



**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended June 30, 2025 and 2024

(expressed in thousands of United States dollars)

**DISCOVERY SILVER CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

As at		June 30, 2025	December 31, 2024	January 1, 2024
	Notes		Restated – note 3(b)	Restated – note 3(b)
<b>ASSETS</b>				
<b>Current</b>				
Cash and cash equivalents	7	\$ 252,453	\$ 20,370	\$ 44,567
Accounts receivable	8	27,234	2,225	1,829
Inventories	9	112,991	-	-
Other current assets		329	342	375
		\$ 393,007	\$ 22,937	\$ 46,771
<b>Non-current</b>				
Mining interests, plant and equipment	10	1,084,204	60,967	61,929
Accounts receivable	8	3,416	1,497	1,739
Inventories	9	18,454	-	-
Restricted cash	7	51,551	-	-
Other non-current assets		7,920	-	-
<b>TOTAL ASSETS</b>		<b>\$ 1,558,552</b>	<b>\$ 85,401</b>	<b>\$ 110,439</b>
<b>LIABILITIES</b>				
<b>Current</b>				
Accounts payable and accrued liabilities	11	\$ 77,035	\$ 5,812	\$ 9,117
Current tax payable		26,354	-	-
Employee-related benefits	12	11,170	-	-
Reclamation liabilities	6,13	30,015	-	-
Deferred revenue	14(a)	22,365	-	-
Other current liabilities		184	172	84
		\$ 167,123	\$ 5,984	\$ 9,201
<b>Non-current</b>				
Deferred consideration	15	97,216	-	-
Reclamation liabilities	6,13	441,848	-	-
Deferred income tax liabilities		68,449	-	-
Employee-related benefits	12	3,629	-	-
Deferred revenue	14(a)	276,683	-	-
Other non-current liabilities		1,616	1,589	3,385
<b>TOTAL LIABILITIES</b>		<b>\$ 1,056,564</b>	<b>\$ 7,573</b>	<b>\$ 12,586</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	16	\$ 575,929	\$ 166,409	\$ 163,461
Contributed surplus		33,417	33,793	32,255
Warrants		18,985	13,250	13,250
Accumulated other comprehensive income (loss)		1,912	(8,287)	1,057
Accumulated earnings (deficit)		(128,255)	(127,337)	(112,170)
<b>TOTAL EQUITY</b>		<b>\$ 501,988</b>	<b>\$ 77,828</b>	<b>\$ 97,853</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 1,558,552</b>	<b>\$ 85,401</b>	<b>\$ 110,439</b>

Approved on Behalf of the Board on August 11, 2025:

“Jeff Parr”  
Jeff Parr – Director

“Murray John”  
Murray John – Director

**DISCOVERY SILVER CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND TOTAL  
COMPREHENSIVE INCOME (LOSS)**

Unaudited - (Expressed in thousands of United States dollars, except per share and share information)

	Notes	Three Months Ended		Six Months Ended	
		June 30, 2025	June 30, 2024 Restated – note 3(b)	June 30, 2025	June 30, 2024 Restated – note 3(b)
<b>Revenue</b>		\$ 142,010	\$ -	\$ 142,010	\$ -
Production costs		54,919	-	54,919	-
Depreciation and amortization		16,384	-	16,384	-
Royalties		1,916	-	1,916	-
<b>Earnings from mining operations</b>		<b>68,791</b>	<b>-</b>	<b>68,791</b>	<b>-</b>
<b>Expenses</b>					
General and administration	18	22,877	1,827	28,351	3,641
Exploration		830	103	855	217
Share-based compensation	16	1,953	692	3,120	1,346
<b>Earnings (loss) from operations</b>		<b>\$ 43,131</b>	<b>\$ (2,622)</b>	<b>\$ 36,465</b>	<b>\$ (5,204)</b>
<b>Other</b>					
Other income (loss)	19	(6,879)	(3,012)	(6,690)	(1,451)
<b>Finance items</b>					
Finance income (expense), net	20	(11,742)	496	(11,717)	1,012
<b>Income (loss) before taxes</b>		<b>24,510</b>	<b>(5,138)</b>	<b>18,058</b>	<b>(5,643)</b>
Income taxes expense (recovery)		18,976	-	18,976	-
<b>Net income (loss)</b>		<b>\$ 5,534</b>	<b>\$ (5,138)</b>	<b>\$ (918)</b>	<b>\$ (5,643)</b>
<b>Items that may in future be reclassified to profit or loss:</b>					
Foreign currency translation differences		8,860	(2,146)	9,539	(3,159)
<b>Items that will not be reclassified to profit or loss:</b>					
Change in pension benefits, net of tax	12	660	-	660	-
<b>Total comprehensive income (loss)</b>		<b>\$ 15,054</b>	<b>\$ (7,284)</b>	<b>\$ 9,281</b>	<b>\$ (8,802)</b>
<b>Weighted average shares outstanding (000's)</b>					
Basic		735,616	397,570	569,293	396,771
Diluted		762,923	397,570	596,600	396,771
<b>Net earnings (loss) per share</b>					
Basic	17	\$ 0.01	\$ (0.01)	\$ 0.00	\$ (0.01)
Diluted	17	\$ 0.01	\$ (0.01)	\$ 0.00	\$ (0.01)

**DISCOVERY SILVER CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

		Three Months Ended		Six Months Ended	
	Notes	June 30, 2025	June 30, 2024 Restated – note 3(b)	June 30, 2025	June 30, 2024 Restated – note 3(b)
<b>Operating Activities</b>					
Net income (loss)		\$ 5,534	\$ (5,138)	\$ (918)	\$ (5,643)
Items not affecting cash:					
Depreciation and amortization		16,369	12	16,427	134
Accretion	13,15	7,767	51	7,767	51
Interest expense on deferred revenue		5,643	-	5,643	-
Deferred income taxes		(7,395)	-	(7,395)	-
Share-based compensation	16	1,953	692	3,120	1,346
Pension expense	12	343	-	343	-
Other income		6,129	2,395	6,318	976
Other non-cash adjustments		3,355	-	3,369	-
Changes in non-cash operating working capital:					
Trade and other receivables	8	(18,412)	(337)	(18,667)	(879)
Inventories	9	884	-	884	-
Accounts payable and accrued liabilities	11	18,540	(6,218)	17,743	(6,999)
Income and mining taxes payable		26,371	-	26,371	-
Cash provided by (used in) operating activities		\$ 67,081	\$ (8,543)	\$ 61,005	\$ (11,014)
<b>Investing Activities</b>					
Additions of mineral interests, plant and equipment	10	(39,766)	(2,141)	(43,533)	(5,443)
Increase in restricted cash	7	(51,551)	-	(51,551)	-
Cash paid on acquisition of Porcupine	6	(200,631)	-	(200,631)	-
Cash provided by (used in) investing activities		\$ (291,948)	\$ (2,141)	\$ (295,715)	\$ (5,443)
<b>Financing Activities</b>					
Equity financing, net of share issue costs	16(b)	168,713	-	168,713	-
Proceeds on exercise of options		4,133	604	4,156	603
Net Smelter Return proceeds	14(a)	300,000	-	300,000	-
Net Smelter Return payments	14(a)	(2,345)	-	(2,345)	-
Principal payment on lease liability		(44)	(18)	(129)	(35)
Cash provided by (used in) financing activities		\$ 470,457	\$ 586	\$ 470,395	\$ 568
Effect of exchange rates on cash and cash equivalents		(3,651)	(255)	(3,602)	(1,610)
Increase (decrease) in cash and cash equivalents		241,939	(10,353)	232,083	(17,499)
Cash and cash equivalents, beginning of period		10,514	37,421	20,370	44,567
Cash and cash equivalents, end of period		\$ 252,453	\$ 27,068	\$ 252,453	\$ 27,068
<b>Supplemental Cash Flow Information:</b>					
Income tax expense paid		\$ (18)	\$ -	\$ (18)	\$ -
Interest paid		\$ (900)	\$ (3)	\$ (900)	\$ (6)
Interest received		\$ 1,920	\$ 499	\$ 2,071	\$ 1,018

**DISCOVERY SILVER CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

	Notes	Number of Common Shares (000's)	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Total Equity
<b>At January 1, 2025</b>		<b>400,461</b>	<b>\$166,409</b>	<b>\$13,250</b>	<b>\$33,793</b>	<b>\$(8,287)</b>	<b>\$(127,337)</b>	<b>\$77,828</b>
Share-based compensation	16	-	-	-	3,120	-	-	3,120
Shares issued on exercise of options	16(c)	5,217	6,558	-	(2,402)	-	-	4,156
Shares issued on exercise of RSU's	16(d)	1,890	1,551	-	(1,551)	-	-	-
Warrants issued under term loan facility	14(b)	-	-	5,735	-	-	-	5,735
Equity financing, net of share issue costs	16(b)	275,000	168,713	-	-	-	-	168,713
Acquisition of Porcupine Operations, net of share issue costs	16(b)	119,717	232,698	-	457	-	-	233,155
Net income (loss) and total comprehensive income (loss) for the period		-	-	-	-	10,199	(918)	9,281
<b>At June 30, 2025</b>		<b>802,285</b>	<b>\$575,929</b>	<b>\$18,985</b>	<b>\$33,417</b>	<b>\$1,912</b>	<b>\$(128,255)</b>	<b>\$501,988</b>

  

	Notes	Number of Common Shares (000's)	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Total Equity
<b>At January 1, 2024</b>								
Restated – note 2(b)		395,862	\$163,461	\$13,250	\$32,255	\$1,057	\$(112,170)	\$97,853
Share-based compensation	16	-	-	-	1,346	-	-	1,346
Shares issued on exercise of options	16(c)	1,710	913	-	(310)	-	-	603
Shares issued on redemption of RSUs	16(d)	777	819	-	(819)	-	-	-
Net income (loss) and total comprehensive income (loss) for the period		-	-	-	-	(3,159)	(5,643)	(8,802)
<b>At June 30, 2024</b>								
Restated – note 3(b)		398,349	\$165,193	\$13,250	\$32,472	\$(2,102)	\$(117,813)	\$91,000

**DISCOVERY SILVER CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)  
For the Three and Six Months Ended June 30, 2025 and 2024

---

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

Discovery Silver Corp. ("Discovery Silver" or the "Company") is a Canadian-based precious metals company primarily engaged in mineral exploration, development, mining, and processing of gold in Canada, and is also advancing silver exploration projects in Mexico. The Company is listed on the Toronto Stock Exchange (the "Exchange" or "TSX") under the symbol "DSV", and on the Frankfurt Stock Exchange under the symbol "1CU0". The Company's head office is located at Suite 2410 - 79 Wellington St W, Toronto, Ontario, M5K 1E7.

On April 15, 2025, the Company acquired Dome Mine Ltd. from Goldcorp Canada Ltd., a wholly owned subsidiary of Newmont Corporation (note 6). Dome Mine Ltd. is the holder of mining assets in and around Timmins and Chapleau, Ontario, which consists of the Hoyle Pond, Pamour and Hollinger mine properties, the Dome Mine property and milling facility (collectively "Dome"), numerous near-mine and regional exploration targets in and around Timmins, Ontario, and the Borden mine in Chapleau (collectively, the "Porcupine Complex"). In addition to the approximately 1,400 km<sup>2</sup> of land in and around Timmins, the Borden mining operation also includes a large, land position near Chapleau, Ontario. Hoyle Pond and Borden are both underground mining operations. Pamour is an open-pit operation that has not yet met the criteria for commercial production despite recent commencement of production activities at the site.

The Company's Board of Directors authorized the issuance of these unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2025 and 2024 (the "Interim Financial Statements") on August 11, 2025.

## **2. BASIS OF PREPARATION**

The Interim Financial Statements for the three and six months ended June 30, 2025 and 2024, have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") applicable to the preparation of interim financial statements under International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). As such, certain disclosures required by IFRS Accounting Standards ("IFRS") have been condensed or omitted. These Interim Financial Statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto as at and for the years ended December 31, 2024 and 2023 (the "Consolidated Financial Statements"). The Company's interim results are not necessarily indicative of its results for a full year.

The April 15, 2025 acquisition of the Porcupine Complex is considered a business combination under IFRS 3 (note 6). As such the interim financial statements for the period ended June 30, 2025 include the assets and liabilities and results of operations of the Porcupine Complex since April 15, 2025 (the "acquisition date")

## **3. MATERIAL ACCOUNTING POLICIES**

These Interim Financial Statements have been prepared using the same accounting policies and methods of application as those disclosed in note 3 to the Company's Consolidated Financial Statements for the years ended December 31, 2024 and 2023 with the addition of those disclosed below.

### **a) Basis of Consolidation**

The Interim Financial Statements include the Financial Statements of the Company and its subsidiaries.

**DISCOVERY SILVER CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)  
For the Three Months and Six Months Ended June 30, 2025 and 2024

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

The Company's principal subsidiaries and its geographic locations are as follows:

Direct Parent Company	Location	Ownership Percentage	Properties
Minera Titán S.A. de C.V.	Mexico	100%	Cordero
Dome Mine Ltd. <sup>(1)</sup>	Canada	100%	Porcupine Complex

<sup>(1)</sup> Acquisition effective April 15, 2025 (Note 6)

**b) Currency of Presentation**

The interim financial statements are presented in U.S. dollars ("US\$"). The functional currency for the entities through which the Company conducts its operations is determined depending upon the primary economic environment in which they operate. The functional currency of the Mexican subsidiaries is the Mexican Peso ("MXP"), Dome Mine Ltd. is US\$ and Discovery Silve Corp. is the Canadian Dollar ("C\$").

During the six months ended June 30, 2025, the Company elected to change its presentation currency from Canadian dollars to U.S. dollars to align with the functional currency of Dome Mine Ltd. In accordance with *IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors*, this change in presentation currency was applied retrospectively as if the new currency had always been the Company's presentation currency. As a result, prior period comparative figures have been restated in US\$ (including in the notes to the consolidated financial statements).

In accordance with *IAS 21 - The Effects of Changes in Foreign Exchange Rates*, the method followed in restating historical financial information from Canadian dollars to U.S. dollars was:

- Assets and liabilities for each condensed interim consolidated statements of financial position presented were translated at the closing rate for the period;
- Income and expenses for each condensed interim consolidated statements of income (loss) and total comprehensive income (loss) were translated at quarterly average rates for the period (unless this average was not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses were translated at the rate on the dates of the respective transactions);
- Equity transactions were translated at historical exchange rates in effect on the date of the respective equity transaction; and
- All resulting exchange differences (currency translation adjustments) were recognized in equity under accumulated other comprehensive income (loss).

The exchange rates used to reflect the change in presentation currency in the accompanying interim financial statements were as follows:

	June 30, 2025	June 30, 2024	December 31, 2024	January 1, 2024
Average rate (C\$/US\$) – three months	1.3841	1.3683	1.3982	N/A
Closing exchange rate (C\$/US\$)	1.3643	1.3687	1.4389	1.3226

<sup>(1)</sup> Average rate (C\$/US\$) for the three months ended March 31, 2024 was 1.3486.

## **DISCOVERY SILVER CORP.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

---

#### **c) Business combination**

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and accounts for the combination using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets acquired, liabilities assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date when the Company obtains control of the acquiree. The identifiable assets acquired and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Goodwill represents the difference between total consideration paid and the fair value of the net identifiable assets acquired. Acquisition costs incurred are recognized as an expense in the condensed interim consolidated statements of comprehensive income (loss) and total comprehensive income (loss). Results of operations of the business acquired are included in the Company's interim financial statements from the date of the acquisition.

Based on the facts and circumstances that existed at the acquisition date, management will perform a valuation analysis to allocate the purchase price based on the fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. The Company has up to one year from the acquisition date to confirm and finalize the facts and circumstances that support the finalized fair value analysis and related purchase price allocation. Until such time, these values are provisionally reported and are subject to change. Changes to fair values and allocations are retrospectively adjusted in subsequent periods.

#### **d) Revenue**

The Company's primary source of revenue is the sale of refined gold, which is produced from gold doré generated at its mining operations. Revenue is measured at the fair value of the consideration received or receivable and is presented net of discounts and sales-related taxes, where applicable.

Revenue is recognized when the refined gold is transferred to the customer, which typically occurs upon settlement in accordance with the terms of the sales agreement, which is also the date that title to the gold passes. At this point, the Company has transferred the significant risks and rewards of ownership, and it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be reliably measured.

Payment received by the Company from its royalty agreement represents deferred revenue in accordance with IFRS 15 Revenue from Contracts with Customers. Revenue is recognized when the performance obligations under the royalty agreement are satisfied by delivery of refined gold from own production. The amount of deferred revenue recognized as revenue in the period is calculated on a basis of ounces delivered in the period compared to the total number of gold and silver ounces expected to be delivered over the course of the arrangement. The current portion of deferred revenue is based on deliveries anticipated over the next twelve months.

Payments received in advance of satisfying these obligations are recorded as deferred revenue and recognized as royalty revenue when earned. When an arrangement includes variable consideration, revenue is recognized to the extent it is highly probable that a significant revenue reversal will not occur.

An interest expense on deferred revenue balance is recognized when a significant financing component associated with the difference in the timing of the upfront consideration received and delivery of the gold and silver is present.



**DISCOVERY SILVER CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)  
For the Three Months and Six Months Ended June 30, 2025 and 2024

---

The discount rate is determined based on the rate implicit in the royalty arrangement at the date of initial recognition.

**e) Inventories**

Inventories are valued at the lower of weighted average cost or net realizable value. Inventories include stockpiled ore, in circuit and precious metals inventories as well as materials and supplies inventory.

For work-in-process inventory the cost of production includes:

- (i) materials, equipment, labour and contractor expenses which are directly attributable to the extraction and processing of ore;
- (ii) depletion and depreciation of mineral interest, property, plant and equipment used in the extraction and processing of ore; and
- (iii) related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product.

Materials and Supplies are valued at the lower of weighted average cost or net realizable value.

**f) Mining interests, plant and equipment**

Mining interests represent capitalized expenditures related to the development of mining properties, related plant and equipment and expenditures arising from property acquisitions.

*Mining properties*

Purchased mining properties are recognized as assets at their cost of acquisition or at fair value if purchased as part of a business combination. Drilling and related costs are capitalized for an ore body where proven and probable reserves exist and the activities are directed at obtaining additional information on the ore body or converting resources to proven and probable reserves. All other drilling and related costs are expensed as incurred. Property acquisition costs, longer term development, infrastructure and drilling and related costs are capitalized if the criteria for recognition as an asset are met.

The carrying amounts of mining properties are depleted using the unit-of-production ("UOP") method over the estimated recoverable ounces in proven and probable reserves, when the mine is capable of operating at levels intended by management. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortized over the estimated proven and probable reserves of that specific ore block or area.

A mine is capable of operating at levels intended by management when: (i) operational commissioning of major mine and plant components is complete; (ii) operating results are being achieved consistently for a period of time; (iii) there are indicators that these operating results will be continued; and (iv) other factors are present, including one or more of the following:

- a significant portion of plant/mill capacity has been achieved;
- a significant portion of available funding is directed towards operating activities;
- a pre-determined, reasonable period of time has passed; or significant milestones for the development of the mining property have been achieved.

## DISCOVERY SILVER CORP.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

---

Stripping and development costs incurred prior to production are capitalized when they provide access to ore and meet asset recognition criteria. For open pit mines, pre-stripping is capitalized by pit. Production-phase stripping costs are included in the cost of inventory produced during the period unless the costs are expected to provide a future economic benefit to an identifiable component of the ore body, in which case the costs are capitalized as within mineral interests, plant and equipment as mineral property. For underground operations, development costs accessing future ore are capitalized and amortized over recoverable reserves. Costs supporting only current production are expensed as incurred.

Management reviews the estimated total recoverable ounces contained in depletable reserves at each financial year end, and when events and circumstances indicate that such a review should be made. Changes to estimated total recoverable ounces contained in depletable reserves and resources are accounted for Prospectively.

#### *Plant and equipment*

Plant and equipment is carried at cost less accumulated depreciation and impairment losses or at fair value if purchased as part of a business combination. The cost of property, plant and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the estimated close down and restoration costs associated with the asset and borrowing costs incurred that are attributable to qualifying assets as noted in note 3(g).

Depreciation is recorded on a straight-line or units of production ("UOP"), over the shorter of the useful life of the asset or the remaining life of the mine ("LOM"); the life of mine is based on estimated recoverable ounces contained in proven and probable reserves

The significant classes of depreciable plant and equipment and their estimated useful lives are as follows:

<b>Depreciation assets</b>	<b>Estimated useful life</b>
Mill and related infrastructure	LOM and/or UOP
Vehicles and mobile equipment	4-15 years
Office equipment	3-10 years
Computer equipment	3 years
Buildings and improvements	5-20 years

#### **g) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition and construction, or development of a qualifying asset are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably. Management applies judgement on a case-by-case basis to determine whether an asset is a qualifying asset, which is defined as an asset that necessarily takes a substantial period of time to get ready for its intended use. Other borrowing costs are recognized as finance expense in the period in which they are incurred.

#### **h) Reclamation Obligations**

Reclamation obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. A reclamation obligation is measured at the present value of the expected expenditures

## DISCOVERY SILVER CORP.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

---

required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and a weighted average risk-free rate. The liability is accreted over time through periodic charges to earnings. In addition, the reclamation obligation is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of reclamation costs. Changes in reclamation estimates at mines that are not currently operating, as the mine or portion of the mine site has entered the closure phase and has no substantive future economic value, are reflected in earnings in the period an estimate is revised. The estimated reclamation obligation is based on when spending for an existing disturbance is expected to occur.

#### i) Employee-related benefits

##### *Defined benefit pension plan*

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling (if applicable) and the return on plan assets (excluding interest) are recognized immediately in the consolidated statements of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are not reclassified. Past service cost is recognized in profit or loss when the plan amendment or curtailment occurs, or when the Company recognizes related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognized when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Defined benefit costs are split into three categories:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income;
- and remeasurements.

The Company recognizes and net interest expense or income within the consolidated statements of income (loss) and total comprehensive income (loss). Any past service cost (or the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling, that may arise when the defined benefit plan is in a surplus position. The Company uses the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest for the period post-plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured with the discount rate used in the remeasurement, also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset). The retirement benefit obligation recognized in the consolidated statements of financial position represents the deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

**DISCOVERY SILVER CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)  
For the Three Months and Six Months Ended June 30, 2025 and 2024

---

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

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

There were no new standards, or amendments to standards and interpretations adopted by the Company, effective January 1, 2025.

##### **New Accounting Standards Not Yet Adopted**

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

In May 2024, IASB issued amendments clarifying 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.

This amendment is effective for annual periods beginning on or after January 1, 2026. The Company is currently assessing the impact of the standard on its consolidated financial statements.

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

In April 2024, IASB issued IFRS 18 replacing IAS 1 – *Presentation of Financial Statements*, which sets out presentation and 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.

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.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027 and is to be applied retrospectively. The Company is currently assessing the impact of the standard on its consolidated financial statements.

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

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

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements for the three and six months ended June 30, 2025, are consistent with those applied and disclosed in note 5 of the Consolidated Financial Statements for the

**DISCOVERY SILVER CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)  
For the Three Months and Six Months Ended June 30, 2025 and 2024

---

years ended December 31, 2024 and 2023 with the addition of those disclosed below. The Company's interim results are not necessarily indicative of its results for a full year.

*Functional currency*

Determining the functional currency of the Company and its subsidiaries is a matter of significant judgment. Management considers the currency that most faithfully represents the economic effects of the underlying transactions, events, and conditions relevant to the Company. In making this assessment, management evaluates the following primary and secondary factors in accordance with IAS 21 - *The Effects of Changes in Foreign Exchange Rates*:

- The currency that mainly influences sales prices and labor/material costs (primary indicators);
- The currency of financing activities and cash flows from operating activities (secondary indicators);
- The degree of autonomy of foreign operations and the nature of their transactions with the reporting entity.

Changes in these factors or in the economic environment may result in a reassessment of the Company's functional currency. Judgment is particularly significant where entities operate in multi-currency environments or when indicators are mixed. An assessment was performed in the current period on the acquisition of Dome Mine Ltd for which the functional currency was assessed as US\$.

*Business combinations*

In determining the fair value of all identifiable assets acquired and liabilities assumed, the most significant estimates generally relate to mineral properties and asset retirement obligations. Mineral properties are initially measured at fair value using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree. Asset retirement obligations are initially measured at fair value using appropriate valuation techniques which are generally based on a forecast of the total estimated future cash flows required to settle the obligation. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets, costs to fulfil the obligations and any changes in the discount rate applied. Changes to the preliminary measurements of assets and liabilities acquired may be retrospectively adjusted when new information is obtained until the final measurements are determined within one year of the acquisition date.

The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or economic benefits. The acquisition of Dome Mine Ltd. (note 6) was determined to constitute a business combination. To date, the combination has taken into account known facts and circumstances and will continue to be adjusted for a period of up to 12 months from the date of acquisition if new information arises.

*Mining interests, plant and equipment*

The determination of the date at which a project transitions from the development phase to the production phase is a matter of significant management judgment. This determination affects the classification and accounting treatment of project-related expenditures, including the cessation of capitalization of development costs, the

**DISCOVERY SILVER CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)  
For the Three Months and Six Months Ended June 30, 2025 and 2024

---

commencement of depreciation of mining assets, and the recognition of revenues and operating costs in the condensed interim consolidated statements of income (loss) and total comprehensive income (loss).

In assessing whether commercial production has commenced, management considers factors specific to the operation, including:

- Completion of commissioning activities and the readiness of processing facilities for intended use;
- Achievement of a sustained level of throughput or production volume;
- Consistent production of a saleable concentrate or product meeting commercial specifications;
- The ability to operate the asset in a manner intended by management.

The timing of this transition is critical as it directly impacts the capitalization of development costs, depreciation expense, and the presentation of cash flows. Any changes in operating plans, technical challenges, or market conditions could result in a reassessment of the production status and impact the Company's financial results.

*Reclamation costs*

The Company makes estimates and assumptions in determining the provisions for reclamation costs. The estimates and assumptions include determining the amount and timing of future cash flows, inflation rates and discount rates. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including judgements of the extent of rehabilitation activities, technological changes, and regulatory changes. Consequently, there could be significant adjustments to the provisions established, which would affect future financial position, results of operations, and changes in financial position. The provision is management's best estimate of the present value of the reclamation costs. Actual future expenditures may differ from the amounts currently provided.

*Net smelter return royalty*

Selection of an appropriate accounting model for the royalty arrangement requires significant judgment. In particular, the assessment of meeting the 'own use' scope exception in IFRS 9, Financial instruments, and the remote likelihood of exercising the early repayment option. Significant estimates are applied in recognizing royalty revenue and measuring deferred revenue, primarily relating to future production levels, commodity prices, and timing of performance obligations.

Payments received in advance are recorded as deferred revenue and recognized as revenue as production and sales occur. The recorded liability reflects management's best estimate of future royalty obligations, however due to uncertainties in mine plans and market conditions, actual quantities and timing of deliveries under the royalty arrangement may differ from the initial estimates, potentially resulting in adjustments to deferred revenue and revenue recognized to date

## **6. ACQUISITION OF PORCUPINE COMPLEX**

On April 15, 2025, the Company and Goldcorp Canada Ltd., a wholly owned subsidiary of Newmont Corporation ("Newmont"), entered into a Share Purchase Agreement ("SPA"), under which, the Company acquired 100% share ownership interest Dome Mine Ltd., which held all title and interests in the Porcupine Complex (the "Transaction").

# DISCOVERY SILVER CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

As consideration for the Transaction, the Company paid Newmont \$200 million of cash and issued 119.7 million Discovery common shares, valued at \$232.7 million, resulting in Newmont owning an approximate 15.0% equity interest in the Company as at acquisition date. In addition, the Company will pay Newmont \$150 million in deferred cash consideration, payable in four annual payments of \$37.5 million commencing on December 31, 2027. The transaction has been accounted for as a business combination under IFRS 3 using the acquisition method which requires all identifiable assets acquired and liabilities assumed to be recorded at their fair values as at the date of acquisition. The following table summarizes the fair value of the consideration paid and the preliminary estimates of the fair values of identified assets acquired and liabilities assumed from Newmont. Final valuations of assets and liabilities are not yet complete due to the timing of the acquisition and the inherent complexity associated with the valuations. The values assigned are, therefore, preliminary and subject to change. The Company expects to finalize the determination of the fair values of the assets and liabilities acquired and deferred taxes within 12 months of the acquisition date, which could result in material differences from the preliminary values presented in these financial statements.

### Purchase Price

Cash paid upon closing	\$ 200,000
Common shares issued	232,698
Deferred cash consideration <sup>(1)</sup>	92,927
Fair value of replacement restricted share units	457
Cash paid on land transfer taxes	628
Estimated working capital adjustment	(2,922)
<b>Total consideration</b>	<b>\$ 523,788</b>

<sup>(1)</sup> An aggregate of \$150 million is payable in equal instalments of \$37.5 million on each of December 31, 2027 through 2030, resulting in deferred cash consideration over the period specified in the share purchase agreement and has been discounted to present value as of acquisition date.

The fair value of the identifiable net assets acquired includes the following:

<b>Assets acquired</b>	
Accounts receivable	\$ 1,113
Inventories	104,876
Other current assets	1,719
<b>Total current assets</b>	<b>\$ 107,708</b>
Mining Interest	562,958
Plant and Equipment	313,859
Stockpile	19,248
Other non-current assets	4,233
<b>Total assets</b>	<b>\$ 1,008,006</b>
<b>Liabilities assumed</b>	
Accounts payable, accrued, and other liabilities	\$ 25,729
Employee-related benefits	7,753
Other current liabilities	20,641
<b>Total current liabilities</b>	<b>\$ 54,123</b>
Reclamation liabilities	350,692
Deferred income tax liabilities	75,844
Employee-related liabilities	3,559
<b>Total liabilities</b>	<b>\$ 484,218</b>
<b>Net assets acquired</b>	<b>\$ 523,788</b>

**DISCOVERY SILVER CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

In connection with the Transaction, the Company:

- Granted to Franco a 4.25% net smelter royalty in exchange for cash consideration of \$300 million to be used for the Transaction and general working capital purposes (note 14(a)).
- Completed a bought deal public offering of 275 million subscription receipts for gross proceeds of \$175 million (C\$247.5 million) (note 16(b)).
- Entered into a debt commitment letter to obtain financing through a non-revolving multiple-draw term loan facility for a maximum principal amount of \$100 million (note 14(b)).

From the date of acquisition through June 30, 2025, the Porcupine Complex contributed \$142 million to revenue, \$68.8 million to earnings from mine operations, and \$31.4 million to net income after taxes.

**7. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

	June 30, 2025	December 31, 2024
Current		
Cash and cash equivalents	\$ 252,453	\$ 20,370
Non-current		
Restricted cash	\$ 51,551	\$ -

*Restricted cash*

Restricted cash of \$51.6 million (C\$70.3 million) as at June 30, 2025 relates to letters of credit and cash collateral for government required financial assurances for the closure plans at the Porcupine Complex.

**8. ACCOUNTS RECEIVABLE**

	June 30, 2025	December 31, 2024
Trade receivables and other receivables	\$ 7,570	\$ 58
Sales and value-added tax receivable	16,290	3,664
Supplier advances and other prepaids	6,790	-
Total accounts receivable	\$ 30,650	\$ 3,722
Less: current portion	27,234	2,225
Non-current portion	\$ 3,416	\$ 1,497



**DISCOVERY SILVER CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

**9. INVENTORIES**

	June 30, 2025	December 31, 2024
Stockpiles	\$ 79,410	\$ -
In-circuit inventory	13,952	-
Precious metals inventory	8,610	-
Materials and supplies	29,473	-
Total Inventories	\$ 131,445	\$ -
Less: current portion	112,991	-
Non-current portion – Stockpiles	\$ 18,454	\$ -

Included in production costs for the six months ended June 30, 2025 of \$54.9 million, is a net decrease of \$6.5 million related to changes in metal inventories (stockpiles, in-process, and precious metals), which includes a \$8.1 million reduction related to depreciation on inventory. There were no write downs or reversals of write downs of inventory to net realizable value during the six months ended June 30, 2025 and 2024.

Included within inventory at June 30, 2025 is \$5.9 million of depreciation and depletion (December 31, 2024 - \$nil). Non-current inventory consists of stockpiles that are not expected to be processed within 12 months

**10. MINING INTERESTS, PLANT AND EQUIPMENT**

Six Months ended June 30, 2025	Depletable	Non depletable	Total Mining Interest	Plant and equipment	Total
<i>Cost</i>					
<i>At January 1, 2025</i>	\$ -	\$ 59,038	\$ 59,038	\$ 3,045	\$ 62,083
Additions, including transfer from construction in progress	-	4,284	4,284	2,880	7,164
Construction in progress net of transfer to Plant and Equipment	21,717	-	21,717	19,193	40,910
Change in reclamation liability (note 13)	117,394	-	117,394	-	117,394
Porcupine acquisition (note 6)	562,958	-	562,958	313,859	876,817
Currency translation adjustment	-	5,323	5,323	351	5,674
<b>Cost at June 30, 2025</b>	<b>\$ 702,069</b>	<b>\$ 68,645</b>	<b>\$ 770,714</b>	<b>\$ 339,328</b>	<b>\$ 1,110,042</b>
<i>Accumulated Depreciation and Depletion</i>					
<i>At January 1, 2025</i>	\$ -	\$ -	\$ -	\$ 1,116	\$ 1,116
Depreciation	-	-	-	13,965	13,965
Depletion	10,663	-	10,663	-	10,663
Currency translation adjustment	-	-	-	94	94
<b>Accumulated depreciation and depletion at June 30, 2025</b>	<b>\$ 10,663</b>	<b>\$ -</b>	<b>\$ 10,663</b>	<b>\$ 15,175</b>	<b>\$ 25,838</b>
<b>Carrying value at June 30, 2025</b>	<b>\$ 691,406</b>	<b>\$ 68,645</b>	<b>\$ 760,051</b>	<b>\$ 324,153</b>	<b>\$ 1,084,204</b>

**DISCOVERY SILVER CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

Year ended December 31, 2024	Depletable	Non depletable	Total Mining Interest	Plant and equipment	Total
<i>Cost</i>					
<i>At January 1, 2024</i>	\$	\$ 60,786	\$ 60,786	\$ 2,118	\$ 62,904
Additions, including transfer from construction in progress	-	8,204	8,204	1,353	9,557
Disposals	-	-	-	(5)	(5)
Currency translation adjustment	-	(9,952)	(9,952)	(421)	(10,373)
<b>Cost at December 31, 2024</b>	\$ -	\$ 59,038	\$ 59,038	\$ 3,045	\$ 62,083
<i>Accumulated Depreciation and Depletion</i>					
<i>At January 1, 2024</i>	\$ -	\$ -	\$ -	\$ 975	\$ 975
Depreciation	-	-	-	277	277
Currency translation adjustment	-	-	-	(136)	(136)
<b>Accumulated depreciation and depletion at December 31, 2024</b>	\$ -	\$ -	\$ -	\$ 1,116	\$ 1,116
<b>Carrying value at December 31, 2024</b>	\$ -	\$ 59,038	\$ 59,038	\$ 1,929	\$ 60,967

**11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	June 30, 2025	December 31, 2024
Trade and other payables	\$ 46,293	\$ 1,348
Salaries and benefits payable	208	2,254
Accrued liabilities	30,534	2,210
	<b>\$ 77,035</b>	<b>\$ 5,812</b>

**12. EMPLOYEE-RELATED BENEFITS**

	June 30, 2025	December 31, 2024
Accrued payroll and withholding taxes	\$ 9,700	\$ -
Employee pension benefits	3,629	-
Other employee-related payables	1,470	-
<b>Total employee-related benefits</b>	<b>\$ 14,799</b>	<b>\$ -</b>
Less: current portion	11,170	-
Non-current portion	\$ 3,629	\$ -

*Defined Contribution and Other Benefit Plans*

In connection with the Transaction, the Company received, as seller transition services, continuation of defined contribution pension plans and other benefit plans (collectively, the “Benefit Plans”) for the eligible employees of the Porcupine Complex. Following the end of the transition period under the Transition Services Agreement between the Company and Goldcorp Canada Ltd., the Company will put in place replacement benefit plans and pension plans providing substantially equivalent benefits to the Benefit Plans. The amount charged to costs applicable to sales in the Condensed Interim Consolidated Statements of Income (Loss) and Total Comprehensive

**DISCOVERY SILVER CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

Income (Loss) was \$0.3 million and \$0.9 million for the six months ended June 30, 2025, respectively (six months ended June 30, 2024 – \$nil).

**13. RECLAMATION LIABILITY**

The reclamation liability has been estimated using a discount rate of 4.79% over the period from 2025 to 2068. Projected cash flows have been adjusted for inflation using the Consumer Price Index and include a risk premium of 5% to account for uncertainty.

Reclamation liabilities are reviewed periodically based upon facts and circumstances available at the time. Changes in estimates are recorded in current and non-current reclamation liabilities in the period estimates are revised.

The following are reconciliations of reclamation liabilities:

	2025	2024
<b>Balance at January 1,</b>	\$ -	\$ -
Porcupine acquisition (note 6)	350,692	-
Post-acquisition change in estimate	117,395	-
Additions, changes in estimates and other	89	-
Expenses	(1,806)	-
Accretion expense	5,493	-
<b>Total reclamation liability</b>	<b>\$ 471,863</b>	<b>\$ -</b>
Less: current portion	30,015	-
Non-current portion	\$ 441,848	\$ -

The reclamation liability was initially recognized at fair value on the acquisition date using a market-based discount rate, as required by IFRS 3 Business Combinations. The subsequent remeasurement under IAS 37 Provisions, Contingent Liabilities, and Contingent Assets resulted in a \$117.4 million increase in the provision, solely attributable to the change in discount rate methodology between the two accounting standards. There were no changes to the underlying estimated reclamation and closure costs.

As at June 30, 2025, the undiscounted future cost for reclamation liability before inflation was estimated to be \$721.6 million.

**14. FRANCO NEVADA AGREEMENT****a) Deferred Revenue**

<b>At April 15, 2025</b>	<b>\$ -</b>
Additions	300,000
Initial repayments	(6,595)
Interest expense	5,643
<b>At June 30, 2025</b>	<b>\$ 299,048</b>
Less: current portion	22,365
Non-current portion	\$ 276,683

## DISCOVERY SILVER CORP.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

---

As part of the Transaction (note 6), Discovery entered into an agreement with Franco, whereby the Company granted Franco a 4.25% two - tranche net smelter return royalty on all mineral produced from the Porcupine Complex (the "NSR") for proceeds to the Company of \$300 million. The royalty is payable in in-kind metals produced or cash at the election of Franco.

The two-tranche royalty consists of:

- 2.25% NSR in perpetuity on all minerals produced from the Porcupine Complex;
- 2.00% NSR on all minerals produced until the earlier of i) royalty payments equivalent to 72,000 gold ounces (attributable solely to the 2.00% net smelter return royalty) or ii) a cash payment equal to a pre-tax annual internal rate of return of 12% in reference to a \$100 million attributable purchase price.

During the period, the Company received proceeds of \$300 million under a royalty agreement and made initial repayments totaling \$6.6 million of which \$4.3 million is included in accounts payable and accrued liabilities as at June 30, 2025. In accordance with IFRS 15 Revenue from Contracts with Customers, the Company recognizes interest expense to reflect the significant financing component. The applicable discount rate, based on the Company's cost of debt, is 8.9%, resulting in interest expense of \$5.6 million recognized during the period.

#### **b) Term Loan Facility**

As part of the Transaction described in note 6, the Company entered into a \$100 million senior secured term loan (the "Term Facility" or the "Loan") with Franco, available to be drawn by Discovery within two years of closing. The Term Facility bears annual interest at the three month Secured Overnight Financing Rate ("SOFR") plus 450 basis points.

The Company can draw under the Term Facility in advances of at least \$5 million for a period of two years from the closing date (the "Availability Period"), up to \$100 million (the "Commitment Amount"). The first principal repayment will be due on March 31, 2029, at which time quarterly repayments equal to 5% of the aggregate principal amount outstanding at the end of the Availability Period will be payable. Any remaining principal and accrued but unpaid interest will be due at maturity.

The Loan provides for an upfront fee equal to 2% on any principal drawn, an annual standby fee of 1%. As part of the term Facility agreement, the Company issued 3.9 million common share purchase warrants to Franco, each exercisable into one common share at an exercise price of C\$0.95. The warrants have a term of three years from the date of issuance. The fair value of the warrants was calculated using the Black Scholes model, with the following assumptions: volatility of 80%, no dividends, risk free rate of 2.59% and expected term to maturity of 3 years.

As at June 30, 2025, the Company had not drawn on the term facility. Discovery is not subject to any negative financial covenants while the loan remains undrawn. Similarly, no security interest will be granted to the lender while the loan remains undrawn and as a result the loan is currently unsecured.

**DISCOVERY SILVER CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

**15. DEFERRED CONSIDERATION PAYABLE**

<b>At April 15, 2025</b>	<b>\$</b>	<b>-</b>
Additions		<b>92,927</b>
Accretion		<b>2,274</b>
Currency translation adjustment		<b>2,015</b>
<b>At June 30, 2025</b>	<b>\$</b>	<b>97,216</b>
Less: current portion		-
Non-current portion	<b>\$</b>	<b>97,216</b>

**16. SHARE CAPITAL****a) Authorized**

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

**b) Equity financing and Porcupine acquisition**

As part of the Transaction described in note 6, the Company completed a bought deal public offering of 275 million subscription receipts for gross proceeds of \$175 million (C\$247.5 million). Each subscription receipt entitled the holder to receive one common share of the Company upon closing of the Transaction. As part of the bought deal, share issuance costs of \$6.3 million were incurred. On the closing of the Transaction, a total of 275 million common shares were issued pursuant to the exchange of subscription receipts.

As consideration for the Transaction, the Company issued 119.7 million common shares to an affiliate of Newmont, valued at \$232.7 million, net of share issue costs of \$2.6 million, resulting in Newmont owning an approximate 15.0% equity interest in the Company as at acquisition date.

**c) Stock Options**

The Company has adopted a rolling stock option plan (the "Option Plan") which provides that the Company's Board of Directors and/or Compensation Committee (the "Board") may grant options to purchase common shares of the Company to directors, officers, employees and service providers.

The maximum number of common shares that may be reserved for issuance upon the exercise of the options, together with the common shares which may be issuable under any other security-based compensation plan, is limited to 10% of the issued and outstanding common shares of the Company at the time of grant (note 16(d)).

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

There were no options granted during the three or six months ended June 30, 2025 or 2024. Option transactions and the number of options outstanding are summarized as follows:

**DISCOVERY SILVER CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

	Outstanding (000's)	Weighted Average Exercise Price (C\$)
At January 1, 2024	19,994	\$ 1.44
Options exercised	(3,468)	0.49
Options forfeited	(674)	1.93
<b>At December 31, 2024</b>	<b>15,852</b>	<b>\$ 1.63</b>
<b>Options exercised</b>	<b>(5,217)</b>	<b>1.11</b>
<b>At June 30, 2025</b>	<b>10,635</b>	<b>\$ 1.89</b>

At June 30, 2025, the options outstanding and exercisable are as follows:

	Options Outstanding			Options Exercisable		
Exercise Price (C\$)	Number (000's)	Weighted average remaining life	Weighted average exercise price(C\$)	Number (000's)	Weighted average remaining life	Weighted average exercise price (C\$)
\$1.89	3,250	0.54	\$1.89	3,250	0.54	\$1.89
\$2.08	300	0.70	\$2.08	300	0.70	\$2.08
\$1.77	200	1.34	\$1.77	200	1.34	\$1.77
\$2.05	4,800	1.52	\$2.05	4,800	1.52	\$2.05
\$1.76	400	1.78	\$1.76	400	1.78	\$1.76
\$1.38	85	1.90	\$1.38	85	1.90	\$1.38
\$1.42	1,600	2.58	\$1.42	1,067	2.58	\$1.42
	<b>10,635</b>	<b>1.37</b>	<b>\$1.89</b>	<b>10,102</b>	<b>1.30</b>	<b>\$1.91</b>

**d) Deferred Share, Restricted Share Units and Performance Share Units**

The Company has adopted a Deferred Share Unit Plan ("DSU Plan") and Long-Term Incentive Plan ("LTI Plan"). The maximum number of shares which may be reserved for issuance shall not exceed 10% of the issued and outstanding common shares of the Company when combined with all common shares issuable under the DSU Plan, the LTI Plan, the Option Plan and the Company's former restricted share unit plan (the "Old RSU Plan"). Effective June 25, 2025, the LTI Plan replaces the Old RSU Plan and no further awards will be granted under the Old RSU Plan. All current outstanding awards granted under the Old RSU Plan will continue to vest in accordance with the terms of the original grant. Once all existing awards are either exercised or cancelled, the Old RSU Plan will be terminated.

The DSU Plan provides that the Board may grant deferred share units ("DSUs") to non-executive directors of the Company, to be settled in cash or common shares of the Company, at the discretion of the Board. The LTI Plan provides that the Board may grant restricted share units ("RSUs") and/or performance share units ("PSUs") (collectively, the "Share Units") to eligible employees, officers and eligible contractors, to be settled in cash or common shares of the Company, at the discretion of the Board. The Board in its sole discretion may determine any vesting provisions for DSUs, RSUs or Share Units.

The following tables reflect the continuity of RSUs and DSUs granted and redeemed with RSU's during the three and six months ended June 30, 2025 granted under the Old RSU Plan.

**DISCOVERY SILVER CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

	Number of RSU's	Weighted average market price on redemption (C\$)
At January 1, 2024	3,491,631	\$ -
RSUs granted	3,239,529	
RSUs redeemed	(1,130,545)	0.82
At December 31, 2024	5,600,615	\$ -
<b>RSUs granted</b>	<b>2,911,397</b>	-
<b>Performance RSUs granted</b>	<b>2,480,739</b>	-
<b>Replacement RSUs granted<sup>(1)</sup></b>	<b>1,072,270</b>	-
<b>RSUs redeemed</b>	<b>(1,890,639)</b>	<b>1.62</b>
<b>RSUs cancelled</b>	<b>(655,374)</b>	-
<b>At June 30, 2025</b>	<b>9,519,008</b>	<b>\$ -</b>

<sup>(1)</sup> As part of the terms of the Transaction, existing restricted share units ("Replacement RSU's") of Newmont were settled with equivalent RSU's of the Company (note 6).

RSUs are each redeemable for one common share of the Company and vest annually in three equal tranches beginning on the first anniversary of each grant date. Performance RSUs are each redeemable for one common share of the Company and vest 100% on December 31, 2027.

	Number of DSU's
At January 1, 2024	1,475,997
DSUs granted	900,000
At December 31, 2024	2,375,997
<b>DSUs granted</b>	<b>877,284</b>
<b>At June 30, 2025</b>	<b>3,253,281</b>

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

Share-based compensation expense for the three and six months ended June 30, 2025, was \$2.0 million and \$3.1 million, respectively (three and six months ended June 30, 2024 - \$0.7 million and \$1.3 million, respectively).

## 17. EARNINGS PER SHARE

Earnings per share has been calculated using the weighted average number of common shares outstanding for the three and six months ended June 30, 2025 and 2024 as follows:

### *Basic earnings per share*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Income (loss) for the period	\$ 5,534	\$ (5,138)	\$ (918)	\$ (5,643)
Weighted average number of common shares	735,616	397,570	569,293	396,771
Basic earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ 0.00	\$ (0.01)

**DISCOVERY SILVER CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

*Diluted earnings per share*

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Income (loss) for the period	\$ 5,534	\$ (5,138)	\$ (918)	\$ (5,643)
Weighted average number of common shares	735,616	397,570	569,293	396,771
Dilutive potential ordinary shares				-
<i>Warrants</i>	3,900	-	3,900	-
<i>Options</i>	10,635	-	10,635	-
<i>RSUs</i>	9,519	-	9,519	-
<i>DSUs</i>	3,253	-	3,253	-
Weighted average number of ordinary shares	762,923	397,570	596,600	396,771
Diluted earnings (loss) per share	\$ 0.01	\$ (0.01)	\$ 0.00	\$ (0.01)

**18. GENERAL OFFICE AND ADMINISTRATION**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Salaries and benefits	\$ 4,583	\$ 829	\$ 5,270	\$ 1,633
Professional fees	485	228	886	602
General office and other	469	426	894	857
Shareholder communication and investor relations	264	138	416	205
Travel	224	87	314	129
Filing and transfer agent fees	233	40	418	136
Business development <sup>(1)</sup>	16,619	79	20,153	79
	\$ 22,877	\$ 1,827	\$ 28,351	\$ 3,641

<sup>(1)</sup>Costs include legal, consulting, advisory and other expenses primarily related to the evaluation and acquisition of the Porcupine Complex.

**19. OTHER INCOME (LOSS)**

Other income (loss) for the three and six months ended June 30, 2025 and 2024 includes the following:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
(Loss) gain on fair value remeasurement of investments	\$ (58)	\$ (60)	\$ 3	\$ 35
Foreign exchange loss	(6,821)	(2,952)	(6,693)	(1,486)
Other income (loss)	\$ (6,879)	\$ (3,012)	\$ (6,690)	\$ (1,451)



**DISCOVERY SILVER CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)  
For the Three Months and Six Months Ended June 30, 2025 and 2024

## 20. FINANCE ITEMS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Finance income - Interest income on bank deposits	\$ 2,565	\$ 499	\$ 2,716	\$ 1,018
Finance Expense				
Interest expense	(6,540)	(3)	(6,666)	(6)
Accretion expense	(7,767)	-	(7,767)	-
Finance income, net	\$ (11,742)	\$ 496	\$ (11,717)	\$ 1,012

## 21. CAPITAL MANAGEMENT

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

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities.

At June 30, 2025, the Company had not drawn on the Franco Term Facility (note 14(b)) and therefore does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the three and six months ended June 30, 2025.

## 22. FINANCIAL INSTRUMENTS

### a) Financial assets and liabilities measured at amortized cost

Cash and cash equivalents, trade receivables, other receivables, prepaids and deposits are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, lease liabilities, and deferred consideration payable are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term maturities and/or the market interest rate being charged thereon.

### b) Financial assets and liabilities measured at fair value

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.

# DISCOVERY SILVER CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

Financial assets and liabilities measured at fair value include:

				As June 30, 2025	
	Level 1	Level 2	Level 3	Total	
<b>Financial assets</b>					
Investment in marketable securities	\$ 161	\$ -	\$ -	\$	161
Pension plan asset	4,991	-	-		4,991
				As December 31, 2024	
	Level 1	Level 2	Level 3	Total	
<b>Financial assets</b>					
Investment in marketable securities	\$ 148	\$ -	\$ -	\$	148

## 23. COMMITMENTS AND CONTINGENCIES

### Commitments

As at June 30, 2025, the Company had future purchase commitments of approximately \$36.3 million of which \$10.1 million relates to commitments for capital expenditures.

As part of its ongoing business and operations, the Company is required to provide surety bonds and bank letters of credit as financial support for various purposes, including environmental reclamation, exploration permitting, and other general corporate purposes. At June 30, 2025, there were \$51.6 million of outstanding letters of credit and surety bonds for the newly acquired Porcupine Complex assets, which are undergoing routine ownership changes that occur at the time of a business combination. During this short-term period, the company has moved the cash associated with these obligations to restricted cash in addition to recording the associated liability and expense. The Company believes it is in compliance with all applicable bonding obligations and will be able to satisfy future bonding requirements through existing or alternative means, as they arise.

### Contingencies

On November 20, 2024, Taykwa Tagamou Nation ("TTN") filed a Statement of Claim in the Ontario Superior Court of Justice against the Government of Ontario, as well as Newmont Corporation and Goldcorp Canada Ltd. (collectively "Newmont"), in connection with the resumption of open pit mining activities at the Pamour mine located in Timmins, Ontario, Canada. TTN alleges that the issuance of environmental permits by the Government of Ontario related to the Pamour mine occurred without adequate consultation or consideration of cumulative impacts on TTN's traditional territory and Aboriginal rights. The claim seeks, among other remedies: (i) a stay of all activities authorized under the permits until the matter is resolved, (ii) a declaration that Ontario breached its duty to consult and violated Treaty No. 9 and section 35 of the Constitution Act (Canada) 1982, and (iii) general and aggravated damages. Following the completion of the business combination on April 15, 2025 (refer to Note 6), the claim has been transferred to Discovery Silver Corp. in replacement of Newmont as defendant and the Company will rely on Newmont's consultation record with the relevant First Nations groups to defend against TTN's claim. The Company believes the permits were properly issued by the Government of Ontario and as such is continuing to vigorously defend the claim. Due to the early stage of proceedings and the inherent uncertainty of litigation, the outcome of the matter cannot be reasonably predicted at this time. No provision has been recorded in the interim condensed statements of financial position as at June 30, 2025.

# DISCOVERY SILVER CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

The Company is from time to time involved in various legal proceedings related to its business. Except in the above-described environmental permit matter, management does not believe that adverse decisions in any pending or threatened proceeding or that amounts that may be required to be paid by reason thereof will have a material adverse effect on the Company's financial condition or results of operations.

### 24. SEGMENTED INFORMATION

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

The Company has one operating segment: Porcupine Complex (comprising of the operating mines and mill). This segment is organized predominantly by the products and services provided to customers and geography of the businesses.

The Corporate and Other segment (comprising of Mexico and the corporate office) includes corporate, exploration and evaluation and other income and expenses that do not pertain directly to an operating segment.

*Income (loss) for the period by segment*

Three months ended June 30, 2025					
	Porcupine Complex		Corporate and Other		Total
Revenue	\$	142,010	\$	-	\$ 142,010
Production costs		(54,919)		-	(54,919)
Depreciation and amortization		(16,384)		-	(16,384)
Royalties		(1,916)		-	(1,916)
Earnings from mining operations	\$	68,791	\$	-	\$ 68,791
General administration		-		(22,877)	(22,877)
Exploration		(740)		(90)	(830)
Share-based compensation		-		(1,953)	(1,953)
Other (income) loss		(6,541)		(338)	(6,879)
Finance income (cost), net		(11,179)		(563)	(11,742)
Income (loss) before taxes	\$	50,331	\$	(25,821)	\$ 24,510

Six months ended June 30, 2025					
	Porcupine Complex		Corporate and Other		Total
Revenue	\$	142,010	\$	-	\$ 142,010
Production costs		(54,919)		-	(54,919)
Depreciation and amortization		(16,384)		-	(16,384)
Royalties		(1,916)		-	(1,916)
Earnings from mining operations	\$	68,791	\$	-	\$ 68,791
General administration		-		(28,351)	(28,351)
Exploration		(740)		(115)	(855)
Share-based compensation		-		(3,120)	(3,120)
Other (income) loss		(6,541)		(149)	(6,690)
Finance income (cost), net		(11,179)		(538)	(11,717)
Income (loss) before taxes	\$	50,331	\$	(32,273)	\$ 18,058

**DISCOVERY SILVER CORP.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited - (Expressed in thousands of United States dollars, except where otherwise noted)

For the Three Months and Six Months Ended June 30, 2025 and 2024

Three months ended June 30, 2024			
	Corporate and Other		Total
General administration	\$	(1,827)	\$ (1,827)
Exploration		(103)	(103)
Share-based compensation		(692)	(692)
Other (income) loss		(3,012)	(3,012)
Finance income (cost), net		496	496
Income (loss) before taxes	\$	(5,138)	\$ (5,138)

Six months ended June 30, 2024			
	Corporate and Other		Total
General administration	\$	(3,641)	\$ (3,641)
Exploration		(217)	(217)
Share-based compensation		(1,346)	(1,346)
Other (income) loss		(1,451)	(1,451)
Finance income (cost), net		1,012	1,012
Income (loss) before taxes	\$	(5,643)	\$ (5,643)

*Assets by segment*

June 30, 2025				
	Porcupine Complex		Corporate and Other	Total
<b>Total Assets</b>	<b>\$ 1,165,335</b>	<b>\$</b>	<b>393,217</b>	<b>\$ 1,558,552</b>

  

December 31, 2024			
	Corporate and Other		Total
Total Assets	\$	85,401	\$ 85,401