

## Discovery Announces Transformational Acquisition of Newmont's Porcupine Complex

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- **Establishes Discovery as a growing Canadian gold producer with large Mineral Resource base in a Tier 1 jurisdiction with significant upside potential**
- **Attractive acquisition with base case NPV of \$1.2 billion using analyst consensus gold prices (including a long-term ("LT") gold price of \$2,150 per ounce) and \$2.3 billion at a +23% sensitivity case using LT gold price of \$2,650 per ounce**
- **Consideration at closing of \$275 million, including \$200 million of cash and \$75 million of equity, with additional \$150 million of deferred cash consideration starting in late 2027**
- **Attractive \$555 million financing package provides substantial financial strength**
- **Brings to the Porcupine Complex a management team, led by Tony Makuch, with a solid track record for value creation within the industry and significant experience working in the Timmins Camp**
- **Discovery launches C\$225 million (approximately \$155 million) subscription receipt bought deal public offering as part of the financing package**

*All operating and financial estimates in this press release are taken from the technical report entitled, "Porcupine Complex, Ontario, Canada, Technical Report on Preliminary Economic Assessment", (the "Porcupine Technical Report") filed at [www.sedarplus.ca](http://www.sedarplus.ca) on or before January 29, 2025. The report includes the results of a preliminary economic assessment which is preliminary in nature. It includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves and there is no certainty that the estimates will be realized.*

**January 27, 2025, Toronto, Ontario - Discovery Silver Corp.** (TSX: DSV, OTCQX: DSVSF) ("**Discovery**" or the "**Company**") is pleased to announce that it has entered into a definitive agreement (the "**Agreement**") to acquire from a wholly owned subsidiary of Newmont Corporation ("**Newmont**") 100% of Newmont's interest in its Porcupine Operations (the "**Porcupine Complex**" or "**Porcupine**") based in and near Timmins, Ontario, Canada (the "**Timmins Camp**") for total consideration of \$425 million (the "**Transaction**"). All dollar amounts are in US dollars unless otherwise specified.

The consideration to Newmont for the Transaction consists of \$200 million in cash (the "**Closing Cash Consideration**") and \$75 million payable in common shares of Discovery (the "**Closing Equity Consideration**"), both of which are payable upon closing of the Transaction (the "**Closing Date**"), and \$150 million of deferred consideration (the "**Deferred Consideration**") to be paid in four annual cash payments of \$37.5 million commencing on December 31, 2027.

To fund the Transaction and provide liquidity in support of operating and growing the Porcupine Complex, Discovery has entered into binding commitments for approximately \$555 million of financing (the "**Financing Package**"), including \$400 million related to royalty and debt agreements with Franco-Nevada Corporation ("**Franco-Nevada**") and approximately \$155 million from a bought deal public

offering of subscription receipts (the “**Public Offering**” or “**Offering**”). Details of the Financing Package are provided in the section entitled, “**FINANCING**,” later in this press release.

*Tony Makuch, Discovery’s CEO, commented: “The acquisition of the Porcupine Complex is an important step forward as we work to build a highly profitable precious metals producer. Through this acquisition, we are combining growing gold production at Porcupine with tremendous upside, in one of the world’s great gold camps, with our Cordero project, one of the industry’s leading silver development projects based on reserves and expected production.*

*“A key feature of the Transaction is the unique opportunity it provides to combine high-quality gold production with a leadership team that has extensive experience in the Timmins Camp. On a personal level, I am from Timmins and have worked extensively in the area, including serving as General Manager at Hoyle Pond and other sites, and acting as CEO of Lake Shore Gold, which built and operated the first new major mining operation in Timmins in over two decades (Timmins West Mine). Other members of our team are also from the area and have similar experience working in various operational and management roles in Timmins. We know these assets well and have an extensive understanding of where the value creation opportunities exist. We have a deep connection to the community, including local First Nations groups, and will bring to Timmins the same commitment to responsible mining that has resulted in Discovery receiving numerous recognitions in Mexico, including the Mexican Government’s Quality Environmental Certification.<sup>1</sup> In Timmins, the Company is planning significant investments in site restoration and progressive rehabilitation in order to ensure that all sites are properly remediated and are available for future use by the community.*

*“For shareholders, the Transaction is attractive and will establish a new North American precious metals producer with excellent value creation upside through future operating performance, multiple development projects and extensive exploration potential. We are also diversifying our portfolio, which will reduce risk and provide shareholders with significant leverage to both gold and silver prices. Through our \$555 million Financing Package, we will both fund the Transaction and significantly enhance our balance sheet strength. We will also move forward with Newmont and Franco-Nevada as new major shareholders, which will provide these companies with an attractive opportunity to participate in the substantial value we intend to create.”*

## **TRANSACTION HIGHLIGHTS AND RATIONALE**

- **Establishes Discovery as a new Canadian gold producer** with multiple operations in one of the world’s most prolific gold camps, accounting for approximately 70 million ounces of total historical production,<sup>2</sup> with a large base of Mineral Resources remaining and substantial exploration upside.
- **Adds growing gold production** with anticipated average annual production of over 285,000 ounces during the next 10 years and a total expected mine life of 22 years with substantial upside potential.
- **Provides opportunity to unlock value** with numerous opportunities identified to increase production and reduce costs at the Hoyle Pond, Borden and Pamour mines, the potential to upgrade

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<sup>1</sup> The Quality Environmental Certification was received in both 2023 and 2024 from Mexico’s Federal Attorney’s Office for Environmental Protection.

<sup>2</sup> Refers to total aggregate production from the Timmins Camp (approximately 65 million ounces of total aggregate production from assets included in the Porcupine Complex (see Porcupine Technical Report page 6-7)).

the nearly 11.0 million ounce Inferred Mineral Resource<sup>3</sup> at Dome Mine (currently closed) and a commitment to invest in drilling to realize the significant exploration upside that exists in the Timmins Camp.

- **Allows Discovery's management team to apply its extensive experience working in the Timmins Camp** to maximize the value of the Porcupine Complex, with over a century of collective experience in exploration, discovery, development and operations of deposits and mines in the area.
- **Attractive acquisition** with Porcupine Complex expected to generate significant after-tax free cash flow and an attractive net present value ("**NPV**") at 5% discount rate.
  - Free cash flow of \$1.3 billion in first 10 years with NPV of \$1.2 billion at base case analyst consensus gold prices<sup>4</sup>
  - Project NPV of \$2.3 billion at a +23% sensitivity case using LT gold price of \$2,650 per ounce.<sup>5</sup>
- **Positions Discovery to build substantial financial strength** through attractive \$555 million financing package and future production from the Porcupine Complex.
- **Establishes a diversified portfolio** with the strength of the Porcupine Complex to support the financing, and ultimate development and operation, of the Company's Cordero silver project ("**Cordero**") in Mexico.
- **Creates potential for value creation through multiple expansion** and enhanced capital markets profile with Discovery trading at a substantial discount to mid-tier gold producers.

## **PORCUPINE OVERVIEW**

- The Porcupine Complex consists of the Hoyle Pond and Pamour mine properties and the Dome mine property and milling facility (collectively "**Dome**") in Timmins, Ontario, as well as the Borden underground mining operation near Chapleau, Ontario.
- Based on the results of a new technical report (see the section, "**PORCUPINE COMPLEX – TECHNICAL REPORT**", which follows), annual production at the Porcupine Complex is expected to average more than 285,000 ounces during the next 10 years. Current gold production comes primarily from Borden, a relatively new mine, with commercial production commencing in 2019, that is located on a large land position with extensive upside potential, as well as from Hoyle Pond, a high-grade underground mine, which commenced operations in 1987 and has established a solid track record for replacing reserves.
- Significant opportunities exist to grow production, reduce costs and/or extend mine life at the Porcupine Complex. Below is a summary of key opportunities identified to date.
  - **Hoyle Pond:** Improve ventilation, material handling and backfill systems, increase automation, including expanding the use of tele-remote delivery systems, and evaluate known zones of mineralization that currently do not have Mineral Resource estimates and were not included the PEA LOM plan (e.g. TVZ).

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<sup>3</sup> Inferred Mineral Resources at Dome were not included in the PEA economic analysis.

<sup>4</sup> Project economics in the PEA were generated with a base case using CIBC World Markets Inc.'s December 2024 analyst consensus gold prices, including 2025: \$2,576/ounce; 2026: \$2,484 per ounce; 2027: \$2,437 per ounce; and a LT gold price of \$2,150 per ounce beginning in 2028.

<sup>5</sup> Sensitivity case involves gold prices +23% to the base case, including a LT gold price of \$2,650 per ounce.

- **Borden:** Upgrade the haulage fleet, including increasing the use of electric vehicles, improve ground support and backfill systems and increase ventilation levels.
  - **Pamour:** Complete development of the Pamour open-pit project. Production is expected to average approximately 150,000 ounces per year over a 21-year mine life (with an additional year of stockpile processing). Opportunities to enhance the value of the project include reducing or eliminating waste-rock rehandling and investigating the use of alternative delivery systems to replace truck haulage from the open pit to the Dome Mill.
  - **Dome:** Evaluate the opportunity to upgrade the nearly 11.0 million ounce Inferred Mineral Resource<sup>6</sup> and assess the potential for resuming mine production at Dome, where production ceased in 2017 after over a century of operations.
- Discovery plans to commit significant resources to exploration drilling at the 140,000-hectare total land position comprising the Porcupine Complex given the considerable potential that exists to identify new mineralization at or near existing mine infrastructure, as well as the opportunity for new discoveries at the many regional targets included in the land package.
  - The Company plans to make significant investments in mine closure, site reclamation and rehabilitation to ensure the successful remediation of all current and past operating sites to allow for their safe and effective use by the community for generations to come. These investments are included in the economic analysis included in the PEA.

## **PORCUPINE COMPLEX – TECHNICAL REPORT**

As part of the Company's evaluation of the Porcupine Complex, Discovery has completed a technical report prepared in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”) entitled, “**Porcupine Complex, Ontario, Canada, Technical Report on Preliminary Economic Assessment.**” The Porcupine Technical Report has an effective date of January 13, 2025.

The Porcupine Technical Report includes the results of a preliminary economic assessment which is preliminary in nature. The PEA includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves and there is no certainty that the preliminary economic assessment will be realized.

Following the Closing Date, the Company expects to complete additional studies to more fully evaluate the growth and optimization opportunities related to the Porcupine Complex.

### **Porcupine Technical Report Highlights**

- **Base case NPV of \$1.2 billion** using CIBC World Markets Inc.'s December 2024 analyst consensus gold prices, including a LT gold price of \$2,150 per ounce (the “**Base Case**”), and \$2.3 billion assuming a +23% sensitivity case using a LT gold price of \$2,650 per ounce.

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<sup>6</sup> Inferred Mineral Resources at Dome were not included in PEA economic analysis.

- **After-tax free cash flow<sup>7</sup> totaling \$1.3 billion** over the first 10 years and \$1.8 billion over the LOM at the Base Case gold prices.
- **Large base of Mineral Resources** including Measured & Indicated Mineral Resources of 3.9 million ounces (69.7 million tonnes (“Mt”) at an average grade of 1.76 grams per tonne (“g/t”) gold) and Inferred Mineral Resources of 12.5 million ounces (254.5 Mt at 1.53 g/t gold).<sup>8</sup>
- **Growing gold production** averaging over 285,000 ounces per year over the next 10 years and approximately 4.9 million ounces over the 22-year mine life with upside potential, including opportunities to improve throughput and lower costs at Hoyle Pond, Borden and Pamour and resume mining operations at the Dome mine.
- **Attractive exploration upside** with significant drilling planned across the 140,000-hectare land position in Timmins and at Borden. Potential exists to both extend existing zones and identify new areas of mineralization at current and past operations and to drill for new discoveries at numerous regional targets across the Timmins Camp.
- **AISC<sup>9</sup>** averaging \$1,504 per ounce over the LOM and \$1,278 per ounce from 2030 to 2035.
- **Capital expenditures** (excluding reclamation costs) totaling \$854 million from 2025 to 2030, with sustaining capital expenditures averaging \$110 million per year over the same period, total development capital expenditures of \$122 million, almost all related to investments to complete the Pamour open-pit project in 2025 and 2026, and total planned exploration capital from 2025 to 2030 totaling \$69 million, reflecting the significant exploration potential existing at the Porcupine Complex.

### **BENEFITS OF TRANSACTION FOR DISCOVERY SHAREHOLDERS**

- Transforms Discovery into a Canadian gold producer in a Tier 1 jurisdiction with significant upside potential.
- Provides growing gold production and significant leverage to the gold price during a period of record gold prices.
- Establishes a solid pipeline for growth through existing development projects as well as by providing substantial exploration upside with a large land position in one of the world’s most prolific gold regions.
- Contributes to increased financial strength and supports the financing of future growth initiatives, including the development of the Cordero silver project.
- Establishes a multi-asset portfolio that improves diversification and provides exposure to both gold and silver prices.
- Supports value creation by applying the Discovery management team’s extensive experience operating in the Timmins Camp to the Porcupine Complex.
- Creates re-rate opportunity by transforming Discovery from a developer to a North American precious metals producer.

<sup>7</sup> Example of non-GAAP financial measure – See cautionary note: NON-GAAP FINANCIAL MEASURES.

<sup>8</sup> See the section, "PORCUPINE COMPLEX – TECHNICAL REPORT MINERAL RESOURCES" for a breakout of Mineral Resource estimates.



## **BENEFITS OF TRANSACTION FOR PORCUPINE COMPLEX STAKEHOLDERS**

- Positions the Porcupine Complex as core assets in a portfolio operated by a management team committed to growing and optimizing the assets to maximize stakeholder value and mine life.
- Discovery recognizes that the skill and expertise of the Porcupine team represents a key strength and is committed to supporting the existing managers, employees, contractors and suppliers in continuing to drive the Porcupine Complex forward.
- The Discovery leadership team has deep roots in the Timmins community and will bring a strong commitment to supporting Timmins and the surrounding area through investment, donations and other initiatives.
- The Discovery leadership team already has long-standing and positive relationships with local First Nations groups around Timmins and will ensure that all existing commitments, obligations and agreements are honoured and will work cooperatively to identify new opportunities to further strengthen these relationships.
- Discovery fully understands that mining is a privilege, and it will bring the same commitment to responsible mining to Timmins that has resulted in the Company receiving numerous awards and distinctions in Mexico. In particular, the Company has included in its financial plan for the Porcupine Complex significant investment for mine closure and site reclamation and rehabilitation to ensure that both current operations and legacy sites are successfully remediated and available for future use by the community.

## **TRANSACTION SUMMARY AND TIMING**

Under the Agreement, Discovery will acquire from a wholly owned subsidiary of Newmont (the “**Subsidiary**”) all the issued and outstanding common shares of a newly created entity (the “**Porcupine Entity**”) formed to hold 100% of Newmont's interest in the Porcupine Complex (the “**Reorganization**”).

Total consideration for the Transaction is \$425 million (the “**Total Consideration**”). The Total Consideration includes \$275 million of consideration payable on the Closing Date, comprising \$200 million of Closing Cash Consideration and \$75 million of Closing Equity Consideration, and \$150 million of deferred consideration to be paid in four annual cash payments of \$37.5 million commencing on December 31, 2027. The Closing Equity Consideration will be paid through the issuance of an aggregate of approximately 120 million Discovery common shares, which will be subject to a one-year lock-up arrangement. Discovery will also assume the environmental liabilities and reclamation obligations related to the Porcupine Complex.

Discovery anticipates that the Closing Date will occur in the first half of 2025. The Transaction's closing is subject to certain conditions, including, among other things, the transfer of the Porcupine Complex by the Subsidiary to the Porcupine Entity (with the Reorganization being subject to certain approvals, including the consent of Ontario's Ministry of Mines), receipt of all required regulatory approvals (including the approval of the Toronto Stock Exchange (“**TSX**”) and approval, or expiry of the waiting period, under the Competition Act (Canada)), and other customary closing conditions for a transaction of this nature.

As the total number of shares to be issued to Newmont as part of the Closing Equity Consideration exceeds 25% of Discovery's current shares outstanding, shareholder approval (50.1% of shares voting at the meeting) will be required to issue excess shares beyond such threshold (the "**Additional Shares**"). Discovery's two largest shareholders and directors and officers of Discovery, representing in the aggregate approximately 35% of the issued and outstanding Discovery shares, have entered into voting support agreements pursuant to which they have agreed to, among other things, vote their shares in favour of the issuance of the Additional Shares. If shareholder approval is not obtained, the value of the Additional Shares, calculated at the Issue Price (defined below) will be added to the first deferred payment which is due on December 31, 2027. Accordingly, shareholder approval is not a condition precedent to the closing of the Transaction.

## **FINANCING**

To fund the Closing Cash Consideration and expected capital expenditures and working capital requirements at Porcupine following the Transaction, and for general corporate and working capital purposes, Discovery has entered into agreements for a Financing Package totaling \$555 million. Of the total Financing Package, \$400 million will be provided through royalty and debt agreements with Franco-Nevada (the "**Franco-Nevada Financing**"), with the remainder to be provided through a C\$225 million (approximately \$155 million Public Offering) as described below. Franco-Nevada will participate as an approximately \$50 million (approximately C\$70 million) cornerstone investor in the Public Offering.

### **Franco-Nevada Financing:**

The \$400 million of royalty and debt financing from Franco-Nevada includes:

- \$200 million related to a 2.25% LOM net smelter return royalty that will apply to all minerals produced from the Porcupine Complex;
- \$100 million related to a 2.00% net smelter return royalty (the "**Repayable Royalty**") that will apply to all minerals produced from the Porcupine Complex, which will be extinguished upon the earlier of Franco-Nevada receiving payments from production attributable to the Repayable Royalty equal to 72,000 gold ounces or receipt by Franco-Nevada of a one-time early cash payment from Discovery, at Discovery's sole option, equal to a 12% pre-tax annual internal rate of return; and
- \$100 million from a senior debt facility (the "**Debt Facility**") to fund capital expenditures and support working capital, with key terms including:
  - Funds are available to the Company for two years after the Closing Date, subject to certain customary conditions
  - Interest will be charged at a rate of three-month SOFR plus 450 basis points per annum
  - No principal repayments are required for the first five years after the Closing Date, followed by eight quarterly payments equal to 5.0% of the balance outstanding and a bullet payment equal to 60.0% on maturity
  - The maturity date is seven years and one day from the Closing Date
  - Discovery shall pay an upfront fee equal to 2% on any principal drawn and will pay a standby fee of 100 basis points per annum on undrawn funds

- Discovery will issue to Franco-Nevada approximately 3.9 million warrants (the “**Franco Warrants**”) with an exercise price equal to C\$0.95 per Franco Warrant and a three-year term
- The Debt Facility will be secured, including by a first ranking security interest on the Porcupine Complex.

## **Public Offering**

As part of the Financing Package, the Company has also entered into an agreement with BMO Capital Markets as sole bookrunner and SCP Resource Finance LP (“**SCP**”) as co-lead underwriter on behalf of a syndicate of underwriters (the “**Underwriters**”) in connection with a bought deal public offering of 250,000,000 subscription receipts (the “**Subscription Receipts**”) at an issue price of C\$0.90 (approximately \$0.63) per Subscription Receipt (the “**Issue Price**”) for total gross proceeds of approximately C\$225 million (approximately \$155 million). Each Subscription Receipt will entitle the holder to receive, without payment of additional consideration and without further action, one common share of Discovery upon the satisfaction or waiver of certain release conditions, including the satisfaction or waiver of all material conditions precedent to the Transaction, other than the payment of the purchase price (the “**Release Conditions**”). Discovery has also granted the Underwriters an over-allotment option (the “**Over-Allotment Option**”) to purchase up to an additional 25,000,000 Subscription Receipts (the “**Over-Allotment Subscription Receipts**”), representing up to 10% of the base Offering size, at the Issue Price and on the same terms and conditions as the Offering, exercisable in whole or in part, at any time and from time to time, for 30 days following the closing of the Offering. The Offering is expected to close on or about February 3, 2025.

Franco-Nevada has agreed to participate in the Offering to a level of approximately \$50 million (approximately C\$70 million), and to accept a two-year lock-up arrangement in relation to Discovery common shares received through the Offering.

Directors and officers of Discovery, including Tony Makuch, have agreed to participate in the Public Offering to purchase approximately C\$9 million (approximately \$6 million) of Subscription Receipts.

The Offering is being made in each of the provinces and territories of Canada other than Québec and Nunavut. The Subscription Receipts have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”), and may not be offered or sold in the United States (as defined in Regulation S under the U.S. Securities Act) except pursuant to exemptions from the registration requirements of the U.S. Securities Act, and similar exemptions under applicable state securities laws. The Subscription Receipts will be offered through those Underwriters or their affiliates who are registered to offer the Subscription Receipts for sale in such jurisdictions and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Subscription Receipts outside of Canada and the United States. This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States or to persons in the United States.

The Subscription Receipts are being offered by way of the Prospectus Supplement to the short form base shelf prospectus dated March 23, 2023 (the “**Base Shelf**”), with the Prospectus Supplement providing the full terms related to the Subscription Receipts. Discovery expects to file the Prospectus



Supplement with the securities commissions or other similar regulatory authorities in each of the provinces and territories of Canada other than Québec and Nunavut, on January 29, 2025. The issuance of Subscription Receipts (and the Discovery common shares underlying the Subscription Receipts) pursuant to the Offering is subject to the approval of the TSX. The Company has applied to list the Subscription Receipts, the Over-Allotment Subscription Receipts and the common shares issuable to the holders of the Subscription Receipts on the TSX. Listing of such securities will be subject to Discovery fulfilling all of the listing requirements of the TSX.

The gross proceeds from the sale of the Subscription Receipts, less 50% of the Underwriters' fee that is payable on closing of the Offering, will be deposited and held in escrow by TSX Trust Company, as subscription receipt agent, pending the satisfaction or waiver of the Release Conditions. If the Closing Date does not occur on or before 5:00 p.m. (Eastern time) on June 30, 2025, the Agreement is terminated, or Discovery has announced to the public that it does not intend to proceed with the Transaction, then an amount per Subscription Receipt equal to the Issue Price plus a pro rata share of any earned interest, calculated from the closing of the Offering to the termination time, net of any applicable withholding, will be returned to the holders of the Subscription Receipts.

Discovery has filed the Base Shelf with each of the securities commissions or other similar regulatory authorities in all the provinces and territories in Canada. Before investing in the Public Offering, investors are advised to read the Base Shelf, the Prospectus Supplement and the documents incorporated by reference therein and other documents the Company has filed with Canadian securities regulators for more complete information about the Company and the Offering. Access to the Base Shelf, the Prospectus Supplement and any amendments to such documents is provided in accordance with securities legislation relating to procedures for providing access to a base shelf prospectus, a shelf prospectus supplement and any amendments to such documents. The Base Shelf is, and the Prospectus Supplement will be (within two business days from the date hereof) accessible on Discovery's issuer profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). An electronic or paper copy of the Base Shelf, the Prospectus Supplement and any amendments to the documents may be obtained, without charge, via mail at BMO Nesbitt Burns Inc., Brampton Distribution Centre C/O The Data Group of Companies, 9195 Torbram Road, Brampton, Ontario, L6S 6H2, by telephone at 905-791-3151 Ext 4312, or by email at [torbramwarehouse@datagroup.ca](mailto:torbramwarehouse@datagroup.ca) and by providing a contact with an email address or address, as applicable.

Certain directors, officers and other insiders of the Company (collectively, the "**Participating Insiders**") are expected to participate in the Public Offering. Each issuance by the Company of Subscription Receipts to a Participating Insider under the Public Offering is considered a "related party transaction" within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). The Company is exempt from the formal valuation and minority shareholder approval requirements under MI 61-101 in reliance on the exemptions set out in sections 5.5(a) and 5.7(1)(a), respectively, of MI 61-101 as the fair market value of such transactions, insofar as they involve related parties, is not more than 25% of the Company's market capitalization. The Company was not in a position to file a material change report 21 days prior to expected closing of the Public Offering because the terms of the Public Offering and insider participation were not yet established by that time, and Discovery is electing to expedite closing of the Public Offering for sound business reasons.

## Discovery Capital Structure

At the completion of the Transaction, and following the execution of all financing agreements, Discovery is expected to have approximately 771 million common shares outstanding, with existing shareholders prior to the Transaction owning approximately 51.9% of the pro forma shares outstanding, excluding any new common shares acquired by existing shareholders via the Offering and assuming no exercise of the over-allotment option.

At the Closing Date, and following the receipt of all cash from the Financing Package, Discovery expects to add approximately C\$220 million (\$150 million) of cash to the Company's balance sheet, with the \$100 million Debt Facility remaining undrawn and assuming no exercise of the over-allotment option.

## ADVISORS AND COUNSEL

SCP and Fort Capital Partners are acting as financial advisors to Discovery, with Bennett Jones LLP acting as legal advisor to the Company in relation to the Transaction and the Public Offering. CIBC World Markets Inc. ("**CIBC**") is acting as financial advisor to the Special Committee (as defined below) of Discovery. Cassels Brock & Blackwell LLP is acting as legal advisors to the Company in relation to the Franco-Nevada Financing.

## BOARD OF DIRECTORS APPROVAL

The Transaction has been unanimously approved by Discovery's Board of Directors (the "**Board**") following the unanimous recommendation of a special committee of independent directors of the Board (the "**Special Committee**") on January 26, 2025.

CIBC has provided a fairness opinion (the "**Fairness Opinion**") to the Special Committee stating that, as of the date of such opinion, and based upon and subject to the assumptions, limitations and qualifications stated in such opinion, the consideration to be paid by Discovery pursuant to the Agreement is fair, from a financial point of view, to the Company.

After considering the Fairness Opinion, the recommendation of the Special Committee, and the advice of its financial and legal advisors, the Board has unanimously determined that the Transaction is in the best interest of Discovery.

## ABOUT DISCOVERY

Discovery is a precious metals company engaged in the acquisition, development and operation of high-quality assets. The Company's first asset is its 100%-owned Cordero project, one of the world's largest undeveloped silver deposits, which is located close to infrastructure in a prolific mining belt in Chihuahua State, Mexico. The Feasibility Study completed in February 2024 demonstrates that Cordero has the potential to be developed into a large-scale, long-life project that generates attractive economic returns and delivers substantial socio-economic benefits for local stakeholders. In developing and operating the Project, an important priority will be maximizing the use of green energy sources, such as electric vehicles and solar power, with the Company's objective being to establish Cordero as one of the lowest carbon footprint open-pit mines globally.

On Behalf of the Board of Directors,

**Tony Makuch, P.Eng**

President, CEO & Director

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## PORCUPINE COMPLEX – TECHNICAL REPORT MINERAL RESOURCES

The Mineral Resource estimates included in the Technical Report and shown in this press release have an effective date of January 13, 2025. The Mineral Resources listed below are not Mineral Reserves and, as such, do not have demonstrated economic viability.

### Mineral Resources

| <b>Mineral Resources<sup>1</sup></b>            | <b>Tonnes</b>  | <b>Gold Grade</b> | <b>Contained Ounces</b> |
|---|----------------|-------------------|-------------------------|
|   | <b>(Kt)</b>    | <b>(g/t Au)</b>   | <b>(Koz Au)</b>         |
| Hoyle Pond                                      | -              | -                 | -                       |
| Borden  | 1,471          | 6.17              | 292                     |
| Pamour  | -              | -                 | -                       |
| Dome  | -              | -                 | -                       |
| <b>Total Measured Resources</b>                 | <b>1,471</b>   | <b>6.17</b>       | <b>292.0</b>            |
| Hoyle Pond                                      | 1,167          | 12.90             | 484                     |
| Borden  | 2,274          | 6.15              | 449                     |
| Pamour  | 64,755         | 1.30              | 2,704                   |
| Dome  | -              | -                 | -                       |
| <b>Total Indicated Resources</b>                | <b>68,196</b>  | <b>1.66</b>       | <b>3,640.0</b>          |
| Hoyle Pond                                      | 1,167          | 12.90             | 484                     |
| Borden  | 3,745          | 6.16              | 741                     |
| Pamour  | 64,755         | 1.30              | 2,704                   |
| Dome  | -              | -                 | -                       |
| <b>Total Measured &amp; Indicated Resources</b> | <b>69,667</b>  | <b>1.76</b>       | <b>3,931.9</b>          |
| Hoyle Pond                                      | 578            | 15.24             | 283                     |
| Borden  | 1,372          | 5.22              | 230                     |
| Pamour  | 23,264         | 1.34              | 1,002                   |
| Dome  | 229,284        | 1.49              | 10,978                  |
| <b>Total Inferred Resources</b>                 | <b>254,499</b> | <b>1.53</b>       | <b>12,493.5</b>         |

#### Notes:

1. Mineral Resources are reported in situ, using the 2014 CIM Definition Standards. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
2. Mineral Resources have an effective date of 3 December, 2024. The Qualified Person for the Borden, Hoyle Pond and Pamour estimates is Mr. Eric Kallio, P.Ge., an independent Qualified Person. The Qualified Person for the Dome estimate is Dr. Ryan Barnett, P.Ge., an employee of Resource Modelling Solutions.
3. Mineral Resources that are considered amenable to underground mining methods at Borden are constrained within conceptual mineable shapes that use the following input parameters: gold price of US\$2,000/oz Au, mining costs of US\$120.08/t mined, process costs of US\$18.30/t processed, general and administrative costs of US\$31.58/t processed, variable metallurgical recoveries by mining zone ranging from 81.08–93.64%, refining costs of US\$0.98/oz Au, dilution percentages that vary by mining zone, ranging from 18–25%, and a 4.6% royalty. Mineral Resources are reported at varying cut-off grades by mining zone, ranging from 3.3–4.2 g/t Au.
4. Mineral Resources that are considered amenable to open pit mining methods at Dome are constrained within a pit shell that uses the following input parameters: gold price of US\$2,000/oz Au, mining costs of US\$3.85/t mined, process costs of US\$18.75/t processed, general and administrative costs of US\$3.86/t processed, average 91% metallurgical recovery, refining costs of US\$0.94/oz Au, and pit slope angles of 45°. Mineral Resources are reported above a 0.40 g/t Au cut-off.
5. Mineral Resources that are considered amenable to underground mining methods at Hoyle Pond are constrained within conceptual stope designs that use the following input parameters: gold price of US\$2,000/oz Au, mining costs of US\$371.55/t mined assuming longitudinal long-hole retreat methods and US\$277.33/t mined assuming underhand cut-and-

fill methods, process costs of US\$45.01/t processed, general and administrative costs of US\$47.05/t processed, average 94.3% metallurgical recovery, refining costs of US\$0.98/oz Au, dilution percentages that vary by zone and mining method, ranging from 12–194%, and a royalty of 8.0%. The Mineral Resource estimate is reported at a cut-off grade of 12.3 g/t Au in the stopes assumed to be mined using longitudinal long-hole retreat methods and 6.05 g/t Au in the stopes assumed to be mined using underhand cut-and-fill.

6. Mineral Resources that are considered amenable to open pit mining methods at Pamour are constrained within a pit shell that uses the following input parameters: gold price of US\$2,000/oz Au, mining costs of US\$5.50/t mined, process costs of US\$23.70/t processed, general and administrative costs of US\$10.47/t processed, average 91% metallurgical recovery, refining costs of US\$0.94/oz Au, and pit slope angles of 25° in overburden and 45° in rock. Mineral Resources are reported above a 0.53 g/t Au cut-off.
7. Estimates have been rounded. Grades and contained metal content are presented as weighted averages.
8. The preliminary assessment is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative to have the economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the preliminary economic assessment will be realized.

## **QUALIFIED PERSONS**

The scientific and technical information included in this press release is derived from the Porcupine Technical Report, which was prepared by Mr. Eric Kallio, P.Geo., an independent consultant to the Company, Mr. Pierre Rocque, P.Eng. of Rocque Engineering Inc., and Dr. Ryan Barnett, P.Geo. of Resource Modelling Solutions Inc. Messrs. Kallio, Rocque and Barnett are independent "Qualified Persons" as such term is defined in NI 43-101 ("QPs"). The QP responsible for the Mineral Resource estimates for Hoyle Pond, Borden and Pamour, as provided in the Porcupine Technical Report is Mr. Kallio. The QP responsible for Mineral Resource estimates for Dome as provided in the Porcupine Technical Report is Mr. Barnett. Mr. Rocque acted as QP for the subset of Mineral Resource estimates used in the 2024 LOM plan provided by the Newmont technical services team in the Porcupine Technical Report. Messrs. Kallio, Rocque and Barnett have reviewed and approved the scientific and technical information included in this press release.

Scientific and technical information in this press release relating to the Cordero project has been reviewed and validated by Gernot Wober, P.Geo, VP Exploration, Discovery Silver Corp., and Mr. Rocque, each of whom is a QP.

## **NON-GAAP MEASURES**

The Company has included certain non-GAAP performance measures as detailed below. In the mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers and the non-GAAP measures do not have any standardized meaning. 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 International Financial Reporting Standards. See the section entitled "Financial Information and non-GAAP Measures" in the Company's Management Discussion and Analysis for the three and nine months ended September 30, 2024 and the Company's Management Discussion and Analysis for the years ended December 31, 2023 and 2022, in which these non-GAAP measures are further described.

### **CASH COSTS PER OUNCE**

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

### **ALL-IN SUSTAINING COSTS ("AISC")**

The Company has provided an AISC performance measure that reflects all the expenditures that are required to produce an ounce of payable metal. While there is no standardized meaning of the measure across the industry, the Company's definition conforms to the all-in sustaining cost definition as set out by the World Gold Council in its guidance dated June 27, 2013. Subsequent amendments to the guidance have not materially affected the figures presented.

### **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 Company believes that this measure is useful to the external users in assessing the Company's ability to generate cash flows from its mineral projects.

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. All information, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking information.

When used in this press release, the words "estimate", "plan", "continue", "anticipate", "might", "expect", "project", "intend", "may", "will", "shall", "should", "could", "would", "predict", "forecast", "pursue", "potential", "believe" and similar expressions are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

Examples of such forward-looking information include information pertaining to, without limitation, statements with respect to: the anticipated timing and closing of the Transaction (as defined herein); the anticipated benefits of the Transaction, including the impact of the Transaction on the Company's operations, financial condition, cash flows and overall strategy; the Porcupine Complex, including the assumptions and qualifications contained in the Porcupine Technical Report (as defined herein); the completion of the Public Offering (as defined herein); the expected closing dates of the transactions described herein; the exercise of the over-allotment option for the Public Offering; the receipt of all necessary regulatory approvals to effect the Public Offering; the expected use of net proceeds from the Public Offering, which ultimately remains subject to the Company's discretion, as well as the impact of general business, economic and political conditions; the anticipated timing and closing of the Franco-Nevada Financing as well as the anticipated use of proceeds therefrom and the impact thereof on the Company's financial condition; receipt of shareholder approval for the issuance of the Additional Shares; the future price of gold and other metals; 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 and mining operations in general; there being no significant disruptions affecting the development and operation of the Company's properties; exchange rate assumptions being approximately consistent with assumptions; the availability of certain consumables and services and the prices for power and other key supplies being approximately consistent with assumptions; labour and materials costs being approximately consistent with assumptions; 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 factors; other statements relating to the financial and business prospects of the Company; information as to the Company's strategy, plans or future financial or operating performance; and other events or conditions that may occur in the future.

Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include, among others: the satisfaction of all conditions to closing the Transaction, the Public Offering, and the Franco-Nevada Financing and, in each case, on the timeframes contemplated; the purchase price of the Transaction, subject to post-closing adjustments and the payment of the deferred cash consideration; the successful completion of the Transaction and the Company's ability to obtain the anticipated benefits therefrom; the accuracy of historical and forward-looking operational and financial information and estimates provided by Newmont (as defined herein); the Company's ability to integrate Porcupine into the Company's operations; the accuracy of financial and operational projections of the Company following completion of the Transaction; statements regarding the Porcupine Complex, including the results of technical studies and the anticipated capital and operations costs, sustaining costs, internal rate of return, concession or claim renewal, permitting, economic and scoping-level parameters, mineral resource and/or reserve estimates, the cost of development, mine plans and mining methods, dilution and mining recoveries, processing method and rates and production rates, projected metallurgical recovery rates, infrastructure requirements, capital, operating and sustaining cost estimates, the projected life of mine and other expected attributes of the properties, the net present value, the timing of any environmental assessment processes, changes to configuration that may be requested as a result of stakeholder or government input to the environmental assessment processes, government regulations and permitting timelines, and reclamation obligations; the anticipated use of proceeds of the Public Offering; the timing for completion, settlement and closing of the Public Offering; the satisfaction of the conditions to closing of the Public Offering, including receipt in a timely manner of regulatory and other required approvals and clearances, including the approval of the TSX; the plan of distribution for the Public Offering; the ability to repay the debt financing components of the Franco-Nevada financing package; the anticipated effect of the Transaction on the consolidated capitalization of the Company following the completion of the Public Offering; the receipt of shareholder approval for the issuance of the Additional Shares; statements or information concerning the future financial or operating performance of the Company and its business, operations, properties and condition, resource potential, including the potential quantity and/or grade of minerals, or the potential size of a mineralized zone; potential expansion of mineralization; the timing and results of future resource and/or reserve estimates; the timing of other exploration and development plans at the Company's mineral project interests and at Porcupine; the proposed timing and amount of estimated future production and the illustrative costs thereof; requirements for additional capital; environmental risks; general business and economic conditions; delays in obtaining, or the inability to obtain, third-party contracts, equipment, supplies and governmental or other approvals; changes in law, including the enactment of mining law reforms in Mexico; accidents; labour disputes; unavailability of appropriate land use permits; changes to land usage agreements and other risks of the mining industry generally; the inability to obtain financing required for the completion of exploration and development activities; changes in business and economic conditions; international conflicts; other factors beyond the Company's control; and those factors included herein and elsewhere in the Company's public disclosure.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, or intended. See the section entitled "Risk Factors" in the prospectus supplement and the accompanying base shelf prospectus, and in the section entitled "Risk Factors" in the Company's annual information form dated as of March 28, 2024 for the financial year ended December 31, 2023, for additional risk factors that could cause results to differ materially from forward-looking statements.

There can be no assurance that such information will prove to be accurate as actual developments or events could cause results to differ materially from those anticipated. These include, among others, the factors described or referred to elsewhere herein, and include unanticipated and/or unusual events. Many of such factors are beyond the Company's ability to predict or control.

The forward-looking information included in this press release is expressly qualified by the foregoing cautionary statements. Readers of this press release are cautioned not to put undue reliance on forward-looking information due to its inherent uncertainty. The Company disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise,



unless required under applicable laws. This forward-looking information should not be relied upon as representing management's views as of any date subsequent to the date of this press release.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent they involve estimates of the mineralization that will be encountered if the property is developed and are based on the results of a preliminary economic assessment which is preliminary in nature. Please refer to the Cautionary Language provided below.