDS Energy & Mining, Rio Tinto and Newcrest	N/A
GORDON LEAVOY Ontario, Canada VP Mineral Processing	VP Mineral Processing at Discovery Silver Corp. since June 2023. Vice President Mineral Processing and Accountable Executive Officer for tailings at Kirkland Lake Gold Inc. from 2017 to 2022.	N/A
ROMAN SOLIS Sonora, Mexico SVP Mexico	VP Mexico of Discovery Silver Corp. since January 2023 and previously Country Manager of Discovery Silver Corp. since January 2018.	N/A
JOSÉ JABALERA Chihuahua, Mexico VP Corporate Affairs and Sustainability, Mexico	VP of Corporate Affairs and Sustainability, Mexico since February 2023. General Director of Mining Development in the Federal Ministry of Economy, Mexico from 2019 to 2022.	N/A

<b>Name, Position, Residence</b>	<b>Principal Occupation for Five Preceding Years</b>	<b>Director Since</b>
MURRAY JOHN <sup>(3)(4)</sup> British Columbia, Canada Director and Chairman	Retired mining engineer, investment fund manager and mining industry executive. He is also Chairman of Prime Mining Corp., Lead Director of O3 Mining Inc., and a Director of Osisko Gold Royalties Ltd.	June 27, 2017
JEFF PARR <sup>(3)(4)</sup> Ontario, Canada Director	Vice Chair of the Board of Agnico Eagle Mines Limited and prior to the merger of the two companies, served as Chair of the Board of Kirkland Lake Gold Ltd. from May 2019 and previously Director and Audit Committee Chair from November 2016 to May 2019.	August 20, 2017
MOIRA SMITH <sup>(5)</sup> Nevada, USA Director	Corporate Technical Advisor for Liberty Gold Corp. since January 2023. Former Vice President, Exploration and Geoscience of Liberty Gold Corp. and President of Pilot Gold USA Inc.	June 26, 2019
DANIEL VICKERMAN <sup>(3)(6)(7)</sup> Andorra Director	Senior Vice President, Corporate Development and Director of Blackrock Silver Corp. Former Managing Director, Head of UK of Beacon Securities UK, Formerly Chairman of the Board of Directors of Levon Resources Ltd.	August 2, 2019
JENNIFER WAGNER <sup>(4)(5)(6)</sup> Ontario, Canada Director	Lawyer, former Executive Vice President of Corporate Affairs and Sustainability of Kirkland Lake Gold from March 2021 to March 2022, previously the former SVP Corporate Affairs and VP Legal of Kirkland Lake Gold from 2015 to March 2021.	March 12, 2021
BARRY OLSON <sup>(3)(5)(7)</sup> Idaho, USA Director	Advisory Committee member for Agnico Eagle Mines Limited and a former Director of Kirkland Lake Gold prior to the merger of the two companies. Formerly Senior VP of Project Development at Goldcorp Inc. responsible for successful development of the Peñasquito mine in Mexico.	August 21, 2023

Notes:

- (1) This information, not being within the knowledge of the Corporation, has been furnished by the respective nominees. Information provided as at the date of this AIF.
- (2) The Corporation does not set expiry dates for the terms of office of Directors. Each Director holds office as long as he is elected annually by Shareholders at Annual General Meetings, unless his office is earlier vacated in accordance with the Articles of the Corporation.
- (3) Member of the Audit Committee.
- (4) Member of the Compensation Committee.
- (5) Member of the Sustainability Committee.
- (6) Member of the Nominating and Governance Committee.
- (7) Member of the Technical Committee
- (8) Daniel Vickerman was appointed to the Board of Directors on completion of the acquisition of Levon Resources Ltd. on August 2, 2019.
- (9) Tony Makuch was appointed Interim CEO on June 3, 2022, and appointed President and CEO on January 23, 2023.

The term of office of each of the Corporation’s directors expires at the Corporation’s next Annual General Meeting (“AGM”) at which directors are elected for the upcoming year or when his successor is duly elected, or earlier in accordance with the by-laws of the Corporation. The next scheduled AGM is expected to be held on May 15, 2024.

At the date of this AIF, the number and percentage of securities of each class of voting securities of the Corporation or any of its subsidiaries beneficially owned, or controlled or directed, directly or indirectly, by all directors and executive officers of the Corporation are as follows:

<b>Designation of Security</b>	<b>Number of Security Owned by Directors and Officers, as a Group</b>	<b>Percentage of Securities Owned by Directors and Officers, as a Group</b>
Common Shares	6,369,142	1.6%
Options	13,666,300	70.7%
RSUs	4,782,561	82.6%
DSUs	2,375,997	100%

#### **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES, OR SANCTIONS**

Except as disclosed below no director or executive officer of Discovery is, as at the date of this AIF, or has been, within 10 years before the date of this AIF, a director, chief financial officer, or chief executive officer of any company (including the Corporation) that:

- (a) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (any such order, an “**Order**”) that was issued while that person was acting in that capacity; or
- (b) was subject to an Order that was issued after that person ceased to act in such capacity and which Order resulted from an event that occurred while that person was acting in that capacity.

No director or executive officer of the Corporation, or shareholder holding a sufficient number of Common Shares to materially affect the control of the Corporation:

- (a) is, at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold his or her assets.

No director or executive officer of the Corporation holding a sufficient number of securities of the Corporation to affect, materially, the control of the Corporation has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The information contained in this AIF as to ownership of securities of the Corporation, corporate cease trade orders, bankruptcies, penalties, or sanctions, and existing or potential conflicts of interest, not being within the knowledge of the Corporation, has been provided by each director and executive officer of the Corporation individually.

Murray John was a director of African Minerals Limited, a company that through an insolvency process appointed Deloitte LLP as its administrator on March 26, 2015.

#### **CONFLICTS OF INTEREST**

Except as disclosed herein, to the knowledge of management of the Corporation, there are no existing or potential material conflicts of interest between the Corporation and any of its subsidiaries and any director or officer of the Corporation. Directors and officers of the Corporation may serve as directors and/or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Corporation or any of its subsidiaries may participate, the directors of the Corporation may have a conflict of interest in negotiating and conducting terms in respect of such participation. If such conflict of interest arises at a meeting of the Board, a director who has such a conflict is required to disclose such conflict and abstain from voting for or against the approval of such participation or such terms.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Except as otherwise disclosed in this AIF, the Corporation is not currently, and has not at any time during its most recently completed financial year, been a party to, nor has any of its property been the subject of, any material legal proceedings or regulatory actions. The Corporation is not aware of any such proceedings or actions threatened or known to be contemplated.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed in this AIF, no director, executive officer, or shareholder beneficially owning or exercising control or direction over, directly or indirectly, more than 10% of the Common Shares, and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction during the current fiscal year or within the three most recently completed financial years or in any proposed transaction which, in either such case, has materially affected or is reasonably expected to materially affect the Corporation.

#### **TRANSFER AGENT AND REGISTRAR**

As of the date of this AIF, the registrar and transfer agent for the Corporation's Common Shares is TSX Trust Company, located at 650 West Georgia Street, Suite 2700, Vancouver, BC V6B 4N9.

#### **MATERIAL CONTRACTS**

The only material contracts entered into by the Corporation, during the financial year ended December 31, 2023, and from January 1, 2024, until the date of this AIF, or before the financial year ended December 31, 2023, but which are still in effect, are all in the normal course of business and have therefore not been filed with the Canadian securities regulatory authorities.

## INTERESTS OF EXPERTS

The Corporation relies on experts to audit its annual consolidated financial statements, and to prepare mineral resource estimates on certain of the Corporation’s mineral properties, and related technical reports.

### Qualified Persons

Each of the authors of the following Technical Reports referenced in this AIF is a Qualified Person:

Technical Report	Qualified Person
<p><i>Cordero Silver Project: NI 43-101 Technical Report &amp; Feasibility Study (Chihuahua State, Mexico)</i> (February 16, 2024) and a report date of [March 28, 2024]</p>	<p>Tommaso Roberto Raponi, P. Eng., Ausenco Engineering Canada ULC Jonathan Cooper, P. Eng., Ausenco Engineering Canada ULC Scott Weston, P. Geo., Ausenco Sustainability ULC John McCartney, C. Geol., Ausenco Chile Limitada Willie Hamilton, P. Eng., AGP Mining Consultants Inc. Rae Mohan Srivastava, P. Geo., Red Dot 3D Inc. Nadia Caira, P. Geo., Discovery Silver Corp. Humberto Preciado, PE, WSP USA Environment &amp; Infrastructure Inc. Blake Easby, PE, WSP USA Environment &amp; Infrastructure Inc.</p>

Based on information provided by the experts as at the date of this AIF, the experts named above did not have any registered or beneficial interest, direct or indirect, in any securities or other property of the Corporation or one of its associates or affiliates, when the experts prepared their respective reports, and no securities or other property of the Corporation or one of its associates or affiliates were subsequently received or are to be received by such experts.

### Auditors

The Corporation’s Independent Registered Public Accounting Firm is PricewaterhouseCoopers LLP (“**PwC**”), Chartered Professional Accountants, Licensed Public Accountants, who have issued an independent auditor’s report dated March 28, 2024, in respect of the Corporation’s consolidated financial statements as at December 31, 2023 and 2022 and for the years then ended. PwC has advised that it is independent with respect to the Corporation within the meaning of the Chartered Professional Accountants of Ontario CPA Code of Professional Conduct.

## BOARD COMMITTEES

The Board has five standing committees: (i) Audit; (ii) Compensation; (iii) Nominating and Corporate Governance; (iv) Technical; and (v) Sustainability. Details as to the composition and mandate of the audit committee of the Board (the “**Audit Committee**”), are described in this AIF under the heading “*Information Concerning the Audit Committee and External Auditor*”; details related to the mandates and composition of the Compensation, Nominating and Governance, and Sustainability Committees are described in the Corporation’s Information Circular dated March 31, 2023, filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

## INFORMATION CONCERNING THE AUDIT COMMITTEE AND EXTERNAL AUDITOR

### Audit Committee Charter

The Corporation’s Audit Committee has a written charter to follow in carrying out its audit and financial review functions (the “**Audit Committee Charter**”), a copy of which is attached to this AIF as Schedule A. The Audit Committee reviews all financial statements of the Corporation prior to their publication, reviews audits, considers the adequacy of audit procedures, recommends the appointment of independent auditors, reviews and approves the professional services to be rendered by them, and reviews fees for audit services. The Audit Committee meets separately (without management present) with the Corporation’s auditors to discuss the various aspects of the Corporation’s financial statements and the independent audit.

The Corporation has also adopted a code of business conduct and ethics (the “**Code of Ethics**”) that applies to all personnel of the Corporation. A copy of the Code of Ethics is attached as Schedule B to this AIF. Employees of the Corporation are encouraged to report suspected violations of the Code of Ethics to the ‘Complaints Officer’. The Complaints Officer is the Chair of the Audit Committee. In addition, the Corporation has established a 24/7, 365 day a year confidential whistleblower hotline operated by an external service provider.

### **Composition of the Audit Committee**

The Audit Committee was constituted on September 13, 2017, by resolution of the Board. As of the date of this AIF, the members of the Audit Committee are Jeffrey Parr, Murray John, and Daniel Vickerman, each of whom is “independent” and “financially literate” for the purposes of National Instrument 52-110 – *Audit Committees*.

### **Relevant Education and Experience**

The following is a description of the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member:

#### **Jeffrey Parr**

Mr. Parr is a Chartered Professional Accountant (CPA, CA 1984) and holds a Master of Business Administration from McMaster University and a Bachelor of Arts in Economics from the University of Western Ontario. Mr. Parr has over 30 years of executive management experience in the mining and service provider industries. He joined Centerra Gold in 2006 and was appointed Chief Financial Officer in 2008 where he served until his retirement in 2016. From 1997 to 2006 he worked for Acres International as Chief Financial Officer and from 1988 to 1997, held progressively senior financial positions at WMC International (a subsidiary of Western Mining Corporation responsible for operations and exploration in the Americas), ultimately serving as the Corporation’s Executive Vice President. He is also Vice Chair of the Board of Directors of Agnico Eagle Mines Limited.

Mr. Parr is a member of the Canadian Institute of Chartered Professional Accountants and has obtained the ICD.D designation from the Institute of Corporate Directors.

#### **Murray John**

Mr. John currently serves as Chair of Prime Mining Corp. and is a Director of Osisko Gold Royalties Ltd. Prior to his retirement in December 2014, he was the President and CEO of Dundee Resources Limited, and Managing Director and a Portfolio Manager with Goodman & Company, Investment Counsel Inc., where he was responsible for managing Private Equity resource and precious metals focused mutual funds and flow-through limited partnerships. He is also a former director of several other public companies including Breakwater Resources Ltd., Dundee Precious Metals Inc., and Osisko Mining Inc and O3 Mining Inc. Mr. John is a mining engineer and has been involved with the resource investment industry since 1992 working as an investment banker, buy-side mining analyst, sell-side mining analyst, and portfolio manager.

#### **Daniel Vickerman**

Mr. Vickerman joined the Board through Discovery’s Levon Transaction, as described above, where he was Board Chairman. Mr. Vickerman is a seasoned institutional sales and corporate finance professional with 25 years of experience in the financial industry. Mr. Vickerman is currently the Senior Vice President of Corporate Development of Blackrock Silver and formerly, Managing Director, Head of UK of Beacon Securities UK from 2016 to 2019 and former Managing Director, Head of UK for Edgecrest Capital. Prior to joining Edgecrest Capital UK, Mr. Vickerman was Managing Director, Co-Head of Canadian Equity Sales UK at Canaccord Genuity. Mr. Vickerman also formerly worked at Thomas Weisel Partners where he served as Senior Vice President. Daniel spent over four years at a London based alternative asset manager with over \$400 million AUM, trading commodities and FX. Mr. Vickerman has extensive experience working with mineral exploration and development companies, raising over \$1 billion for private and listed companies. Recently Mr. Vickerman has raised over \$100 million for U.S and Canadian Cannabis companies. He holds a Bachelor of Arts, Economics from the University of Western Ontario.

## **Barry Olson**

Mr. Olson has over 30 years' experience in strategic management and leadership in engineering, construction, start-up and operations of large-scale mining projects. Prior to his retirement in 2013, Barry was Senior Vice President of Project Development with Goldcorp Inc. During his time with Goldcorp (2006 – 2013) Barry was responsible for the successful development of Peñasquito, the largest open pit mine in Mexico, on schedule and on budget, as well as other major development projects in Chile, Argentina and Canada. Prior to Goldcorp, Barry held general manager roles with Coeur Mining Inc. (2001 – 2006) and Amax Gold Inc. (1988 – 1998). Barry is currently on the Advisory Committee for Agnico Eagle Mines Ltd. and is also a former Director of Kirkland Lake Gold Inc. (2014 – 2021).

## **Auditors**

PricewaterhouseCoopers has been the Corporation's external auditor since September 13, 2017. The Auditors conduct the annual audit of Discovery's consolidated financial statements and on occasion, provides audit-related, tax and other services. The Auditors report to the Audit Committee.

## **Reliance on Certain Exemptions**

Since the commencement of the financial year ended December 31, 2023, Discovery has not relied on any of the following:

- (a) the exemption in section 2.4 of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) (De Minimis Non-audit Services);
- (b) the exemption in section 3.2 of NI 52-110 (*Initial Public Offerings*);
- (c) the exemption in section 3.4 of NI 52-110 (*Events Outside Control of Member*);
- (d) the exemption in section 3.5 of NI 52-110 (*Death, Disability or Resignation of Audit Committee Member*);
- (e) an exemption from of NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*);
- (f) the exemption in subsection 3.3(2) of NI 52-110 (*Controlled Companies*);
- (g) the exemption in section 3.6 of NI 52-110 (*Temporary Exemption for Limited and Exceptional Circumstances*); or
- (h) the exemption in section 3.8 of NI 52-110 (*Acquisition of Financial Literacy*).

## **Audit Committee Oversight**

At no time during the fiscal year ended December 31, 2023, or the fiscal year ended December 31, 2022, was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

## **Pre-Approval Policies and Procedures**

As of the date of this AIF, the Audit Committee has not adopted specific policies or procedures for the engagement of non-audit services however as a best practice, any non-audit service provided to the date of this AIF has had formal approval by the Audit Committee.

## **External Auditor Service Fees**

The following table shows the fees paid, net of 7% administrative surcharge, by the Corporation to the Auditors for services in the years ended December 31, 2023, and December 31, 2022:

	<b>Year Ended December 31, 2023</b>	<b>Year Ended December 31, 2022</b>
Audit Fees	\$215,297	\$203,745
Audit-Related Fees	\$nil	\$nil
Tax Fees	\$18,680	\$16,927
All Other Fees	\$nil	\$18,136
<b>Total</b>	<b>\$233,977</b>	<b>\$238,809</b>

For 2023, the external auditors have billed work of approximately \$80,000 for annual audit fees that will be paid in 2024 (\$60,000 of billed work from 2022 was paid in 2023).

#### **ADDITIONAL INFORMATION**

Additional information, including particulars of directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Corporation's Information Circular dated March 31, 2023. Additional financial information is also provided in Audited Financial Statements, and the related MD&A.

A copy of such documents, and of this AIF, as well as additional information relating to the Corporation, is available on SEDAR+ under the Corporation's profile at [www.sedarplus.ca](http://www.sedarplus.ca). Copies may also be obtained upon request from the Corporate Secretary of the Corporation. The Corporation may require payment of a reasonable charge if the request is made by a person who is not a holder of securities of the Corporation. Information on the Corporation's website is not part of this AIF or incorporated by reference.

Additional information relating to the Corporation may be found on SEDAR+ under the Corporation's profile at [www.sedarplus.ca](http://www.sedarplus.ca).

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## SCHEDULE A – AUDIT COMMITTEE CHARTER

This Charter governs the operations of the Audit Committee (the “**Committee**”) of Discovery Silver Corp. (“**Discovery Silver**” or the “**Corporation**”).

### PURPOSE

The purpose of the Committee shall be to provide assistance to the Board of Directors (the “**Board**”) in fulfilling its oversight responsibility to the shareholders of the Corporation, potential shareholders, the investment community and others, relating to: (i) the integrity of the Corporation’s financial statements; (ii) the Corporation’s compliance with legal and regulatory requirements relating to disclosure of financial information and any other matters as may be required; and (iii) the independent auditors’ qualifications and independence.

The Committee shall retain and compensate such outside legal, accounting or other advisors as it considers necessary in discharging its role. In fulfilling its purpose, the Committee shall maintain free and open communication between the Committee, the independent auditors and management of the Corporation, and determine that all parties are aware of their responsibilities.

### COMPOSITION

- The Committee shall be composed of three or more directors as shall be designated by the Board from time to time.
- Sufficient members of the Committee shall be “independent” and “financially literate” (as such terms are defined under applicable securities laws and exchange requirements for audit committee purposes) so as to comply with applicable securities laws and stock exchange rules.
- Each member of the Committee shall be able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement.
- At least one member of the Committee shall have sufficient experience to be considered a Financial Expert, where such determined by having been a chief financial officer, chartered or certified public accountant, certified management accountant, or partner of an accounting firm.
- Members of the Committee shall be appointed at a meeting of the Board, typically held immediately after the annual shareholders’ meeting. Each member shall serve until his/her successor is appointed unless he/she shall resign or be removed by the Board, or he/she shall otherwise cease to be a director of the Corporation. Any member may be removed or replaced at any time by the Board.
- Where a vacancy occurs at any time in the membership of the Committee, it may be filled by a vote of a majority of the Board.
- The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a chair by vote of a majority of the full Committee membership. The Chair of the Committee shall be an independent director (as described above); the position of Chair of the Committee shall not be filled by the current Chair of the Board.
- If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee present at the meeting shall be chosen by the Committee to preside.
- The Committee shall appoint a secretary (the “**Secretary**”) who need not be a member of the Committee or a director of the Corporation. The Secretary shall keep minutes of the meetings of the Committee. This role is normally filled by the Secretary of the Corporation.
- No Committee member shall simultaneously serve on the audit committee of more than two other public companies with active business operations or significant assets.

## MEETINGS

- The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements, provided that meetings of the Committee shall be convened whenever requested by the external auditors (the “**Independent Auditors**”) or any member of the Committee.
- The Chair of the Committee shall prepare and/or approve an agenda in advance of each meeting.
- Notice of the time and place of every meeting may be given orally, in writing, by facsimile or by e-mail to each member of the Committee at least 48 hours prior to the time fixed for such meeting.
- A member may in any manner waive notice of the meeting. Attendance of a member at the meeting shall constitute waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.
- Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.
- A majority of Committee members, present in person, by video-conference, by telephone or by a combination thereof, shall constitute a quorum.
- If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.
- If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.
- At all meetings of the Committee, every question shall be decided by a majority of the votes cast. In case of an equality of votes, the matter will be referred to the Board for decision. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully effective as if it had been made at a meeting duly called and held.
- The CEO and CFO are expected to be available to attend meetings, but a portion of every meeting will be reserved for in camera discussion without the CEO or CFO, or any other member of management, being present.
- The Committee may by specific invitation have other resource persons in attendance such officers, directors and employees of the Corporation and its subsidiaries, and other persons, including the Independent Auditors, as it may see fit, from time to time, to attend at meetings of the Committee.
- The Board may at any time amend or rescind any of the provisions hereof, or cancel them entirely, with or without substitution.
- The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee.
- Minutes of Committee meetings shall be sent to all Committee members.
- The Chair of the Committee shall report periodically the Committee’s findings and recommendations to the Board.

## DUTIES AND RESPONSIBILITIES

The Committee has the responsibilities and powers set forth in this Charter. Management is responsible for the preparation, presentation and integrity of the Corporation’s financial statements, for the appropriateness of the accounting principles and reporting policies that are used by the Corporation and for implementing and maintaining internal control over financial

reporting. The Independent Auditors are responsible for auditing the Corporation's financial statements and, if requested by the Committee, for reviewing the Corporation's unaudited interim financial statements.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the Independent Auditors as well as any officer of the Corporation, or legal counsel for the Corporation, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Corporation and has the authority to retain, at the expense of the Corporation, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.

The Corporation believes that, in carrying out the Committee's responsibilities, its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee will take appropriate actions to set the overall corporate "tone" for quality financial reporting and ethical behaviour.

The following shall be the principal duties and responsibilities of the Committee and the Chair of the Committee (the "Chair"). These are set forth as a guide with the understanding that the Committee may supplement them as it considers appropriate.

#### Chair

To carry out its oversight responsibilities, the Chair of the Committee shall undertake the following:

- provide leadership to the Committee with respect to its functions as described in this Charter and as otherwise may be appropriate, including overseeing the logistics of the operations of the Committee;
- chair meetings of the Committee, unless not present (including in camera sessions), and report to the Board following each meeting of the Committee on the findings, activities and any recommendations of the Committee;
- ensure that the Committee meets on a regular basis and at least four times per year;
- in consultation with the Committee members, establish a calendar for holding meetings of the Committee;
- establish the agenda for each meeting of the Committee, with input from other Committee members, and any other parties, as applicable;
- ensure that Committee materials are available to any director on request;
- act as liaison and maintain communication with the Chair of the Board (or Lead Director if an individual other than the Chair) and the Board to optimize and coordinate input from Board members, and to optimize the effectiveness of the Committee. This includes, at least annually and at such other times and in such manner as the Committee considers advisable, reporting to the full Board on:
  - all proceedings and deliberations of the Committee;
  - the role of the Committee and the effectiveness of the Committee in contributing to the objectives and responsibilities of the Board as a whole; and
  - principal operating and business risks identified by management and how each are either mitigated or managed.
- ensure that the members of the Committee understand and discharge their duties and obligations;
- foster ethical and responsible decision making by the Committee and its individual members;
- encourage Committee members to ask questions and express viewpoints during meetings;
- together with the Corporate Governance and Nominating Committee, oversee the structure, composition, membership and activities delegated to the Committee from time to time;
- ensure that resources and expertise are available to the Committee so that it may conduct its work effectively and efficiently and pre-approve work to be done for the Committee by consultants;
- facilitate effective communication between members of the Committee and management;

- encourage the Committee to meet in separate, regularly scheduled, non-management, closed sessions with the Independent Auditors;
- attend each meeting of shareholders to respond to any questions from shareholders as may be put to the Chair; and
- perform such other duties and responsibilities as may be delegated to the Chair by the Board from time to time.

#### Committee

- The Committee shall be responsible for advising the Board, for the Board's recommendation to shareholders, in respect of the appointment, compensation and retention of the Independent Auditors.
- The Committee shall be directly responsible for the oversight of the work of the Independent Auditors (including resolution of any disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, and the Independent Auditors must report directly to the Committee.
- At least annually, the Committee shall obtain and review a report by the Independent Auditors describing: (i) the firm's internal quality control processes; (ii) any sanctions made by any government or professional authorities respecting independent audits carried out by the firm and any steps taken to deal with any such issues; and (iii) all relationships between the Independent Auditors and the Corporation.
- After reviewing the foregoing report and the Independent Auditors' work throughout the year, and after receiving written confirmation from the auditors declaring their independence, the Committee shall evaluate the auditors' qualifications, performance and independence. Such evaluation shall include the review and evaluation of the lead partner of the Independent Auditors and take into account the opinions of management and any other Corporation personnel involved in the preparation of the Corporation's financial statements.
- The Committee shall determine that the Independent Auditors have a process in place to address the rotation of the lead audit partner and other audit partners servicing the Corporation's account as required under Canadian independence standards.
- The Committee shall pre-approve all audit and non-audit services provided by the Independent Auditors and shall only engage the Independent Auditors to perform non-audit services permitted by law or regulation. The Committee may delegate pre-approval authority to a member of the Audit Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.
- The Committee shall discuss with the Independent Auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation, as well as any procedures relating to attestation on the Corporation's Extractive Sector Transparency Measures Act ("ESTMA") reporting.
- The Committee shall regularly review with the Independent Auditors any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the Independent Auditors' activities or access to requested information, and management's response. The Committee shall also review with the auditors: any accounting adjustments that were noted or proposed by the auditors but were "passed" (as immaterial or otherwise); any communications between the audit team and the audit firm's national office relating to problems or difficulties encountered with respect to significant auditing or accounting issues; and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to the Corporation.
- The Committee shall review and recommend approval of the quarterly financial statements for submission to the Board, as well as the related management's discussion and analysis of financial condition and results of operations ("MD&A"), prior to the release and filing thereof. The Committee shall also discuss with the independent auditors the results of the auditors' quarterly review or other involvement in the preparation of the quarterly statements, as well as any other matters required to be communicated to the Committee by the independent auditors under applicable professional guidelines. The Committee shall discuss and review with management the quarterly certification with respect to financial matters mandated by applicable securities laws.
- The Committee shall review and recommend approval of the annual audited financial statements for submission to the Board, as well as the related MD&A, prior to the release and filing thereof. The Committee's review of the financial statements shall include: (i) consideration of any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation's selection or application of accounting

principles, any major issues as to the adequacy of the Corporation's internal controls and any specific remedial actions adopted in light of material control deficiencies; (ii) discussions with management and the Independent Auditors regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements and the reasonableness of those judgments; (iii) consideration of the effect of regulatory accounting initiatives, as well as off-balance sheet structures on the financial statements; (iv) consideration of the judgment of both management and the Independent Auditors about the quality of accounting principles; and (v) consideration of the clarity of the disclosure in the financial statements. The Committee shall also discuss with the Independent Auditors the results of the annual audit and any other matters required to be communicated to the Committee by the Independent Auditors under applicable professional guidelines. The Committee shall discuss and review with management the annual certification with respect to financial matters mandated by applicable securities laws.

- The Committee shall also receive and review a report from the Independent Auditors, prior to the release and filing of the Corporation's annual audited financial statements, on all critical accounting policies and practices of the Corporation, any potential alternative treatment of financial information within generally accepted accounting principles that have been discussed with management, including the ramifications of the use of such alternative treatment for the disclosure in the financial statements and the treatment preferred by the Independent Auditors, and all other material written communications between the Independent Auditors and management.
- The Committee shall review and approve all related party transactions not in the ordinary course of business in the absence of a special committee of the Board of Directors designated for such function.
- The Committee shall review all earnings press releases before they are issued and shall ensure that adequate procedures are in place for the review of any other public disclosure of financial information extracted or derived from the Corporation's financial statements.
- The Committee shall discuss with management and the Independent Auditors the adequacy and effectiveness of internal control over financial reporting, including any significant deficiencies or material weaknesses identified by management or the auditors in light of applicable securities laws requirements.
- The Committee shall review the results of procedures undertaken by the Independent Auditors relating to ESTMA reporting, and receive and review the auditor's reporting thereon.
- The Committee shall review with management the Corporation's compliance systems in light of applicable legal and regulatory requirements.
- The Committee shall review periodically with management the risk of the Corporation being subject to fraud and the controls in place to manage such risk.
- The Committee shall review financial summaries and disclosures made in accordance with the ESTMA, including but not limited to attestation reports made by a director or officer of the Corporation that the information in the report is true, accurate and complete in all material respects and that reasonable diligence has been exercised.
- The Committee shall ensure that the Corporation establish appropriate policies and procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- The Committee shall ensure that the Corporation has in effect clear hiring policies for partners, employees and former partners and employees of the Corporation's present and former Independent Auditors that meet applicable legal and regulatory requirements.
- The Committee shall, with the assistance of management, determine the appropriate funding needed by the Committee for payment of: (i) compensation to the independent audit firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; (ii) compensation to any advisers employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- To the extent the Corporation maintains an internal audit function, the Committee shall meet periodically with the internal auditors to discuss the overall scope and plans for the internal audit function, including approval of its mandate, and the adequacy and effectiveness of the Corporation's internal controls.

- The Committee shall ensure that the policies established pursuant to the Charter are communicated to the Board, the Corporation's management and employees and other parties as may be appropriate and to the best of its ability shall ensure that such policies are implemented by the audit committees of subsidiary companies where appropriate. The Committee shall also ensure that the necessary follow-up is undertaken with such other audit committees.
- The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.
- The Committee shall review and reassess the Charter at least annually.

#### ADOPTION

This Charter was adopted by the Board on December 12, 2017, and most recently reviewed and approved on November 13, 2023

## SCHEDULE B – CODE OF BUSINESS CONDUCT AND ETHICS

### Introduction

#### Introduction

The Code of Business Conduct and Ethics (the “Code”) has been adopted by the Board of Directors of Discovery Silver Corp. (“Discovery Silver”, the “Corporation” or the “Company”). This Code embodies the commitment of Discovery Silver and any subsidiaries - whether wholly or partially owned - (collectively, “Discovery Silver”) to conduct its business in accordance with all applicable laws, rules and regulations and high ethical standards. The actions of all Discovery Silver Directors, Officers, Management and employees shall reflect honesty, integrity and impartiality that is beyond doubt and that all business should be done in a manner that:

complies with applicable laws, rules and regulations;  
avoids conflicts of interest;  
protects confidential information, in accordance with the Corporation’s confidentiality policy; and  
adheres to good disclosure practices, in accordance with applicable legal and regulatory requirements.

To demonstrate our determination and commitment, the Company asks each Director, Officer and employee to review the Code periodically. Take the opportunity to discuss with management any circumstances that may have arisen that could be an actual or potential violation of these ethical standards of conduct.

Discovery Silver encourages all Directors, Officers, Management and employees to submit good faith complaints or concerns regarding Ethical Concerns as defined in the Whistle Blower Policy presented in this Manual of the Corporation without fear of reprisal.

The Company has a 24/7, 365 day a year confidential whistleblower hotline operated by an external service provider. You can report any violations of the Code through IntegrityCounts. This service is:

- Anonymous
- Easy to Use
- Immediate
- Bilingual Services (English and Spanish)
- Phone and web-based (email or website reporting)

WITHIN CANADA AND THE US DIAL 1-866-921-6714, 24 hours a day, 365 days a year.  
WITHIN MEXICO DIAL 800-099-0642, 24 hours a day, 365 days a year.

EMAIL: [DiscoverySilverCorp@integritycounts.ca](mailto:DiscoverySilverCorp@integritycounts.ca)

WEB: <https://app.integritycounts.ca/org/DiscoverySilverCorp>

If reporting via phone, you will be connected to the first available Call Assistant. You may give your name, or choose to remain anonymous. You will be given a personal Caller Identification Number (CIN), the only identification you will require when making subsequent calls to IntegrityCounts.

IntegrityCounts is an interactive service that puts you in touch with independent, trained professional assistants when you need help with sensitive information or issues relating to your place of employment. This includes issues such as:

- Fraud/Theft
- Discrimination
- Ethics Violations
- Substance Abuse
- Workplace Violence
- Harassment
- Conflicts of Interest

- Violations of Regulations
- Safety/Security Violations
- Malicious Property Damage
- Falsification of Company Records
- Release of Proprietary Information

#### What Happens After You Make the Call?

The Call Assistant will create a report with all pertinent information about the call and forward it to the appropriate authority. Reports received by IntegrityCounts will be sent to the Chair of the Audit Committee, the Chair of the Nominating and Corporate Governance Committee, or the Chair of the Board of Directors of the Company should the first two be implicated in the report. Discovery Silver takes these reports very seriously and will take the appropriate action to address the situation.

Reference should be made to the Company's Whistleblower Policy.

Those who violate the standards in this Code will be subject to disciplinary action, up to and including termination. If a situation exists or arises where an employee is in doubt, the Officers, Management, or employee should seek the advice from a member of the Board.

#### Compliance with Laws, Rules and Regulations

Discovery Silver is committed to compliance with all applicable laws, rules, and regulations in each jurisdiction in which it does business. All Directors, Officers, Management and employees must respect and obey the laws, rules and regulations of the cities, states and countries in which we operate. Employees, Officers and Directors should educate themselves on the laws, rules and regulations that govern their work, and seek advice from supervisors, managers or other appropriate individuals at the Corporation.

Employees, Officers and Directors who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. All non-public information about Discovery Silver (or about any other company) should be considered confidential information. To use non-public information for personal financial benefit or to "tip" others, including family members, who might make an investment decision on the basis of this information, is not only unethical but also illegal. Discovery Silver has adopted Confidentiality and Securities Trading Policy in order to prevent improper trading of securities of the Corporation and the improper communication of undisclosed material information. All Directors, Officers, Management and employees are expected to thoroughly understand and comply with such policy.

#### Responsibility for the Code

The Secretary of the Corporation maintains the Code and, with Management, is responsible for putting it into practice throughout the Corporation and monitoring its effectiveness. The Board must approve any changes to the Code before they can be made and put into practice.

#### Filing of Government Reports

Any reports or information provided by the Corporation, or on the Corporation's behalf, to federal, provincial, territorial, state, local or foreign governments must be true and accurate. All Directors, Officers, Management and employees are required to assist the Corporation in providing true and accurate reports and information. Any omission, misstatement or lack of attention to detail could result in a violation of the reporting laws, rules and regulations.

#### Bribes & Kickbacks

Bribes and kickbacks are common examples of unethical business practices. It is unethical to offer money or any type of reward to a government official, outside contractor, supplier or anyone else, directly or indirectly, in order to obtain or retain an improper advantage. If anyone takes part in these kinds of practices or any other unethical business

practices, they not only violate this Code, but they also damage the Corporation's reputation and put themselves, the Corporation and its Directors and Officers at risk of fines, charges and possibly incarceration.

When dealing with government representatives or officials and private parties, no improper payments will be tolerated. If anyone becomes aware of or receives any solicitation for, or offer of, money or a gift, that is intended to influence an official decision or business decision inside or outside the Corporation, it should be reported immediately to the CEO and the Chair of the Audit Committee.

#### Corruption of Foreign Public Officials Act

The Corruption of Foreign Public Officials Act (Canada), the Criminal Code (Canada), the General Law of Administrative Responsibilities (Mexico), the Code of Ethics for Public Servants of the Federal Government (Mexico), the Mexican Federal Criminal Code and the various Criminal Codes of Mexico's states contain certain prohibitions with respect to giving anything of value, directly or indirectly, to foreign government officials or certain other individuals in order to obtain, retain or direct business for or to any person. Accordingly, corporate funds, property or anything of value may not be, directly or indirectly, offered or given by a Director, Officer, Management or employee or an agent acting on the Corporation's behalf to a government official or employee, employee or agent of a state-owned or controlled enterprise, employee or agent of a public international organization, political party or official or any candidate for political office, including any family member or household member of any of the above, for the purpose of influencing any act or decision of such party or person or inducing such party or person to use his or her influence or to otherwise secure any improper advantage, in order to assist in obtaining or retaining business for, or directing business to, any person.

#### Conflicts of Interest

All Directors, Officers, Management and employees have an obligation to act in the best interests of Discovery Silver. Conflicts of interest can occur when a Director, Officer, Management or employee has a private interest in the outcome of a decision, or takes actions that make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise when a Director, Officer, Management or employee (or immediate family member), receives improper personal benefits as a result of the position of such Director, Officer, Management or employee with the Corporation. Loans to, or guarantees of obligations of, Directors, Officers, Management or employees and their family members may create conflicts of interest. All employees shall not engage in any outside work or business undertaking that interferes with the performance of their duties as employees of Discovery Silver and are not allowed to work for a competitor or potential competitor as an employee, consultant or Board member unless specifically authorized by the Chair of the Board for senior management or Board member conflicts and by the CEO or other senior management for all lower-level conflicts.

The Corporation respects the right of Officers and Directors to take part in financial, business or other activities outside of their position with Discovery Silver; however, they must not serve as Officers or Directors, or work as employees or consultants for, a direct competitor or an actual or potential business partner of Discovery Silver without prior approval of the Chair of the Board.

Discovery Silver Directors, Officers, Management or employees may not invest in or trade in shares of a direct competitor or an actual or potential business partner of the Corporation where such investment or trading may appear or tend to influence business decisions or compromise independent judgment. This prohibition does not apply to shares of a publicly traded company where such investment or trading relates to less than five percent of its issued shares. However, investing or trading in Discovery Silver's competitors or business partners remains subject to applicable laws and regulations regarding insider trading, including prohibitions against trading in possession of material non-public information regarding such companies, whether such information is gained in the course of employment with Discovery Silver or otherwise. Discovery Silver Directors, Officers, Management or employees must abide by the Company's Confidentiality and Insider Trading Policy.

Conducting Company business with a relative or significant other, or with a business in which a relative or significant other is associated in any significant role is a subset of conflicts of interest. However, such transactions may still be in the best interest of the Company and therefore permissible, provided that the decision process is fair and transparent, conflicts of interest are avoided, and pre-approval of the transaction is obtained from the CEO, or his/her delegate or

in the situation where the CEO is associated with such transaction, the Chair of the Board. All requests for pre-approvals will be assessed with on a case by case basis. Any transaction involving a Board member or an Officer of the Company will require pre-approval and disclosure of such transaction to the Chair of the Board, or the Chair of the Corporate Governance Committee if the transaction involves the Chair of the Board. In addition, the Company is required to disclose related party transactions under applicable accounting rules and securities regulations.

When it comes to the employment of relatives or significant others, the Company discourages the employment of relatives and significant others in positions or assignments within the same department, and prohibits the employment of such individuals in positions that have financial dependence or influence (i.e. auditing or control relationship, or a supervisor/subordinate relationship).

Relatives include spouse, sister, brother, daughter, son, mother, father, grandparents, step relationships and in-laws. Significant others include persons living in a spousal or familial fashion with an employee, consultant, officer or director.

If a conflict of interest exists, and there is no failure of good faith on the part of the Director, Officer, Management or employee, the Corporation may allow a reasonable amount of time for the Director, Officer, Management or employee to correct the situation in order to prevent undue hardship or loss. However, all decisions in this regard will be in the discretion of the Chair of the Board for senior management or Board member conflicts of interest and the CEO or other senior management for lower-level conflicts of interest. The Chair of the Board, the CEO and senior management's primary concern in exercising such discretion will be in the best interests of Discovery Silver.

If you are aware of a conflict or potential conflict of interest, as an employee you should bring the matter to the attention of a supervisor or manager. If you are aware of a conflict or potential conflict as a Director, Officer, Management or employee, you should promptly bring the matter to the CEO, the Chair of the Audit Committee, the Chair of the Corporate Governance and Nominating Committee and/or the Chair of the Board.

#### Confidentiality

To avoid a breach of confidentiality, all Directors, Officers, Management or employees should maintain all confidential information in strict confidence, except when disclosure is authorized by Discovery Silver or legally mandated. Confidential information includes, among other things, any non-public information concerning Discovery Silver, including its business, financial performance, results or prospects, and any non-public information provided by a third party with the expectation that the information will be kept confidential and used solely for the business purpose for which it was conveyed. The obligation to keep information confidential also extends beyond employment or directorship with Discovery Silver.

You are prohibited from sharing confidential information about the Company with anyone outside the Company, verbally, in writing, including through personal social media platforms. You are also prohibited from making any statements to the media about the Company without the permission of executive management.

The Company has exclusive rights to all confidential and proprietary information regarding the Company. You are responsible for safeguarding Company information and complying with security controls and procedures. All documents, records, notebooks, notes, memorandums and similar repositories of information containing confidential information relating to the Company or our operations and activities, made or compiled by the officers, directors or employees of the Company, including yourself, belong to the Company and shall be held in trust by you solely for the benefit of the Company. Such material shall also be delivered to the Company by you on the termination of your association with the Company or at any other time the Company requests.

Reference should be made to the Company's Disclosure Policy and Confidentiality and Insider Trading Policy.

#### Fraud Prevention

Fraud happens when someone acts dishonestly to make money illegally or to get an unfair advantage. Examples include stealing, forgery, identity theft, misuse of assets, taking kickbacks and making false reports.

Discovery Silver does not tolerate fraud. You must report any suspected fraud to your manager. If this creates a conflict for you, contact the Corporate Secretary, or you can report your suspicion anonymously through IntegrityCounts. You will be protected from any form of punishment or retaliation when you honestly report suspected cases of fraud. Retaliation for reporting an offence may be illegal under applicable law and is prohibited under this Code.

#### Corporate Opportunities

Directors, Officers, Management or employees are prohibited from taking for themselves, personally or for the benefit of others, opportunities that are discovered through the use of corporate property, information or position, except to the extent that a waiver has been granted under Section 21 of this Code. No Director, Officer, Management or employee may use corporate property, information, or position for improper personal gain or for the improper personal gain of others, and no Director, Officer, Management or employee may compete with the Corporation directly or indirectly. Directors, Officers, Management and employees owe a duty to the Corporation to advance the Corporation's interests when the opportunity to do so arises.

#### Protection and Proper Use of Corporation Assets

All Directors, Officers, Management and employees should protect Discovery Silver's assets and ensure their efficient use. Discovery Silver's assets should be protected from loss, damage, theft, misuse, and waste. Corporation assets include your time at work and work product, as well as Discovery Silver's equipment and vehicles, computers and software, trading and bank accounts, Corporation information and Discovery Silver's reputation, trademarks and name. Discovery Silver's telephone, email, voicemail and other electronic systems are primarily for business purposes. Personal communications should be kept to a minimum. Unauthorized use or distribution of this information would violate this Code. It is also illegal and could result in civil or even criminal penalties.

#### Competition and Fair Dealing

Each Director, Officer, Management and employee should endeavor to deal fairly with Discovery Silver's counterparties, suppliers, competitors and employees. Discovery Silver seeks to outperform its competition in a fair and honest manner. No Director, Officer, Management or employee should take unfair advantage of anyone through unlawful manipulation or concealment, abuse of privileged information, misrepresentation of material facts or any other intentional unfair-dealing practice. Each Director, Officer, Management and employee is required to maintain impartial relationships with Corporation suppliers and customers. Any gifts provided to Corporation suppliers and customers must not be excessive in value, and must be approved in advance by the CEO or Chair of the Board.

#### Corporate Disclosure

The Company endeavors to ensure that at all times our public disclosure is timely, complete, accurate and balanced. Avoiding any misrepresentation of our operations or finances is critical to our relationship with our investors. Proper reporting of reliable, truthful and accurate information is a complex process involving the cooperation among many of us. We must all work together to ensure that reliable, truthful and accurate information is disclosed to the public. The Company must disclose to the applicable Canadian securities regulatory authorities' information that is required, and any additional information that may be necessary to ensure the required disclosures are not misleading or inaccurate. The Company requires you to participate in the disclosure process in accordance with the Disclosure Policy which is overseen by the Disclosure Committee appointed in accordance with such policy. Participation in the disclosure process is a requirement of a public company, and full cooperation with the members of the Disclosure Committee and other Officers, Management and employees in the disclosure process is a requirement of this Code.

Information about our mineral reserves and resources, operating results, financial statements and corporate activities must be treated as confidential until the Company makes the determination to disclose it.

If you are involved in preparing information that is to be publicly disclosed on behalf of the Company, you must follow our disclosure and financial reporting controls and procedures, as well as securities laws and regulations.

No one is authorized to release any public disclosure documents on behalf of the Company until such disclosure has been reviewed and approved by the Company's Disclosure Committee in accordance with the Company's Disclosure Policy and Confidentiality and Insider Trading Policy.

Only authorized spokespersons have authority to speak publicly about the Company, our activities and our securities. Unless you are specifically authorized, do not create the impression that you are speaking for the Company. This includes social media channels such as Facebook, LinkedIn, Twitter and YouTube. Refer all enquiries from shareholders, analysts and the media to one of our authorized spokespersons.

Reference should be made to the Company's Disclosure Policy and Confidentiality and Insider Trading Policy for more information.

#### Financial Reporting and Administration

The Company strictly adheres to all applicable securities laws, regulations, accounting standards, accounting controls, audit practices and keeps proper records to meet our legal and financial obligations and to manage our business.

If you prepare a financial report for shareholders and the public, it must fairly present the information and follow international financial reporting standards as well as all applicable laws and regulations. If you have any responsibility for creating or keeping records, ensure they are accurate and complete, and that you follow the corporate procedures relevant to your job. Never falsely record information about Company assets or hide information about assets, liabilities, revenues or expenses. Inaccurate financial reports can bring stiff penalties and prosecutions under securities and criminal laws.

If you have any concerns about our accounting or auditing practices you should report them to your manager, or if this would create a conflict for you, to the Chair of the Audit Committee of the Company's Board of Directors directly. You can also report anonymously through IntegrityCounts, the Company's whistleblower hotline. The Audit Committee is responsible for ensuring that all such concerns are appropriately dealt with.

Anyone from outside the Company can also report a concern. If you receive a concern from someone outside the Company, report it promptly to the Chair of the Audit Committee of the Company's Board of Directors directly, or through the IntegrityCounts, our anonymous whistleblower hotline.

#### HOW TO REPORT A CONCERN ABOUT AN ACCOUNTING PRACTICE

Report your concern in confidence to the Chair of the Audit Committee by sending a sealed letter by mail (or other delivery) addressed to:

Discovery Silver Corp.  
Suite 701 – 55 University Avenue  
Toronto, Ontario  
M5J2H7

PRIVATE AND STRICTLY CONFIDENTIAL  
ATTENTION: CHAIR OF THE AUDIT COMMITTEE

OR

Report your concern anonymously by phone, email or web through IntegrityCounts.

#### Workplace Violence Prevention

The Company prohibits all acts of physical, verbal or written aggression or violence. This applies whether the aggression is committed by one employee against another, or against anyone else an employee comes in contact with when carrying out his or her responsibilities.

You must report any act, or threatened act, of violence to a manager or to the Company's security personnel. In situations of imminent danger, call the police or local emergency services and then security personnel. If the danger seems less imminent, take note of the facts and then report the incident to the Company's security personnel:

Who was involved?

Where and when did the incident take place?

Were there any witnesses?

Violence of any kind is not tolerated and will result in disciplinary measures up to and including termination.

#### Respectful Workplace

You have the right to work in a place that encourages equal opportunity and prohibits discrimination. The Company does not allow any sort of harassment at Discovery Silver. Harassment is a comment or conduct that is known (or should be known) to be unwelcome or offensive to a reasonable person. There shall be no discrimination against any employee, consultant, officer, director or applicant because of race, ancestry, place of origin, political belief, religion, marital status, family status, financial status, physical or mental disability, sex, sexual orientation or age.

Reference should be made to the Human Rights, Diversity, and Inclusion Policy.

#### Alcohol, Drugs And Other Substances

You are required to be fit at all times to perform all of your assigned duties.

The use, sale, unlawful possession, manufacture or distribution of alcohol and illicit or recreational drugs or non-prescribed medications for which a prescription is legally required, whether on Company work premises or other work locations, is strictly prohibited and will result in disciplinary measures up to and including termination.

Reference should be made to the Company's Fitness for Duty Policy.

#### Employee Harassment and Discrimination

Discovery Silver is committed to fair employment practices in which all individuals are treated with dignity and respect. The Corporation will not tolerate any type of illegal discrimination or harassment. Discovery Silver expects that all relationships among persons in the workplace will be professional and free of bias and harassment.

#### Use Of Computer Systems, Email, Internet and Social Media

Our computer systems, email and internet are for business use. The information you view and share – whether for business or personal use – must be appropriate, respectful and according to our policies. Except for limited personal use of the Company's telephones, tablets, mobile devices and computers, such equipment may only be used for business purposes. Officers and employees should not expect a right to privacy of their email, Internet or network use. All communications, e-mails or Internet use on Company equipment or networks may be subject to monitoring by the Company for legitimate business purposes.

You shall not participate in, host or link to chat rooms, blogs, social networking sites or bulletin boards in relation to Company corporate matters. Only the Management responsible for investor relations, or other Authorized Spokespersons from time to time authorized with the express written permission of the Management responsible for investor relations, may post on the Company's social media pages.

Reference should be made to the Company's Disclosure Policy.

#### Environmental, Safety, and Occupational Health Practices

Discovery Silver believes that sound environmental, safety and occupational health management practices are in the best interests of the Corporation, its employees, its shareholders and the communities in which it operates. Discovery

Silver is committed to conducting its business in accordance with recognized industry standards and to meeting or exceeding all applicable environmental and occupational health and safety laws and regulations. Achieving this goal is the responsibility of all Directors, Officers, Management and employees

We are all accountable for safety. No job is so important that we cannot take the time to do it safely. Check the Company's safety, health and environmental policies and procedure documents for the principles we follow on workplace health and safety.

Report any actual or potential safety or health risks you discover at work to your manager or to executive management. If you are uncomfortable speaking to someone in the Company directly or if you wish to report your concerns anonymously, you can also report your concerns through IntegrityCounts.

#### Consequences for Violating the Code

You could be reprimanded, demoted, suspended or even dismissed if you do not follow this Code. Not following a policy document referred to in this Code will be treated as a violation of this Code.

Report any concerns regarding a violation or potential violation of this Code to your manager, to human resources, or to the Corporate Secretary. If you prefer, you can report your concern anonymously through IntegrityCounts, which is available 24/7 and is operated by an external service provider.

You are protected from any form of retaliation or punishment when you report a concern honestly and with the right intentions. Your manager and anyone else in the Company will face serious consequences if they try to punish you in any way for reporting a concern.

If you believe you are being punished in some way for reporting a concern, you should report this to your manager, human resources, the Corporate Secretary or through IntegrityCounts, whichever is most appropriate or comfortable for you.

#### Investigations

The Company will investigate behavior that may violate the law, the Code, or that may otherwise harm Discovery Silver's reputation. You are required to cooperate in the investigation. Interference with the investigation is prohibited and is a violation of the Code. You must not destroy records or information related to the investigation, lie or misrepresent facts, attempt to discover the identity of others cooperating in the investigation, disclose information to unauthorized individuals, or retaliate against anyone involved in the investigation.

The Company strives to maintain confidentiality to the greatest degree possible. Information provided or discovered in the course of an investigation will only be disclosed as necessary.

The Audit Committee will oversee the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and will annually review the systems in place for the confidential, anonymous submission by employees of concerns regarding such matters. If a violation concerns a member of the Audit Committee, the investigation will be conducted under the guidance of the Nominating and Governance Committee of the Board.

#### Discipline for Non-Compliance with this Code

Disciplinary actions for violations of this Code can include oral or written reprimands, suspension or termination of employment or a potential civil lawsuit against you. The violation of laws, rules or regulations, which can subject the Company to fines and other penalties, may result in your criminal prosecution.

#### Waivers of the Code

From time to time, Discovery Silver may waive certain provisions of this Code. Waivers generally may only be granted by the Chair of the Board. However, any waiver of the provisions of this Code for Officers, Directors, including the

CEO and CFO may be made only by the Board or a Board Committee and will be disclosed to shareholders as required by applicable rules and regulations.

#### Code Review

The Nominating and Corporate Governance Committee will annually review and reassess the adequacy of this Code and submit any recommended changes to the Board for approval.

#### POLICIES REFERENCES IN THIS CODE

Confidentiality and Insider Trading Policy	Anti-Bribery and Anti-Corruption Policy
Whistleblower Policy	Disclosure Policy
Human Rights, Diversity and Inclusion Policy	Fitness for Duty Policy

#### ADOPTION

This Policy was adopted by the Board on December 12, 2017.  
Amended and approved by the Board on November 25, 2020.  
Amended and approved by the Board on November 23, 2022.  
Amended and approved by the Board on December 20, 2023

#### CONTACT INFORMATION

If you need advice, or if you know of or suspect any violations of this Code, you should first consider speaking to your manager. If you are not comfortable doing this, or you are not satisfied with the response you receive, there are several other ways to report your concern.

#### WAYS TO SEEK ADVICE OR REPORT CONCERNS

Audit Committee of the Board - Write to:

Attention: Chair of the Audit Committee  
Private and Strictly Confidential  
Suite 701 – 55 University Avenue  
Toronto, Ontario  
M5J 2H7

Executive Officers  
Chief Executive Officer or Chief Financial Officer  
Attention: CEO or CFO  
Private and Strictly Confidential  
Suite 701 – 55 University Avenue  
Toronto, Ontario  
M5J 2H7

#### IntegrityCounts

From Canada and the US Dial 1-866-921-6714, 24 hours a day, 365 days a year.  
From Mexico Dial 800-099-0642, 24 hours a day, 365 days a year.  
Email: [DiscoverySilverCorp@integritycounts.ca](mailto:DiscoverySilverCorp@integritycounts.ca)  
Web: <https://app.integritycounts.ca/org/DiscoverySilverCorp>