Discoverysilver

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2024, and 2023

Dated March 26, 2025

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements, and their related notes, of Discovery Silver Corp. ("Discovery Silver" or "the Company"), as at and for the years ended December 31, 2024 and December 31, 2023 which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Additional information relating to the Company, including the most recent Annual Information Form ("AIF") for the year ended December 31, 2024, and the Company's audited consolidated financial statements for the year ended December 31, 2024, are available on SEDAR+ at www.sedarplus.ca. The information provided herein supplements, but does not form part of, the consolidated financial statements and includes financial and operational information from the Company's subsidiaries.

This document contains forward-looking statements and forward-looking information. Refer to the cautionary language under the section entitled "Cautionary Statement on Forward-Looking Statements" in this MD&A. All dollar ($) amounts are expressed in Canadian dollars ("CAD"), the Company's reporting currency, except where otherwise noted. References to United States dollars are denoted as ("USD"). All information contained in this MD&A is current and has been reviewed by management and approved by the Board of Directors (the "Board") of the Company as of March 26, 2025, unless otherwise stated.

DESCRIPTION OF BUSINESS

The Company was incorporated on October 10, 1986 under the laws of British Columbia as Ayubowan Capital Ltd. On June 13, 2017, the Company's name was changed to Discovery Metals Corp. On April 14, 2021, the Company's name was changed to Discovery Silver Corp. The Company's Common Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "DSV", on the OTCQX under the symbol "DSVSF", and on the Frankfurt Stock Exchange under the symbol "1CU0".

The Company is principally engaged in the acquisition, exploration and development of mineral properties, with a focus on advancing assets capable of supporting profitable operations and generating attractive returns for all stakeholders. Discovery's flagship asset is the 100%-owned Cordero silver project ("Cordero" or the "Project") located in Chihuahua State, Mexico. 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 defining the economic potential of the Cordero Project primarily through two extensive drill programs and two detailed metallurgical testwork programs. Following the completion of a Feasibility Study titled the "*Cordero Silver Project: NI 43-101 Technical Report & Feasibility Study (Chihuahua State, Mexico)*" (the "FS") with an effective date of February 16, 2024, published on March 28, 2024, the focus is now on further de-risking the project through the advancement of the construction permitting process, studies on water, power and land, alongside property-wide exploration. The FS demonstrates that Cordero is a tier-one project with the potential to be developed into one of the largest silver mines globally. On January 27, 2025, the Company announced a definitive agreement to acquire 100% of Newmont Corporation's interest in the Porcupine Complex ("Porcupine" or the "Complex") in and near Timmins, Ontario, Canada. Through the addition of Porcupine, the Company will become a Canadian-based gold producer, with multiple operating mines, in a historic gold camp. The acquisition is expected to close in the first half of 2025 and the Company will then focus on integrating the operations, growing production, enhancing efficiency, and advancing numerous exploration opportunities within the Complex.

NON-GAAP PERFORMANCE MEASURES

Discovery uses non-GAAP (generally accepted accounting principles) performance measures throughout this MD&A as it believes that these generally accepted industry performance measures provide a useful indication of the Company's operational performance. These non-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-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.

For further information, refer to the section entitled "Financial Information and Non-GAAP Measures" in this MD&A.

RECENT DEVELOPMENTS

On January 27, 2025 it was announced that Discovery had entered into a definitive agreement (the "Share Purchase Agreement") to indirectly acquire all of Newmont Corporation's interest in the Porcupine Complex (the "Transaction") for a total consideration of USD$425 million. The consideration payable to Newmont for the Transaction consists of USD$200 million in cash and USD$75 million payable through the issuance of approximately 119.7 million common shares of Discovery, both of which are payable upon closing of the Transaction, and USD$150 million of deferred consideration to be paid in four annual cash payments of USD$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 USD$555 million of financing, including USD$400 million related to royalty and debt agreements with Franco Nevada Corporation ("Franco Nevada") and approximately USD$155 million from a bought deal public offering of subscription receipts (the "Bought Deal). The Bought Deal closed on February 3, 2025 and pursuant to the requirements of the Toronto Stock Exchange a special meeting will be held on March 27, 2025 to obtain shareholder approval (the "Special Meeting").

Pursuant to the Bought Deal, the Company issued an aggregate of 275,000,000 Subscription Receipts at an issue price of C$0.90 per Subscription Receipt, for gross proceeds of C$247,500,000, which includes 25,000,000 Subscription Receipts issued pursuant to the exercise, in full, of the over-allotment option granted to the underwriters in connection with the Bought Deal. Pursuant to the requirements of the Toronto Stock Exchange, a special meeting of the Company's shareholders has been scheduled and is set for March 27, 2025. If the issuance of 119.7 million common shares to Newmont is not approved by shareholders at the Special Meeting, Discovery will reduce this number and issue approximately 94.5 million common shares to Newmont, and the first deferred cash payment will be increased to approximately USD$53.3 million. As part of the financing package with Franco-Nevada, the Company issued 3,900,000 share purchase warrants, exercisable at $0.95 with a 3-year expiry.

Prior to the closing of the Transaction, Porcupine will be transferred into a newly formed corporation, Dome Mine Ltd. pursuant to an asset purchase agreement. On closing of the Transaction, all of the issued and outstanding common shares of Dome Mine Ltd. will be sold to Discovery pursuant to the Share Purchase Agreement. The transaction is also subject to other customary conditions prior to the expected close in the first half of 2025.

CORDERO OVERVIEW

Highlights

On April 1, 2024, the Company announced the filing of its National Instrument 43-101 ("NI 43-101") technical report entitled: *Cordero Silver Project, Technical Report & Feasibility Study* dated February 16, 2024 (the "Technical Report"), in respect of Discovery's Cordero deposit in Mexico. The report was filed on March 28, 2024 and was authored by Ausenco Engineering Canada ULC, with support from AGP Mining Consultants Inc., WSP USA Environment and Infrastructure Inc. and RedDot3D Inc.

Highlights include:

- **Large-scale, long-life production:** 19-year mine life with an average of 37 million ounces ("Moz") of silver equivalent ("AgEq") production from Year 1 to Year 12.
- **Low costs, high margins:** average AISC of less than USD$12.50 over the first eight years of mine life placing Cordero in the bottom half of the cost curve.
- **Attractive project economics:** Base Case after-tax Net Present Value at 5% ("NPV") of USD$1.2 billion and IRR of 22% with NPV expanding to USD$2.2 billion in Year 4.
- **Low capital intensity:** initial development capital expenditures ("capex") of USD$606 million resulting in an attractive after-tax NPV-to-capex ratio of 2.0.
- **Tier 1 reserve base:** Reserves of silver ("Ag") - 302 Moz, gold ("Au") - 840 thousand ounces ("koz"), lead ("Pb") – 3.0 billion pounds (Blb) and zinc ("Zn") – 5.2 Blb, positioning Cordero as one of the largest undeveloped silver deposits globally.
- **Clear upside potential:** 240 million tonnes ("Mt") of Measured & Indicated Resource sit outside the FS pit highlighting the potential to materially extend the mine life at modestly higher silver prices.
- **Substantial socio-economic contribution:** an initial investment of USD$606 million, 2,500 jobs created during construction, USD$4.0 billion of goods and services purchased and estimated tax contributions of over USD$1.4 billion within Mexico.
- **Environmental standards:** third-party reviews of proposed environmental practices to ensure adherence to both Mexican regulatory standards and Equator Principles 4. The Study also incorporates investment in infrastructure and technology to recycle wastewater from local communities with discharged water representing the primary source of water for mine operations.

Project Economics

The economics for the FS were based on the following metal prices: Ag - $22.00/oz, Au - $1,600/oz, Pb - $1.00/lb and Zn - $1.20/lb A 10% increase in metal prices results in a 40% increase in the Project NPV to over USD$1,647 million. At metal prices as at March 25, 2025, the NPV would total USD$2,262 million, a 92% increase over the FS Project NPV. The FS payback at base case prices is 5.2 years due to the expansion of the processing plant from 26,000 tpd to 51,000 tpd in Year 3 at a capital cost of USD$291 million. This expansion is expected to be funded from operating cash flow.

	Units	Base Case	Base Case Metal Prices +10%	Base Case Metal Prices -10%
After-Tax NPV (5% discount rate)	(US$ M)	USD$1,177	USD$1,647	USD$707
Internal Rate of Return	(%)	22.0%	27.2%	16.1%
Payback	(yrs)	5.2	4.3	6.5

Resource Update

In conjunction with the FS, the Mineral Resource Estimate for Cordero was updated to incorporate an additional 34,957 m of drilling in 103 holes since the release of the Preliminary Feasibility Study ("PFS") (Mineral Resource Estimate now includes total drilling of 310,861 m in 793 drill holes). The Measured & Indicated Resource has grown by 70 Moz AgEq to 1,203 Moz AgEq with the Inferred Resource being reduced by 13 Moz AgEq to 154 Moz AgEq as summarized below. The overall expansion of the resource was largely driven by exploration success at depth and in the northeast part of the deposit.

- **Measured & Indicated Resource of 1,203 Moz AgEq at an average grade of 52 g/t AgEq** (719 Mt grading 21 g/t Ag, 0.06 g/t Au, 0.30% Pb and 0.57% Zn)
- **Inferred Resource of 154 Moz AgEq at an average grade of 33 g/t AgEq** (148 Mt grading 14 g/t Ag, 0.02 g/t Au, 0.18% Pb and 0.35% Zn)

Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Recent Developments

On March 19, 2025, the Company achieved a significant milestone with the acquisition of 66 hectares of land near the planned location of the Cordero processing plant. With this acquisition, Discovery now owns 100% of the land required to advance Cordero into development.

OUTLOOK

The anticipated closing of the Porcupine Complex acquisition in the first half of 2025 will transform Discovery into a diversified precious metals company combining growing gold production in Northern Ontario, Canada, with one of the world's largest silver development projects in Chihuahua State, Mexico. The closing of the Transaction will also result in a significant increase in the Company cash position, with approximately $240 million (USD$170 million) of cash expected to be added to Discovery's balance sheet as a result of closing the Financing.

(Expressed in Canadian dollars, except where otherwise noted)

Through the issuance of the Consideration Shares to Newmont, as well as the expected issuance of approximately 275 million common shares to holders of the Subscription Receipts through the Bought Deal, the Company's total common shares outstanding are expected to increase from 400.5 million at December 31, 2024 to approximately 802.3 million upon closing of the Transaction. Under terms of the Bought Deal, each Subscription Receipt entitles 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 related to the Transaction.

In terms of Cordero, following release of the FS, the Company executed a work program over the balance of 2024 aimed at further advancing and de-risking the Project. The program included engineering and design work, additional permitting, the acquisition or lease of additional surface rights where appropriate, and the continuation of the Company's ESG and community outreach programs.

The two principal environmental permits required for the construction, operation and closure of Cordero are: the Environmental Impact Assessment ("Manifestacion de Impacto Ambiental" or "MIA"); and the Change of Land Use ("Cambio de Uso de Suelo" or "CUS"). Both permits are subject to review and approval by the Secretaría de Medio Ambiente y Recursos Naturales ("SEMARNAT"), Mexico's federal agency for natural resources and the environment.

The Company formally submitted its MIA for evaluation

in August 2023. The MIA passed SEMARNAT's legal review soon after its submission and was advanced for technical review. In March 2024, SEMARNAT issued a notice for a 60-day extension to the technical review period, which extended the review to late June 2024. As of the end of 2024, the Company had yet to receive a ruling on the technical review of the MIA. Based on favourable developments in Mexico since President Claudia Sheinbaum assumed office on October 1, 2024, including public comments in support of increased foreign investment and acknowledging the importance of mining to the country's economy, the Company entered 2025 increasingly optimistic that approval of the MIA will be received during the year. The CUS submission is supported by a Change of Land Use Study known as an Estudio Tecnico Justificativo ("ETJ"). The ETJ was completed by the Company working with third-party consultants during 2024. The Company plans to file the formal CUS submission during the first half of 2025.

SUMMARIZED FINANCIAL RESULTS

Summary of Consolidated Annual Financial Results

		Years Ended December 31,		
		2024		2023
Net loss	**$**	**(20,895,391)**	**$**	(15,752,515)
Basic and diluted loss per share	**$**	**(0.05)**	**$**	(0.04)
Total comprehensive loss	**$**	**(23,590,584)**	**$**	(14,403,320)
Cash and cash equivalents	**$**	**29,310,579**	**$**	58,944,459
Total assets	**$**	**122,882,786**	**$**	146,065,998
Total current liabilities	**$**	**8,607,312**	**$**	12,168,225
Working capital(1)	**$**	**24,397,116**	**$**	49,691,371
Total weighted average shares outstanding		**398,385,856**		382,703,062

(1) Working capital is defined as current assets less current liabilities and calculated directly from the Company's Statement of Financial Position in its interim and annual consolidated financial statements.

Full year 2024 Compared To Full year 2023

Net Loss and Total Comprehensive Loss

The Company had a total comprehensive loss of $23,590,584 for the full year of 2024, compared to a total comprehensive loss of $14,403,320 for the same period in 2023. The total comprehensive loss for 2024 includes a non-cash currency translation adjustment ("CTA") loss of $2,695,192 resulting from the translation of Discovery's Mexican subsidiaries from their Mexican Peso ("MXP") denominated financial statements to the Company's reporting currency of CAD on consolidation (2023 – CTA gain of $1,349,195). CTA gains or losses are the result of the appreciation or depreciation of foreign currency balances in USD or MXP compared to the CAD during the period, primarily impacting the mineral property balances.

The overall increase in net loss during 2024 when compared to 2023 is primarily the result of $2,581,467 in business development expenses related to the evaluation of the Porcupine Complex (2023 - $447,261 related to the evaluation of other projects and other expenditures incurred in the normal course of business), an increase of $3,261,224 in salaries and benefits as the Company made key hires and promotions to strengthen the management team (2023 - $868,663), and $3,574,007 in foreign exchange loss (2023 - $2,398,649 foreign exchange gain).

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $4,446,038 during 2024, compared to $5,673,104 during 2023. This decrease is a direct result of no stock options being granted in 2024 while 1,600,000 stock options were granted during 2023. The Company granted 5,600,615 RSUs and 2,375,997 DSUs during 2024 compared to 3,491,631 RSUs and 1,475,997 DSUs during 2023.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $507,383 during 2024 compared to $3,743,940 during 2023. The decrease relates primarily to the regional exploration drilling program and other project evaluation being postponed during 2024 while the Company awaits the MIA permits. During 2023, an approximate 6,200 metre exploration drilling program was carried out outside of the resource pit area resulting in a spend of $1,166,601.

General office and other expenses

During 2024, the Company incurred general office and other expenses of $12,977,449 compared to $8,653,089 during 2023. The increase was primarily due to an increase in costs associated with business development as the Company aggressively pursued opportunities. In anticipation of growth, key management positions were added throughout the year to provide the necessary expertise across all functional areas.

Professional fees

During 2024, the Company incurred professional fees of $1,479,821 compared to $1,547,300 during 2023. This slight decrease is due to legal fees associated with corporate items related to public offering in 2023 that were not incurred in 2024.

Interest income

The Company earned interest income of $2,201,088 during 2024 compared to $3,095,468 during 2023. The decrease relates to a combination of lower interest rates and a lower average cash balance during 2024. Excess cash on hand was placed in highly liquid, short-term instruments including high-interest savings and short-term guaranteed investment certificates during the year.

Foreign exchange loss

The company realized a foreign exchange loss of $3,574,007 during 2024 compared to a gain of $2,398,649 during 2023. This foreign exchange loss was primarily due to the appreciation of the USD against the CAD as foreign exchange rates moved from 1.3226 at the end of December 2023 to 1.4389 at the end of December 2024. The MXP decreased against the Canadian Dollar with foreign exchange rates changing from 0.07818 at the end of December 2023 to 0.06929 at the end of December 2024.

IVA receivable

The Company's Mexican subsidiaries pay value-added tax, Impuesto al Valor Agregado ("IVA") on the purchase of goods and services. The amount of IVA paid is generally recoverable but subject to review and assessment by the Mexican tax authority ("SAT"). The complex application process and detailed review by SAT can impact the collectability and timing of refunds.

During the year ended December 31, 2024, the Company received net refunds of $1.1 million while a refund of $8.0 million was received in 2023 after completion of an audit related to a cumulative five-year return filed with SAT in 2022.

The Company classifies the IVA receivable balance as current or non-current based on the estimated timing of collection from SAT. Any returns deemed collectible within 12 months are recorded as a current receivable while any IVA estimated to be collectible after 12 months is recorded as a non-current receivable. As at December 31, 2024, the Company recorded $2,819,754 and $2,153,568 as current and non-current IVA receivables in the Consolidated Statement of Financial Position.

Since the receipt of the cumulative refund, SAT has since forcibly closed all outstanding receivable balances prior to 2017 which resulted in a net write off of $1,293,744 in IVA receivables during the year ended December 31, 2023. Subsequent to December 31, 2024, the Company received a refund of approximately $0.4 million.

(Expressed in Canadian dollars, except where otherwise noted)

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Summary of Quarterly Results

		Q4 2024		Q3 2024		Q2 2024		Q1 2024
Net loss	**$**	**(7,918,235)**	$	(5,265,159)	$	(7,031,192)	$	(680,805)
Basic and diluted loss per share	**$**	**(0.02)**	$	(0.01)	$	(0.02)	$	(0.00)
Total comprehensive (loss) income	**$**	**(7,419,994)**	$	(8,647,141)	$	(8,641,529)	$	1,118,080
Cash and cash equivalents	**$**	**29,310,579**	$	33,442,223	$	37,047,745	$	50,704,880
Total assets	**$**	**122,882,786**	$	125,095,052	$	131,820,290	$	147,418,451
Total current liabilities	**$**	**8,607,312**	$	6,224,929	$	5,804,894	$	11,443,293
Working capital[(1)]	**$**	**24,397,116**	$	30,899,454	$	35,854,244	$	42,866,483
Total weighted average shares outstanding		**400,414,988**		397,696,018		397,569,644		395,973,316

		Q4 2023		Q3 2023		Q2 2023		Q1 2023
Net loss		(5,665,597)	$	(2,207,479)	$	(3,879,721)	$	(3,999,718)
Basic and diluted loss per share	$	(0.01)	$	(0.01)	$	(0.01)	$	(0.01)
Total comprehensive loss	$	(4,539,860)	$	(3,059,766)	$	(3,459,046)	$	(3,344,648)
Cash and cash equivalents	$	58,944,459	$	59,931,068	$	68,168,006	$	37,272,498
Total assets	$	146,065,998	$	150,770,808	$	149,199,876	$	89,256,576
Total current liabilities	$	12,168,225	$	13,327,861	$	11,057,495	$	1,783,522
Working capital[(1)]	$	49,691,371	$	59,402,439	$	65,661,086	$	43,933,240
Total weighted average shares outstanding		395,747,953		395,720,230		386,471,109		352,071,321

(1) Working capital is defined as current assets less current liabilities and calculated directly from the Company's Statement of Financial Position in its interim and annual consolidated financial statements.

Q4 2024 Compared to Q4 2023

Net loss and total comprehensive loss

The Company had a total comprehensive loss of $7,419,994 during Q4 2024, compared to a total comprehensive loss of $4,539,860 for Q4 2023. The total comprehensive loss for Q4 2024 includes a non-cash currency translation adjustment ("CTA") loss of $498,241 from the translation of Discovery's Mexican subsidiaries MXP functional currency financial statements to the Company's reporting currency of CAD on consolidation (Q4 2023 – CTA gain of $1,125,737). CTA gains or losses are the result of the appreciation or depreciation of foreign currency balances in USD or MXP compared to the CAD during the period, primarily impacting the mineral property balances.

The increase in net loss during Q4 2024 compared to Q4 2023 is primarily due to $2,092,989 in business development expenses incurred for the evaluation of the Porcupine Complex.

Exploration and project evaluation expense

The Company did not incur exploration and project evaluation costs during Q4 2024 while $839,071 was spent in Q4 2023. While the Company awaits the receipt of the permit associated with the submission of the MIA, all planned regional or property-wide expenditures were postponed.

General office and other expenses

During Q4 2024, the Company incurred general office and other expenses of $6,470,206 compared to $3,473,924 during Q4 2023. The increase during Q4 2024 was a direct result of the Company pursuing corporate development opportunities.

Professional fees

During Q4 2024, the Company maintained a similar spend on general legal, accounting, and other consulting fees when compared to Q4 2023 and incurred professional fees of $290,039 compared to $300,971 during Q4 2023.

Interest income

The Company earned interest income of $381,900 during Q4 2024 compared to $1,219,104 during Q4 2023. The lower interest is due to less average cash on hand during the period and therefore a lower balance invested in interest-bearing instruments.

Foreign exchange gain

The company realized a foreign exchange gain of $220,150 during Q4 2024 compared to a gain of $2,163,173 during Q4 2023. This foreign exchange gain was primarily due to the appreciation of the MXP against the Canadian Dollar.

IVA receivable

During Q4 2024, the Company received a net refund of $0.6 million while a refund of $8.0 million was received in Q4 2023 after completion of an audit related to a cumulative five-year return filed with SAT in 2022.

The Company classifies the IVA receivable balance as current or non-current based on the estimated timing of collection from SAT. Any returns deemed collectible within 12 months are recorded as a current receivable while any IVA estimated to be collectible after 12 months is recorded as a non-current receivable. As at December 31, 2024, the Company recorded $2,819,754 and $2,153,568 as current and non-current IVA receivables in the Statement of Financial Position. Subsequent to December 31, 2024, the Company received a refund of approximately $0.04 million.

CASH FLOW

The Company had net cash used in operating activities of $20,752,793 for the full year 2024 compared to net cash used in operating activities of $1,525,554 for 2023. This increase is primarily related to movement in working capital and higher business development expenses incurred during 2024 related to the evaluation of the Porcupine Complex.

The Company had net cash used in investing activities of $9,824,205 for 2024, compared to net cash used in investing activities of $33,757,735 during 2023 mainly related to expenditures incurred at Cordero.

The Company had net cash provided by financing activities $1,029,125 during 2024 compared to cash provided by financing activities of $48,853,867 during 2023. The net cash inflow during 2023 was the result of net cash received of $48,741,556 from the marketed public offering; while the net cash inflow during 2024 was the result of cash received of $1,711,563 from the issuance of shares on exercise of options, offset by $682,528 in principal repayments on leases.

CAPITAL MANAGEMENT AND LIQUIDITY

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

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of its underlying assets as well as possible business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management. Management reviews its capital management approach on an ongoing basis. As at December 31, 2024, the Company does not have any long-term debt outstanding, and is not subject to any externally imposed capital requirements or debt covenants.

At December 31, 2024, the Company had working capital (defined as current assets less current liabilities from the Statement of Financial Position in the Consolidated Financial Statements) of $24,397,116 (December 31, 2023 – $49,691,371).

SHARE CAPITAL

A summary of the common shares issued and outstanding at December 31, 2024 and impact of changes to share capital is as follows:

(Expressed in Canadian dollars, except where otherwise noted)

	Common Shares	Amount
At January 1, 2023	351,941,580	$ 166,732,378
Shares issued for marketed public offering(1)	43,125,000	51,750,000
Finders' fees incurred for marketed public offering(1)	-	(3,008,444)
Shares issued on exercise of options	528,650	374,642
Shares issued on exercise of RSU's	267,019	345,587
At December 31, 2023	395,862,249	$ 216,194,163
Shares issued on exercise of options	**3,468,450**	**2,625,456**
Shares issued on exercise of RSU's	**1,130,545**	**1,391,509**
At December 31, 2024	**400,461,244**	**$ 220,211,128**

(1) On April 19, 2023, the Company announced the closing of its marketed public offering of common shares of the Company for aggregate gross proceeds of approximately $51,750,000. The offering consisted of the sale of 43,125,000 common shares that included the full exercise of the Agents' option at a price of $1.20 per share.

OUTSTANDING SHARE DATA

At March 26, 2025 the Company had the following equity securities and convertible securities outstanding:

	Authorized	Number and Type Outstanding
Voting or Equity Securities Issued and Outstanding	Unlimited Common Shares	402,348,373 Common Shares
Securities convertible or exercisable into voting or equity securities - stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 15,801,875 Common Shares
Securities convertible or exercisable into voting or equity securities - RSU's & DSU's	RSU's and DSU's to acquire up to 10% of outstanding Common Shares	RSU's and DSU's to acquire 6,139,483 Common Shares
Securities convertible or exercisable into voting or equity securities - Subscription Receipts	Subscription Receipts to acquire Common Shares on close of the Transaction	275,000,000 Subscription Receipts to acquire 275,000,000 Common Shares
Securities convertible or exercisable into voting or equity securities – Share Purchase Warrants	Share Purchase Warrants to acquire up to 3,900,000 Common Shares of the Company	3,900,000 Share Purchase Warrants to acquire up to 3,900,000 Common Shares at C$0.95 for a term of three years

RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as well as those personnel with responsibility for the oversight of the Company's activities.

(Expressed in Canadian dollars, except where otherwise noted)

The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Related party transactions for the years ended December 31, 2024 and 2023 are as follows:

		Years Ended December 31,	
Transaction Type	**Nature of Relationship**	**2024**	2023
Non-cash share-based payments	Directors and officers	**$ 4,446,038**	$ 4,643,393
Salaries and benefits	Officers	**2,846,115**	3,602,335
Director fees	Directors	**400,000**	302,596
		$ 7,692,153	$ 8,548,324

A summary of amounts due to related parties:

		Years Ended December 31,	
Transaction Type	**Nature of Relationship**	**2024**	2023
Salaries and benefits payable	Directors, officers, and employees	**$ 3,243,111**	$ 1,103,245
		$ 3,243,111	$ 1,103,245

Salaries and benefits payable include certain salaries and benefits or fees earned by directors, officers and employees during 2024 and short-term non-equity incentives earned by officers and employees during 2024 and paid in 2025.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

The Company's financial instruments consist of cash, accounts receivable and deposits, and accounts payable and accrued liabilities.

Accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

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

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

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

(Expressed in Canadian dollars, except where otherwise noted)

At December 31, 2024 the Company had no financial instruments classified as Level 2 or 3.

Financial Risk Factors

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

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2024, the Company had a cash and cash equivalents balance of $29,310,579 (December 31, 2023 – $58,944,459) to settle current liabilities of $8,607,312 (December 31, 2023 – $12,168,225). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At December 31, 2024, the Company has no sources of revenue to fund its operating and development expenditures and has historically relied solely on non-brokered private placements to fund its operations. The Company's cash balance at December 31, 2024 is sufficient to fund work at Cordero during 2025 as well as administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of an equity or debt financing. Refer to the "Recent Developments" section of the MD&A.

b) Credit risk

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

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

	December 31, 2024	December 31, 2023
Cash and cash equivalents	**$ 29,310,579**	$ 58,944,459
Other receivables	**82,896**	237,086
Deposits	**114,501**	130,504
	$ 29,507,976	**$** 59,312,049

c) Market Risks

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

i. Interest rate risk

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

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At December 31, 2024, cash balances were held primarily in Canadian and US dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk, however exchange rates are continually monitored for any significant changes. A portion of the Company's exploration expenses are paid in USD, and over the past two years the Company converted a portion of its CAD cash balances into USD to reduce its currency risk exposure related to the CAD.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP. At December 31, 2024 and December 31, 2023, the Company had the following foreign currency denominated trade payables:

		December 31, 2024		December 31, 2023
United States dollar	**$**	**3,798,895**	$	6,991,862
Mexican Peso		**898,268**		806,771
	$	**4,697,163**	$	7,798,633

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Peso against the Canadian Dollar would affect net loss at December 31, 2024 by approximately $422,542 (December 31, 2023 - $779,844).

iii. Price risk

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

OTHER RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties, primarily in Mexico. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of these risks occur, including the financial risks described above, the Company's business, financial condition and operating results could be adversely affected.

This MD&A also contains forward-looking information that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risks faced by the Company as described in the documents incorporated by reference herein. Refer to the "Cautionary Statement Regarding Forward-Looking Information".

Risks Relating to the Porcupine Complex Acquisition

Closing of the Porcupine Complex Acquisition

The Porcupine Acquisition Closing is subject to the satisfaction of certain closing conditions, including the receipt of required regulatory approvals. There is no certainty, nor can Discovery provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. A substantial delay in obtaining regulatory approvals or the imposition of unfavourable terms or conditions in the approvals could have a material adverse effect on Discovery's ability to complete the Porcupine Acquisition and on Discovery's business, financial condition, results of operations or cash flows. The Company intends to consummate the Porcupine Acquisition as soon as practicable after obtaining the required regulatory approvals and satisfying the required closing conditions.

Franco-Nevada Royalty Package

Discovery's ability to complete the transactions contemplated under the Implementation Agreement is subject to certain customary conditions that Discovery must satisfy. If Discovery is unable to satisfy one or more of those conditions and such conditions are not waived, Discovery will not be able to receive amounts under the Franco-Nevada Royalty Package to fund the Porcupine Acquisition. If Discovery cannot obtain the funds under the Franco-Nevada Royalty Package, Discovery may not have the cash necessary to fund the cash portion of the Purchase Price and close the Porcupine Acquisition, and the Goldcorp Canada Ltd. ("GCL") will, in certain circumstances, have the right to terminate the Porcupine Acquisition Agreement. In addition, while it is possible that alternative sources of financing may not be available, alternative sources, if available, may be on terms that are less favourable than the terms of the Franco-Nevada Royalty Package.

Potential Dispute with First Nations Community Could Have Adverse Consequences Following the Porcupine Acquisition Closing

In November 2024, the Taykwa Tagmou Nation ("TTN") filed a Statement of Claim against His Majesty the King in Right of Ontario represented by the Ministry of Northern Development, Mines, Natural Resources ("Ministry of Mines") and the Ministry of Environment, Conservation and Parks (the "Ministry of the Environment"), GCL, and Newmont Corporation, claiming the Crown failed to protect TTN's lands and way of life from the impacts of mining in the Treaty No. 9 area, particularly, the Ministry of Mines and Ministry of Environment issued ten authorizations (the "Authorizations") enabling GCL to resume open pit mining at the Pamour mine after 15 years of closure without consulting TTN or considering the impacts to TTN's Treaty rights (the "TTN Litigation"). Further, the Ministry of Mines accepted the GDC's Closure Plan Amendment for filing, allowing the Pamour mine to reopen without consulting TTN, which TTN alleges breached the Mining Act and section 35 of the *Constitution Act*. In the Statement of Claim, TTN sought certain relief including staying activities under the Authorizations issued to GDC until the Action in the Statement of Claim is heard, a declaration the Crown breached its constitutional duty to meaningful consult and accommodate TTN respecting the Authorizations and the Crown violated Treaty No. 9 by issuing the Authorizations, quashing certain of the Authorizations, requiring the Crown to cooperate with TTN on various matters and seeking certain damages. TTN had previously brought an application for Judicial Review in July 2023 requesting relief respecting three of the mining exploration permits issued to the Seller. In January 2025, Newmont Corporation and the Seller filed a Notice of Intent to Defend with respect to this Action. His Majesty the King in Right of Ontario also filed a Notice of Intent to Defend in November 2024. The Company believes this claim is without merit.

The outcome of this claim is uncertain and could result in delays, additional costs, or modifications to the Pamour mine, difficulty in obtaining financing and permits and difficulty in community relations. This claim, depending upon its pendency and resolution, may give rise to material adverse effects on the Company's financial condition, operations, and prospects following the Porcupine Acquisition Closing.

Unexpected Liabilities Related to the Porcupine Acquisition

In connection with the Porcupine Acquisition, there may be liabilities including environmental liabilities associated with the Porcupine Complex that the Company failed to discover or was unable to quantify in the due diligence which it conducted in connection with the Porcupine Acquisition and the Company may not be indemnified for some or all of these liabilities. Following the Porcupine Acquisition Closing, the Company may discover that it has acquired substantial undisclosed liabilities. The discovery of any material liabilities, or the inability to obtain full indemnification for such liabilities, could have a material adverse effect on the Company's business, financial condition or future prospects. While the Company has estimated these potential liabilities for the purposes of making its decision to enter into the Porcupine Acquisition Agreement, there can be no assurance that any resulting liability including environmental liabilities will not exceed the Company's estimates.

In addition, the Company may be unable to retain Porcupine's employees following the Porcupine Acquisition. The continuing and collaborative efforts of the Porcupine Complex's employees are important to its success and its business would be harmed if it were to lose their services.

The existence of undisclosed liabilities and the Company's inability to retain the Porcupine Complex's employees could have an adverse impact on the Company's business, financial condition and results of operations.

Nature of Acquisitions

Acquisitions of mineral properties are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as operational performance, status of and impact of policy, legislation and regulations and effective tax rates. Many of these factors are subject to change and are beyond Discovery's control. All such assessments involve a measure of engineering, environmental and regulatory uncertainty that could result in lower revenue or higher operating or capital expenditures than anticipated.

Information Provided by GCL

Information related to the Porcupine Complex in this MD&A is based on information provided by GCL. Although the Company has conducted what it believes to be a prudent and thorough level of investigation with respect to the Porcupine Complex in connection with the Porcupine Acquisition, a certain degree of risk remains regarding the accuracy and completeness of such information. While the Company has no reason to believe the information obtained from GCL is misleading, untrue or incomplete, the Company cannot assure the accuracy or completeness of such information, nor can the Company compel GCL to disclose events which may have occurred or may affect the completeness or accuracy of such information, but which are unknown to the Company.

Regulatory Risk

The Porcupine Acquisition is conditional upon, among other things, (i) TSX approval, (ii) the completion of the Reorganization (which will be subject to certain approvals, including the consent of Ontario's Ministry of Mines), and (iii) the approval, or expiry of the waiting period, under the *Competition Act* (Canada). A substantial delay in obtaining satisfactory approvals or the imposition of unfavourable terms or conditions in the approvals could have a material adverse effect on Discovery's ability to complete the Porcupine Acquisition and on Discovery's business, financial condition, results of operations or cash flows, or on the Porcupine Complex.

Failure to Realize Porcupine Acquisition Benefits

There is a risk that some or all of the expected benefits of the Porcupine Acquisition may fail to materialize or may not occur within the time periods that Discovery anticipates. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Company.

Moreover, a variety of factors, including those risk factors set forth in this AIF, may adversely affect the Company's ability to achieve the anticipated benefits of the Porcupine Acquisition.

Integration of the Porcupine Complex

Although the Company expects to realize certain benefits as a result of the Porcupine Acquisition, there is a possibility that, following the Porcupine Acquisition, the Company is unable to successfully integrate the Porcupine Complex into its operations in order to realize the anticipated benefits of the Porcupine Acquisition or may be unable to do so within the anticipated timeframe.

The Company expects to implement certain operational improvements and cost-savings initiatives following the completion of the Porcupine Acquisition. Any cost-savings that the Company realizes from such efforts may differ materially from the Company's estimates. In addition, any cost-savings that the Company realizes may be offset, in whole or in part, by reductions in revenues or through increases in other expenses. The Company's operational improvements and cost-savings plans are subject to numerous risks and uncertainties that may change at any time.

To effectively integrate the Porcupine Complex into its current operations, Discovery must establish appropriate operational, administrative, finance, and management systems and controls functions relating to the Porcupine Complex. These efforts, together with the ongoing integration following the Porcupine Acquisition, will require substantial attention from Discovery's management. This diversion of management attention, as well as any other difficulties which Discovery may encounter in completing the Acquisition and integration process, could have an adverse effect on Discovery's business, financial condition, results of operations and cash flows. There can be no assurance that Discovery will be successful in integrating the Porcupine Complex or that the expected benefits of the Porcupine Acquisition will be realized.

Discovery Will Rely on GCL Following Completion of the Porcupine Acquisition for Certain Services

In connection with the Porcupine Acquisition, Discovery and GCL agreed to enter into the Transition Services Agreement upon the closing of the Porcupine Acquisition pursuant to which GCL has agreed to provide, or cause its affiliates to provide, certain services to Discovery that are required for the operation of the Porcupine Complex in a similar manner as the Porcupine Complex was operated immediately prior to the Porcupine Acquisition Closing. As a result, Discovery will be reliant on GCL's personnel, good faith, contractual compliance, expertise and judgment in providing the services under the Transition Services Agreement, where the Company's ability to manage operational risks may be limited. Accordingly, Discovery may be exposed to adverse developments in the business and affairs of GCL, its management and to its financial strength.

There can be no assurance that the services provided by GCL pursuant to the Transition Services Agreement will be adequate for the Company to operate the Porcupine Complex and facilitate the efficient and effective transition of business operations as currently contemplated, or at all. If GCL does not perform the services under the Transition Services Agreement as currently contemplated, the operations and financial performance of the Porcupine Complex may be negatively affected, which could have a material adverse effect on the business, financial condition and future performance of the Company. If, after the expiration of the Transition Services Agreement, the Company is unable to perform these services or replace them in a timely manner or on terms and conditions as favorable as those under the Transition Services Agreement, the Company may experience operational problems and an increase in its costs.

Failure by the Seller to meet its obligations under the Transition Services Agreement could have a material adverse effect on the operation of the Porcupine Complex, which could in turn have a material adverse effect on the business, financial condition and future performance of the Company.

Litigation and Public Attitude towards the Porcupine Acquisition

The Company may be exposed to increased litigation from shareholders or other third-parties in connection with the Porcupine Acquisition. Such litigation may have an adverse impact on the Company's business and results of operations or may cause disruptions to the Company's operations. Even if any such claims are without merit, defending against these claims can result in substantial costs and divert the time and resources of management.

Furthermore, public attitudes towards the Porcupine Acquisition could result in negative press coverage and other adverse public statements affecting the Company. Adverse press coverage and other adverse statements could negatively impact the ability of the Company to achieve the benefits of the Porcupine Acquisition or take advantage of various business and market opportunities. The direct and indirect effects of negative publicity, and the demands of responding to and addressing it, may have a material adverse
effect on the Company's business, financial condition, results of operations and cash flows.

Porcupine Acquisition and Related Costs

The Company expects to incur significant costs associated with completing the Porcupine Acquisition and integrating the operations of Discovery and the Porcupine Complex. The substantial majority of such costs will be non-recurring expenses resulting from the Porcupine Acquisition and will consist of transaction costs related to the Porcupine Acquisition. Additional unanticipated costs may be incurred in the integration of the Porcupine Complex into Discovery's existing business and such costs, if incurred, may have a negative effect on the Company's business, operations and financial performance and cash flows.

Increased Indebtedness

In financing the Porcupine Acquisition, Discovery may incur additional debt under the Credit Facility. Such borrowing, to the extent incurred, would increase Discovery's consolidated indebtedness. Such additional indebtedness will increase Discovery's interest expense and debt service obligations and may have a negative effect on Discovery's results of operations and/or credit ratings. Such increased indebtedness may also make Discovery's results more sensitive to increases in interest rates. Discovery's degree of leverage could have other important consequences for purchasers, including: (i) having a negative effect on Discovery's issuer debt rating; (ii) it may limit Discovery's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes; (iii) it may limit Discovery's ability to declare dividends on the Common Shares; (iv) Discovery may be vulnerable in a downturn in general economic conditions; and (v) Discovery may be unable to make capital expenditures that are important to its growth and strategies.

Risk of Default in the Repayment of Borrowing under the Franco-Nevada Financing Package

The Company has secured the Franco-Nevada Financing Package which includes debt financing pursuant to the Credit Facility. In the event Discovery draws on the Credit Facility, Discovery may repay all or a portion of such borrowings using proceeds from the issuance of additional securities. If Discovery is unable to raise sufficient proceeds from such intended sale of such securities on terms acceptable to Discovery, its ability to repay borrowings under the Credit Facility could be adversely affected. In the event Discovery is unable to refinance borrowings it may incur under the Credit Facility in the manner Discovery intends, Discovery may be required to utilize other sources of liquidity including cash on hand, cash from operating activities or other borrowings. Discovery may also be required to seek extensions to or modifications of the terms of the Credit Facility in order to defer the maturity dates of any borrowings incurred thereunder. Depending upon credit market conditions at the time when borrowings, if any, are due for repayment, and Discovery's own financial performance at that time, Discovery may be unable to obtain extensions or modifications of the terms of the Credit Facility on terms satisfactory to Discovery, or at all, which could result in Discovery defaulting on its repayment obligations under the Credit Facility and being subject to various remedies available to Franco-Nevada thereunder including remedies available under applicable bankruptcy and insolvency legislation.

Drawdowns Under the Term Loan Agreement are Subject to a Number of Conditions

The ability of Discovery to borrower and obtain an advance under the Term Loan Agreement is subject to the satisfaction of conditions precedent by Dome Mine Ltd and Discovery which may be outside of control of Discovery to satisfy. For the initial advance, such conditions include, but are not limited to, the lender under the Term Loan Agreement being satisfied with a mine plan, financial model, including demonstrating compliance with financial covenants, and technical reports for the Porcupine Complex, review and due diligence on disclosure schedules to the Term Loan Agreement, provision by Discovery and Dome Mine Ltd of the required security and opinions, including title opinions on the Porcupine Complex, no events having occurred that would individually or in the aggregate have had or could reasonably have a material adverse effect, no default or event of default occurring, among other conditions. For all advances, in addition to the conditions for the initial advance, certain additional customary conditions precedent must be satisfied. The ability for Dome Mine Ltd to receive and access funds under the Term Loan Agreement is contingent on its ability to satisfy the required conditions to advance.

Nature of Mineral Exploration and Mining

At the present time the Company does not hold any interest in a producing mining property. The Company's viability and potential success is based on its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involve significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incident to exploration and development of mineral properties, any of which could result in damage to life and property, the environment and possible legal liability for any and all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of the operations in which the Company has interests. Hazards, such as unusual or unexpected geological structures, rock bursts, pressure, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required in carrying out the activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

Administrative changes in government offices could result in delays in processing applications and issuing any licenses and permits. The Company currently has all necessary drill permits however any future applications could be adversely impacted by various factors including the impact of COVID-19, its variants or any other pandemic on government offices and processing timelines.

Competition

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties, the acquisition of mining equipment and related supplies and the attraction and retention of qualified personnel. The ability of the Company to acquire properties, purchase required equipment, and hire qualified personnel in the future will depend not only on its ability to develop its present properties, but also on its ability to identify, arrange, negotiate, select or acquire suitable properties or prospects for mineral exploration, source suitable equipment and hire qualified people. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects, sourcing equipment or hiring people.

Environmental and Climate Change Regulation

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. Such impacts may have an adverse effect on the capital and operating cost of the Company's operations or those of its future customers that may materially affect future operations.

Estimates of Mineral Resources May Not Be Realized

The mineral resource estimates that may be published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact 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 that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geological, metallurgical or engineering work, and work interruptions, among other things.

Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

Dependence on Key Personnel

The Company is dependent on the services of its senior management and a small number of skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on the Company's operations.

Limited Financial Resources

The existing financial resources of the Company are sufficient to complete the 2025 de-risking items at Cordero, however they are not sufficient to bring Cordero into commercial production. The Company 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 Company 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, the ongoing Ukraine/Russia conflict, the Israel/Palestine conflict and other events which have 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 Company 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 Company's properties.

Political Environment

The Company'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 by current or future governments, 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 the Company. 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 in addition to 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 the Company operates that affect foreign ownership, mineral exploration, development or mining activities, may affect the Company's viability and profitability.

Changes to tariff and import/export regulations may have a negative effect on global economic conditions and the Company's business, financial results and financial condition.

The introduction of protectionist or retaliatory international trade tariffs, domestic "buy local" policies, sanctions or other barriers to international commerce, including by the United States and Canada, may impact the Company's ability to import materials needed to construct projects or conduct operations at prices that are economically feasible to be competitive, or at all. Any change to tariffs and/or international trade regulations may have a material adverse effect on global economic conditions and the stability of global financial markets, and may, as a result, have a material adverse effect on our business, financial conditions including cash flows, and results of operations.

Liquidity Risk

The Company has in the past and may in the future seek to acquire additional funding by the sale of common shares, the sale of assets or through the assumption of additional debt. Movements in the price of the common shares have been volatile in the past and may be volatile in the future. Furthermore, since approximately 35% of the Common Shares are held by two shareholders, the liquidity of the Company's securities may be negatively impacted should the shareholders' positions held change.

Community Relations

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its 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 Company, its operations or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company 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 Company'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 regards to the Company and its activities, whether true or not. While the Company strives to uphold and maintain a positive image and reputation, the Company 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 Company.

Information Technology

The Company is reliant on the continuous and uninterrupted operations of its information technology ("IT") systems. User access and security of all IT systems are critical elements to the operations of the Company. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any IT failure pertaining to availability, access or system security could result in disruption for personnel and could adversely affect the reputation, operations or financial performance of the Company.

The Company's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions by the Company's employees or vendors. A cyber security incident resulting in a security breach or failure to identify a security threat, could disrupt business and could result in the loss of business sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs.

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There have been no material changes to the Company's commitments and contractual obligations during the year ended December 31, 2024, and to the date of this MD&A. Refer to "Recent Developments" section of this MD&A for details on the acquisition of Porcupine.

MATERIAL ACCOUNTING POLICIES

For a full description of the Company's material accounting policies, please see note 3 of the consolidated financial statements for the year ended December 31, 2024.

CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Standards

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

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

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

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

Future Accounting Standards and Interpretations

The Effects of Changes in Foreign Exchange Rates (Amendment to IAS 21)

The amendments address the lack of exchangeability which applies when one currency cannot be exchanged into another as a result, for example, of government-imposed controls on capital imports and exports, or a limitation on the volume of foreign currency transactions that can be undertaken at an official exchange rate. The amendments clarify when a currency is considered exchangeable into another currency, and how an entity estimates a spot rate for currencies that lack exchangeability. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.

This amendment is effective for annual periods beginning on or after January 1, 2025. The adoption of these amendments is not anticipated to have a material impact on the Company's financial statements.

Classification and Measurement of Financial Instruments (Amendment to IFRS 9 and IFRS 7)

The amendments clarify that financial assets and financial liabilities are recognized and derecognized at settlement date except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for a new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.

They also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance ESG linked features. Additionally, these amendments introduce new disclosure requirements and update others.

This amendment is effective for annual periods beginning on or after January 1, 2026. The impact of these amendments on the Company's financial statements has not yet been evaluated.

Presentation and Disclosure in Financial Statements ("IFRS 18")

IFRS 18 replaces IAS 1 – Presentation of Financial Statements, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes.

Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.

IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures ("MPMs") and eliminates classification options for interest and dividends in the statement of cash flows. Non-GAAP measures that meet the definition of MPMs will be subject to the disclosure requirements

This amendment is effective for annual periods beginning on or after January 1, 2027. The impact of these amendments on the Company's financial statements has not yet been evaluated.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

Critical accounting judgments and estimates include but are not limited to the Company's determination of: functional currency; the economic recoverability and probability of future economic benefits of exploration; evaluation and development costs; impairment charges; recoverability of sales tax receivable; income taxes; and share-based payments. The estimates of non-cash share-based payments expense involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control. Actual results could differ from those estimates.

a) Critical accounting judgments

The significant areas of judgment considered by management in preparing the consolidated financial statements include, but are not limited to:

i. Functional currency

The functional currency for each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that for each of the Canadian entities, the functional currency is CAD and for the Mexican subsidiaries the functional currency is MXP. Foreign exchange differences arising from the translation from functional to presentation currency are recognized each period in other comprehensive income (loss) and may or may not be subsequently reclassified to profit or loss depending on future events.

ii. Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

The Company makes determinations whether development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgical information, economic assessments and existing permits for land access and drilling. The estimates contained within these criteria could change over time which could affect the economic recoverability of capitalized costs.

b) Critical accounting estimates

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

i. Impairment charges

The Company assesses its CGUs at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use.

Management periodically reviews the carrying values of its exploration and evaluation assets with internal and external mining professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of resources, forecast future metal prices, forecast future costs of exploring, and the general likelihood that the Company will continue exploration. The Company does not set a predetermined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and their carrying values are recoverable.

ii. Sales tax recoverability

The Company incurs significant expenditures for the purchase of goods and services on which sales tax is paid ("GST/HST" in Canada and "IVA" in Mexico). The net amount paid is recoverable but is subject to review and assessment by the relevant tax authorities (Canada Revenue Agency ("CRA") in Canada and the Servicio de Administración Tributaria ("SAT") in Mexico). The Company files GST/HST returns on a quarterly basis with the CRA and regularly files the required IVA returns and all supporting documentation with SAT.

Management applies significant judgment in assessing the recoverability of the IVA including: i) collections of previous claims made with the tax authority received during and in prior years; ii) communications with tax authorities and iii) review of the appropriateness of the supporting information.

The Company is in regular contact with SAT in respect of its IVA filings and believes the full amount of its IVA receivables will ultimately be received; however, the timing of recovery of these amounts and the nature and extent of any adjustments to the Company's IVA receivables remains uncertain. Management assesses collectability and classification of the asset between current and non-current at each reporting period. If there is uncertainty surrounding collectability of a specific amount, the Company records a provision. Once there is an expectation of recovery, that specific amount is recognized as a long-term receivable and the related provision reversed.

iii. Share-based payments

The fair value of the estimated number of stock options, RSUs and DSUs that will eventually vest is recognized as share-based compensation expense over the vesting period of the stock options with the corresponding increase in equity.

Determining the fair value of stock options, RSUs and DSUs requires the exercise of judgment related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate, and the expected term of the underlying instruments. Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

QUALIFIED PERSON

The technical information in this MD&A was reviewed and approved by Gernot Wober, P. Geo., Vice President Exploration of the Company, who is recognized as a Qualified Person ("QP") under the guidelines of NI 43-101.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Canadian Securities Administrators have issued National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") which requires public companies in Canada to submit annual and interim certificates relating to the design and effectiveness of the disclosure controls and procedures that are in use at the Company. The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, to enable this information to be reviewed and discussed so that appropriate decisions can be made regarding the timely public disclosure of the information. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2024.

Internal Control over Financial Reporting

NI 52-109 also requires public companies in Canada to submit interim and annual certificates relating to the design of internal control over financial reporting ("ICFR") and an annual certificate that includes evaluating the operating effectiveness of ICFR. The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Management is responsible for establishing and maintaining ICFR. The Company used the 2013 Commission of Sponsoring Organizations of the Treadway Commission ("COSO") framework as the basis for designing its ICFR. Due to its inherent limitations, ICFR may not prevent or detect misstatements on a timely basis as such systems can only be designed to provide reasonable as opposed to absolute assurance. Also, projections of any evaluation of the effectiveness of ICFR to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. There have been no significant changes in the Company's internal controls during the three months ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, ICFR. The individuals performing the duties of the Company's Chief Executive Officer and the Chief Financial Officer have each evaluated the operating effectiveness of the Company's ICFR as at December 31, 2024 and have concluded that the ICFR are effective.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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. Such information or statements may relate to future events, facts or circumstances or the Company's future financial or operating performance or other future events or circumstances. 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 MD&A include, but may not be limited to, statements and expectations regarding: outlooks for the Porcupine Complex (as defined herein) and 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, the consummation and timing of the Porcupine Acquisition (as defined herein); approval of the issuance of the Consideration Shares (as defined herein) by shareholders; the satisfaction of the conditions precedent to the Porcupine Acquisition; the anticipated timing and closing of the Porcupine Acquisition and the Franco-Nevada Royalty Package (as defined herein) as well as the anticipated use of proceeds therefrom and the impact thereof on Discovery's financial condition; the Porcupine Complex, including the assumptions and qualifications contained in the Porcupine Technical Report (as defined herein); timing, receipt and anticipated effects of stock exchange, regulatory and other consents and approvals with respect to the Porcupine Acquisition. 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 estimation of mineral resource and mineral reserve 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 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. 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 involve 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 other future results, performance or achievements expressed or implied by such statements. In addition to factors already discussed in this document, such risks, uncertainties and other factors include, among others: risks related to the Porcupine Acquisition Closing (as defined herein); risks related to closing the transactions contemplated under the Implementation Agreement (as defined herein); potential disputes with First Nations Communities in relation to the Porcupine Complex (as defined herein); risks related to unexpected liabilities arising after the Porcupine Acquisition Closing; risks related to the nature of acquisitions; reliance on information about the Porcupine Complex provided by third parties; regulatory risks associated with the Porcupine Acquisition; the risk that the Company will not realize the anticipated benefits of the Porcupine Acquisition; risks related to integrating the Porcupine Complex; reliance on a third party for transitional services for a period of time after the Porcupine Acquisition Closing; litigation and public attitude towards the Porcupine Acquisition; costs related to the Porcupine Acquisition; increased indebtedness arising from financing the Porcupine Acquisition; the risk of default under the Franco-Nevada Financing Package; risks that conditions to drawdown under the Term Loan Agreement (as defined herein) will not be satisfied; risks associated with exploration, development, and operating risks, and risks associated with the early-stage status of the Company's mineral properties; the nature of exploration could have a negative effect on the Company'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 Company's operations and being able to source it; the availability of adequate infrastructure for the Company's operations; risks related to community relations; environmental risks and hazards and the limitations that environmental regulation poses on the Company; market price volatility of the Company's common shares; uncertainties with respect to economic conditions; the Company'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; 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 Company's history of net losses and negative operating cash flow; the Company's reliance on a limited number of properties; uninsurable risks; costs of land reclamation; pandemic and global health risks on the Company's business, operations, and market for securities; the competitive nature of mineral exploration and in the mining industry generally; the Company'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; risks related to changes to tariff and import/export regulations; global financial conditions; currency rate risks; potential enforcement under the Extractive Sector Transparency Measures Act (Canada); and the potential to pay future dividends.

Although the Company 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 the Company's AIF available on SEDAR+ at www.sedarplus.ca.

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and the Company 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 MD&A, 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 Company 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.

FINANCIAL INFORMATION AND NON-GAAP MEASURES

Discovery has prepared its consolidated financial statements, incorporated herein by reference, in accordance with IFRS Accounting Standards. As a result, they may not be comparable to financial statements prepared in accordance with other financial reporting frameworks, including generally accepted accounting principles used in the US ("GAAP").

The Company has included certain non-GAAP performance measures and ratios as detailed below. In the mining industry, these are common performance measures and ratios but may not be comparable to similar measures or ratios presented by other issuers and the non-GAAP measures and ratios do not have any standardized meaning. Accordingly, these measures and ratios are included 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. Total cash costs per ounce, all-in sustaining costs, and free cash flow, are all forward-looking non-GAAP financial measures or ratios. As the Cordero Project is not in production, these prospective non-GAAP financial measures or ratios may not be reconciled to the nearest comparable measure under IFRS Accounting Standards and there is no equivalent historical non-GAAP financial measure or ratio for these prospective non-GAAP financial measures or ratios. Each non-GAAP financial measure and ratio used herein is described in more detail below.

Total Cash Costs per Silver Equivalent Payable Ounce

The Company 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 Company 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 Company 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 Company's definition conforms to the all-in sustaining cost definition as set out by the World Gold Council in its updated Guidance Note issued in 2018. The Company believes that this measure is useful to external users in assessing operating performance and the Company'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 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.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on the Company's website at www.discoverysilver.com or on SEDAR+ at www.sedarplus.ca.