Discoverymetals

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three and six months ended June 30, 2019 and 2018

(expressed in Canadian dollars)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars) - Unaudited

	Notes		June 30, 2019		December 31, 2018
ASSETS					
Current					
Cash and cash equivalents	6	$	3,139,279	$	4,691,676
Sales tax and other receivables	7		981,302		984,547
Prepaids and deposits			82,404		36,873
			4,202,985		5,713,096
Non-current					
Property and Equipment	8		357,672		239,611
Mineral properties	9		1,241,975		1,264,007
TOTAL ASSETS		$	5,802,632	$	7,216,714
LIABILITIES					
Current					
Accounts payable and accrued liabilities	10	$	176,395	$	230,090
Current portion of lease liabilities	11		44,093		-
		$	220,488	$	230,090
Non-current					
Lease liabilities	11		110,577		-
TOTAL LIABILITIES		$	331,065	$	230,090
SHAREHOLDERS' EQUITY					
Share capital	12(b)	$	23,539,388	$	23,539,388
Contributed surplus			4,620,025		4,169,144
Warrants	12(d)		7,663,374		8,010,367
Accumulated other comprehensive loss			(120,323)		(102,958)
Accumulated deficit			(30,230,897)		(28,629,316)
TOTAL EQUITY		$	5,471,567	$	6,986,625
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	5,802,632	$	7,216,714

Commitments and contractual obligations (Note 21). Events after the reporting period (Note 24)

Approved on Behalf of the Board on August 28, 2019:

"Jeff Parr" "Murray John"

Jeff Parr – Director Murray John – Director

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS
OF LOSS AND TOTAL COMPREHENSIVE LOSS

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

	Notes	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Expenses (income)					
General office and other expenses	**14**	**$ 286,681**	$ 379,920	**$ 605,931**	$ 817,431
Interest income		**(17,153)**	(31,662)	**(37,301)**	(65,970)
Interest expense	**11**	**2,203**	-	**3,907**	-
Professional fees	**15**	**76,918**	89,241	**123,207**	118,679
Exploration and project evaluation expenses	**13**	**481,528**	1,331,615	**756,503**	2,518,051
Share-based compensation	**12(c)**	**48,495**	128,018	**103,888**	297,451
Foreign exchange (gain) loss		**(70,775)**	218,712	**45,446**	(23,298)
Net loss		**$ 807,897**	$ 2,115,844	**$ 1,601,581**	$ 3,662,344
Other comprehensive loss (gain)		**106,586**	(88,076)	**17,365**	10,857
Net loss and total comprehensive loss		**$ 914,483**	$ 2,027,768	**$ 1,618,946**	$ 3,673,201
Weighted average shares outstanding					
Basic and diluted	**12(b)**	**65,043,998**	65,043,998	**65,043,998**	65,043,998
Net loss per share					
Basic and diluted		**$ (0.01)**	$ (0.03)	**$ (0.02)**	$ (0.06)

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars) - Unaudited

	Notes	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Operating Activities					
Net loss		**$ (807,897)**	$ (2,115,844)	**$ (1,601,581)**	$ (3,662,344)
Items not affecting cash:					
Depreciation		**28,608**	11,780	**56,941**	21,645
Share-based compensation	**12(c)**	**48,495**	128,018	**103,888**	297,451
Unrealized foreign exchange (gain) loss		**(69,997)**	217,433	**48,218**	(45,590)
Changes in non-cash operating working capital:					
Sales tax and other receivables	**7**	**1,742**	(206,827)	**3,245**	(405,171)
Prepaids and deposits		**(61,471)**	(11,721)	**(45,531)**	(2,543)
Accounts payable and accrued liabilities	**10**	**77,653**	(140,149)	**(53,695)**	(224,315)
Net cash used in operating activities		**$ (782,867)**	$ (2,117,310)	**$ (1,488,515)**	$ (4,020,867)
Investing Activities					
Acquisition of property and equipment	**8**	**(1,775)**	(8,523)	**(1,775)**	(71,810)
Acquisition of mineral properties	**9**	**-**	(72,179)	**-**	(72,179)
Net cash used in investing activities		**$ (1,775)**	$ (80,702)	**$ (1,775)**	$ (143,989)
Financing Activities					
Principal payment on lease liability		**(10,754)**	-	**(21,403)**	-
Net cash provided by financing activities		**$ (10,754)**	$ -	**$ (21,403)**	$ -
Effect of exchange rates on cash and cash equivalents		**(18,298)**	(59,165)	**(40,704)**	(9,877)
Decrease in cash		**(813,694)**	(2,257,177)	**(1,552,397)**	(4,174,733)
Cash and cash equivalents, beginning of period	**6**	**3,952,973**	10,317,255	**4,691,676**	12,234,811
Cash and cash equivalents, end of period	**6**	**$ 3,139,279**	$ 8,060,078	**$ 3,139,279**	$ 8,060,078
Supplemental Cash Flow Information:					
Income tax expense paid		**$ -**	$ -	**$ -**	$ -
Interest paid		**$ 2,203**	$ -	**$ 3,907**	$ -

See accompanying notes to the condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2019		**65,043,998**	**$ 23,539,388**	**$ 8,010,367**	**$ 4,169,144**	**$ (102,958)**	**$ (28,629,316)**	**$ 6,986,625**
Share-based compensation	**12(c)**	**-**	**-**	**-**	**103,888**	**-**	**-**	**103,888**
Warrants issued under non-brokered private placement	**12(d)**	**-**	**-**	**(346,993)**	**346,993**	**-**	**-**	**-**
Net loss and total comprehensive loss for the period		**-**	**-**	**-**	**-**	**(17,365)**	**(1,601,581)**	**(1,618,946)**
At June 30, 2019		**65,043,998**	**$ 23,539,388**	**$ 7,663,374**	**$ 4,620,025**	**$ (120,323)**	**$ (30,230,897)**	**$ 5,471,567**

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2018		65,043,998	$ 23,539,388	$ 8,010,367	$ 3,650,374	$ (346,429)	$ (21,598,689)	$ 13,255,011
Share-based compensation		-	-	-	297,451	-	-	297,451
Net loss and total comprehensive loss		-	-	-	-	(10,857)	(3,662,344)	(3,673,201)
At June 30, 2018		65,043,998	$ 23,539,388	$ 8,010,367	$ 3,947,825	$ (357,286)	$ (25,261,033)	$ 9,879,261

See accompanying notes to the condensed interim consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Discovery Metals Corp. ("Discovery Metals" or the "Company") is a mineral exploration company whose main objective is to identify and successfully define and develop mineral deposits, primarily in Mexico.

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. The Company is listed on the TSX Venture Exchange (the "Exchange" or "TSXV") under the symbol "DSV". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

The Company's Board of Directors authorized the issuance of these unaudited condensed interim consolidated financial statements (the "interim financial statements") on August 28, 2019.

2. BASIS OF PREPARATION

These interim financial statements for the three and six months ended June 30, 2019 and 2018, have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). As such, certain disclosures required by 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 year ended December 31, 2018, the four-month period ending December 31, 2017 and the year ended August 31, 2017 ("consolidated financial statements"). The Company's interim results are not necessarily indicative of its results for a full year.

These interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at June 30, 2019, the Company had working capital (defined as current assets less current liabilities) of $3,982,497 (December 31, 2018 – $5,483,006), shareholders' equity of $5,471,567 (December 31, 2018 – $6,986,625) and an accumulated deficit of $30,230,897 (December 31, 2018 – $28,629,316).

The Company has not yet determined whether the properties on which it has options contain mineral reserves that are economically recoverable. The continued operations of the Company are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Company in the preparation of its interim financial statements are set out below.

a) Basis of Measurement

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 except for those disclosed in Note 4 below.

b) Basis of Consolidation

These interim financial statements are presented in Canadian dollars ("CAD") unless otherwise noted. The interim financial statements include the accounts of the Company and its wholly owned subsidiaries.

Subsidiaries are entities over which the Company has the power to, directly or indirectly, govern the financial and operating policies of the entity to obtain benefits from its activities. In assessing whether control exists, potential voting rights that are presently exercisable or convertible, are taken into consideration. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

The Company's principal subsidiary and its geographic locations at June 30, 2019 were as follows:

Direct Parent Company	Location	Ownership Percentage	Properties under Option Agreements
Discovery México S.A. de C.V.	Mexico	100%	Puerto Rico, La Kika, Minerva, Monclova, Jemi Rare, Renata, Santa Rosa

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

c) Currency of Presentation

The consolidated financial statements are presented in Canadian dollars ("CAD") which is the functional and presentation currency of the Company. The functional currency for the entities through which the Company conducts its operations is determined depending upon the primary economic environment in which they operate. The functional currency of the Mexican subsidiary is Mexican pesos ("MXP").

d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in foreign currencies are not re-translated. Total foreign exchange gains and losses are recognized in the income statement and the unrealized portion is reported separately in the consolidated statement of cash flows. The foreign exchange differences arising from the translation of the subsidiary with functional currency different than the consolidated functional currency are recognized as currency translation adjustments in other comprehensive income (loss) in the consolidated statement of loss and total comprehensive income (loss).

4. CHANGES IN ACCOUNTING POLICIES

a) Application of new or amended standards effective January 1, 2019

i. IFRS 16 – Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, replacing *IAS 17 – Leases*. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The transitional adjustments arising from the adoption are recognized in the opening balance sheet (refer to note 23).

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a specified period of time in exchange for consideration. If the determination is made that the contract is, or contains, a lease, the Company recognizes a lease liability and a right-of-use asset ("ROU asset") at the lease commencement date.

The Company has elected to apply certain exemptions and does not recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. For these leases, the Company recognizes the lease payments as an expense in net earnings on a straight-line basis over the term of the lease.

<u>Lease liability</u>

The lease liability is initially measured at the present value of future lease payments discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Company's incremental borrowing rate which is the rate which the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset, over a similar term and in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise the following (if applicable):

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:

- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications.

<u>Right-of-use asset</u>

The ROU asset is initially measured at cost, which comprises the following (if applicable):

- The amount of the initial measurement of the liability;
- Any lease payments made at or before the commencement date, less any lease incentives received;
- Any initial direct costs incurred by the Company; and
- An estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The ROU asset is subsequently measured at cost, less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. It is depreciated in accordance with the Company's accounting policy for property and equipment, from the commencement date to the earlier of the end of its useful life or the end of the lease term.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to net earnings over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

On the statement of financial position, the ROU assets are presented in 'Property and equipment' and the lease liabilities are presented in 'Lease liabilities'.

ii. IFRIC 23 – Uncertainty over income tax treatments ("IFRIC 23")

In June 2017, the IASB interpretations committee issued IFRIC 23 which addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under *IAS 12 – Income taxes*. IFRIC 23 specifically considers the following:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company determined there to be no impact on the interim financial statements upon adoption.

(Expressed in Canadian dollars, except where otherwise noted)

5. CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

The preparation of interim financial statements in conformity 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, 2019 are consistent with those applied and disclosed in note 5 of the consolidated financial statements. The Company's interim results are not necessarily indicative of its results for a full year.

6. CASH AND CASH EQUIVALENTS

		June 30, 2019		December 31, 2018
Cash	**$**	**3,049,279**	$	4,601,676
Cash equivalents [1]		**90,000**		90,000
	$	**3,139,279**	$	4,691,676

[1] Marketable securities with short-term maturities and no restrictions on redemption.

7. SALES TAX AND OTHER RECEIVABLES

		June 30, 2019		December 31, 2018
Sales tax receivable	**$**	**973,712**	$	950,053
Other receivables		**7,590**		34,494
	$	**981,302**	$	984,547

(Expressed in Canadian dollars, except where otherwise noted)

8. PROPERTY AND EQUIPMENT

	Equipment	Vehicles	Office & Furniture	Computer	Total
Cost					
Balance at December 31, 2018	**$ 68,151**	**$ 83,827**	**$ 37,929**	**$ 107,670**	**$ 297,577**
IFRS 16 transition (note 23)	**-**	**-**	**176,073**	**-**	**176,073**
Balance at January 1, 2019	**68,151**	**83,827**	**214,002**	**107,670**	**473,650**
Additions	**-**	**-**	**-**	**1,775**	**1,775**
Disposals	**-**	**-**	**-**	**-**	**-**
Currency translation adjustment	**(1,986)**	**(876)**	**(272)**	**(851)**	**(3,985)**
Balance at June 30, 2019	**$ 66,165**	**$ 82,951**	**$ 213,730**	**$ 108,594**	**$ 471,440**

Accumulated depreciation					
Balance at January 1, 2019	**$ (6,441)**	**$ (20,641)**	**$ (5,324)**	**$ (25,660)**	**$ (57,966)**
Additions	**(3,417)**	**(10,508)**	**(25,891)**	**(17,125)**	**(56,941)**
Disposals	**-**	**-**	**-**	**-**	**-**
Currency translation adjustment	**979**	**(14)**	**8**	**166**	**1,139**
Balance at June 30, 2019	**$ (8,879)**	**$ (31,163)**	**$ (31,207)**	**$ (42,519)**	**$ (113,768)**

Carrying amount	**Equipment**	**Vehicles**	**Office & Furniture**	**Computer**	**Total**
At December 31, 2018	**$ 61,710**	**$ 63,186**	**$ 32,605**	**$ 82,110**	**$ 239,611**
At January 1, 2019	**$ 61,710**	**$ 63,186**	**$ 208,678**	**$ 82,110**	**$ 415,684**
At June 30, 2019	**$ 57,286**	**$ 51,788**	**$ 182,523**	**$ 66,075**	**$ 357,672**

	Equipment	Vehicles	Office & Furniture	Computer	Total
Cost					
Balance at January 1, 2018	$ 47,806	$ 44,001	$ 19,500	$ 51,721	$ 163,028
Additions	15,685	35,865	18,184	57,931	127,665
Disposals	-	-	-	(3,811)	(3,811)
Currency translation adjustment	4,660	3,961	245	1,829	10,695
Balance at December 31, 2018	$ 68,151	$ 83,827	$ 37,929	$ 107,670	$ 297,577

Accumulated depreciation					
Balance at January 1, 2018	$ -	$ (2,062)	$ (556)	$ (3,893)	$ (6,511)
Additions	(6,257)	(17,993)	(4,743)	(22,538)	(51,531)
Disposals	-	-	-	1,058	1,058
Currency translation adjustment	(184)	(586)	(25)	(187)	(982)
Balance at December 31, 2018	$ (6,441)	$ (20,641)	$ (5,324)	$ (25,560)	$ (57,966)

Carrying amount	Equipment	Vehicles	Office & Furniture	Computer	Total
At January 1, 2018	$ 47,806	$ 41,939	$ 18,944	$ 47,828	$ 156,517
At December 31, 2018	$ 61,710	$ 63,186	$ 32,605	$ 82,110	$ 239,611

(Expressed in Canadian dollars, except where otherwise noted)

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

Leased assets		**Total**
At December 31, 2018	$	-
IFRS 16 transition		176,073
At January 1, 2019	$	176,073
Depreciation		(22,966)
At June 30, 2019	**$**	**153,107**

9. MINERAL PROPERTIES

Balance at January 1, 2018	$	1,055,393
Acquisition of mineral properties[(1)]		113,305
Currency translation adjustment		95,309
Balance at December 31, 2018	$	1,264,007
Acquisition of mineral properties		**-**
Currency translation adjustment		**(22,032)**
Balance at June 30, 2019	**$**	**1,241,975**

(1) During the year ended December 31, 2018, the Company purchased mineral concessions adjacent to the Minerva Project ($72,179), La Kika Project ($27,302) and Puerto Rico ($13,824).

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2019		December 31, 2018
Trade payables	**$**	**145,850**	$	228,536
Accrued liabilities		**30,545**		1,554
	$	**176,395**	$	230,090

11. LEASE LIABILITIES

		June 30, 2019		**January 1, 2019**
IFRS 16 transition (note 23)	**$**	**-**	**$**	**176,073**
Lease liabilities		**154,670**		**176,073**
Less: current portion		**44,093**		**43,232**
Non-current portion	**$**	**110,577**	**$**	**132,841**

(1) As a result of the adoption of IFRS 16, the Company recognized a lease liability of $176,073 on January 1, 2019 related to the long-term lease contract for office space, with a remaining term of 3.5 years at an incremental borrowing rate of 3.95%.

Interest expense for the three and six months ended June 30, 2019 related to the lease liability was $1,598 and $3,302, respectively, (three and six months ended June 30, 2018 - $nil).

(Expressed in Canadian dollars, except where otherwise noted)

12. SHARE CAPITAL AND WARRANTS

a) Authorized

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

b) Shares issued and outstanding

	Common Shares		Amount
As at December 31, 2018	65,043,998	$	23,539,388
As at June 30, 2019	**65,043,998**	**$**	**23,539,388**

c) Stock Options

The Company has adopted a rolling 10% stock option plan (the "Plan") which provides that the directors of the Company may grant options to purchase common shares of the Company to directors, officers, employees and service providers, with the number of options being limited to 10% of the issued common shares at the time of granting of options.

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

There were no option grants during the three and six months ended June 30, 2019 (three and six months ended June 30, 2018 – 300,000 options granted with a weighted average exercise price of $0.53).

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

	Outstanding		Weighted Average Exercise Price
As at January 1, 2018	5,433,333	$	0.57
Options granted	700,000		0.51
Options expired	(550,000)		0.45
Options forfeited or cancelled	(483,333)		0.81
As at December 31, 2018	5,100,000	$	0.56
Options granted	**-**		**-**
Options expired	**(33,333)**		**0.48**
Options forfeited or cancelled	**(16,667)**		**0.48**
As at June 30, 2019	**5,050,000**	**$**	**0.56**

The share-based compensation expense for the three and six months ended June 30, 2019 was $48,495 and $103,888, respectively (three and six months ended June 30, 2018 - $128,018 and $297,451, respectively).

(Expressed in Canadian dollars, except where otherwise noted)

As at June 30, 2019, the options outstanding and exercisable are as follows:

	Options Outstanding			**Options Exercisable**		
Exercise Price	**Number**	**Weighted average remaining life**	**Weighted average exercise price**	**Number**	**Weighted average remaining life**	**Weighted average exercise price**
$0.45	650,000	2.26 years	$0.45	650,000	2.26 years	$0.45
$0.60	3,400,000	3.13 years	$0.60	3,066,667	3.13 years	$0.60
$0.48	300,000	3.38 years	$0.48	200,000	3.38 years	$0.48
$0.53	300,000	3.52 years	$0.53	200,000	3.52 years	$0.53
$0.50	400,000	4.03 years	$0.50	133,333	4.03 years	$0.50
	5,050,000	**3.13 years**	**$0.56**	**4,250,000**	**3.06 years**	**$0.56**

The fair value of each option grant has been estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Three and Six Months Ended June 30, 2019	Three and Six Months Ended June 30, 2018
Exercise price	**$ -**	$ 0.53
Share price	**$ -**	$ 0.53
Expected life (years)	**-**	5
Risk free interest rate	**-**	1.97%
Expected volatility	**-**	100%
Dividend yield	**-**	-
Fair Value	**$ -**	$ 0.40

d) Warrants

There were no warrant issuances during three or six months ended June 30, 2019 or 2018. During the six months ended June 30, 2019, 1,244,460 warrants with an exercise price of $0.60 expired unexercised.

Warrants outstanding as at June 30, 2019 and December 31, 2018 are summarized as follows:

	Term	**Expiry Date**	**Exercise Price**	**Number**	**Value**	**Amount**
As at December 31, 2018	1.5 and 2 years	2/17/2019 and 8/17/2019	$0.60 and $1.00	32,908,960	$0.24 to $0.28	$ 8,010,367
Warrants expired	**1.5 years**	**2/17/2019**	**$0.60**	**1,244,460**	**$0.28**	**$ 346,993**
As at June 30, 2019	**2 years**	**8/17/2019**	**$1.00**	**31,664,500**	**$0.24**	**$ 7,663,374**

The remaining contractual lives of Warrants outstanding as at June 30, 2019 are as follows:

Number of Warrants	**Weighted average remaining life**	**Weighted average exercise price**
31,664,500	0.13 years(1)	$1.00

(Expressed in Canadian dollars, except where otherwise noted)

1) On July 8, the Company announced and 18-month extension of the remaining 31,664,500 warrants to February 17, 2021. Exercise price remains at $1.00. Refer to note 24a).

13. EXPLORATION AND PROJECT EVALUATION

	Three Months Ended June 30, 2019						
	Puerto Rico	**La Kika**	**Minerva**	**Monclova**	**Other[1]**	**Project Evaluation**	**Total**
Permitting	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Mining duties	**-**	**-**	**9,733**	**-**	**-**	**-**	**9,733**
Surface access	**-**	**-**	**11,664**	**-**	**-**	**-**	**11,664**
Site access	**-**	**-**	**-**	**16,370**	**-**	**-**	**16,370**
Drilling	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Mapping, Sampling & Assays	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Geophysics	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Salaries and benefits	**41,241**	**-**	**41,943**	**41,240**	**-**	**-**	**124,424**
Travel	**14,767**	**-**	**5,012**	**4,472**	**-**	**-**	**24,251**
Administrative and other	**21,128**	**-**	**28,703**	**9,628**	**-**	**-**	**59,459**
Project Evaluation	**-**	**-**	**-**	**-**	**-**	**235,627**	**235,627**
Total	**$ 77,136**	**$ -**	**$ 97,055**	**$ 71,710**	**$ -**	**$ 235,627**	**$ 481,528**

	Six Months Ended June 30, 2019						
	Puerto Rico	**La Kika**	**Minerva**	**Monclova**	**Other[1]**	**Project Evaluation**	**Total**
Permitting	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Mining duties	**32,311**	**5,152**	**18,556**	**20,991**	**2,757**	**-**	**79,767**
Surface access	**-**	**-**	**21,037**	**-**	**-**	**-**	**21,037**
Site access	**-**	**-**	**-**	**27,451**	**-**	**-**	**27,451**
Drilling	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Mapping, Sampling & Assays	**7,000**	**-**	**-**	**-**	**-**	**-**	**7,000**
Geophysics	**-**	**-**	**10,998**	**-**	**-**	**-**	**10,998**
Salaries and benefits	**109,454**	**-**	**66,578**	**68,265**	**-**	**-**	**244,297**
Travel	**26,562**	**-**	**12,699**	**12,240**	**-**	**-**	**51,501**
Administrative and other	**36,715**	**-**	**31,655**	**10,455**	**-**	**-**	**78,825**
Project Evaluation	**-**	**-**	**-**	**-**	**-**	**235,627**	**235,627**
Total	**$ 212,042**	**$ 5,152**	**$ 161,523**	**$ 139,402**	**$ 2,757**	**$ 235,627**	**$ 756,503**

1) Other includes Jemi Rare, Renata and Santa Rosa

	Three Months Ended June 30, 2018						
	Puerto Rico	La Kika	Minerva	Monclova	Other[1]	Project Evaluation	Total
Permitting	$ 520,276	$ -	$ -	$ -	$ -	$ -	$ 520,276
Mining duties	-	-	-	-	-	-	-
Surface access	-	-	-	-	-	-	-
Site access	-	-	-	-	-	-	-
Drilling	-	-	-	-	-	-	-
Mapping, Sampling & Assays	184,420	-	113,305	180,194	-	-	477,919
Geophysics	-	-	-	-	-	-	-
Salaries and benefits	146,220	-	14,719	14,719	-	-	175,658
Travel	27,666	-	21,264	21,264	-	-	70,194
Administrative and other	28,078	$ -	38,180	21,310	-	-	87,568
Project Evaluation	-	-	-	-	-	-	-
Total	$ 906,660	$ -	$ 187,468	$ 237,487	$ -	$ -	$ 1,331,615

(Expressed in Canadian dollars, except where otherwise noted)

	Six Months Ended June 30, 2018						
	Puerto Rico	La Kika	Minerva	Monclova	Other[1]	Project Evaluation	Total
Permitting	$ 997,900	$ -	$ -	$ -	$ -	$ -	$ 997,900
Mining duties	7,712	2,727	6,200	19,100	1,361	-	37,100
Surface access	-	1,342	24,649	40,518	-	-	66,509
Site access	-	-	-	-	-	-	-
Drilling	-	149,862	-	-	-	-	149,862
Mapping, Sampling & Assays	227,721	-	151,619	226,658	-	-	605,998
Geophysics	-	-	-	-	-	-	-
Salaries and benefits	148,347	17,064	45,055	45,055	-	-	255,521
Travel	34,366	5,136	33,982	33,982	-	-	107,466
Administrative and other	91,404	31,735	94,711	79,845	-	-	297,695
Project Evaluation	-	-	-	-	-	-	-
Total	$ 1,507,450	$ 207,866	$ 356,216	$ 445,158	$ 1,361	$ -	$ 2,518,051

1) Other includes Jemi Rare, Renata and Santa Rosa

a) Puerto Rico

During April 2019, the Company announced advances to the final stages in the land re-designation process at Puerto Rico. The Company is now awaiting the preparation of the Land Management Plan (the “Plan”) by the National Commission for Nature Protected Areas (“CONANP”) and the subsequent submission and approval at the federal level. Once complete, the Company can apply for the standard drill permits for the Project.

In addition to these advancements in the re-designation process, Discovery was granted membership and voting rights on the Board of the Maderas del Carmen Reserve (the “MDC Board”). The Board also approved the creation of a mining sub-committee which will work alongside CONANP in the review of the necessary changes to the Plan. The MDC Board will review and approve the final Plan prior to submission to the federal government.

The Company also announced amendments to the terms of the Puerto Rico option agreement (note 22). A comparison of the key terms in the original and amendment agreements is shown in the table below:

PAYMENT TYPE	ORIGINAL TERM	AMENDED TERM
Drill Permit milestone	- 500,000 common shares - US$300,000 cash in lump sum payment	- US$300,000 cash in 15 equal monthly instalments
Drill Permit milestone	- Four tranches of 500,000 common shares issued annually beginning August 17, 2019	- Four tranches of 500,000 common shares issued annually beginning the latter of August 17, 2019 or receipt of Drill Permit
Purchase Option work required	- US$12,500,000 minimum spend over five (5) years	- 12,000 meters of drilling over three (3) years

(Expressed in Canadian dollars, except where otherwise noted)

Purchase Option consideration	- Higher of 30% of fair market value of the Project or US$10,000,000. - Payment in common shares and cash	- Higher of 20% of fair market value of the Project or 18,000,000 common shares. - Payment all in common shares

In addition to the amendment of the Agreement, the Company signed a 30-year agreement with the Boquillas del Carmen Ejido which grants full access for all exploration and mining activities both surface and underground. Consideration of 200,000MXP (approximately $13,500) was paid on signing with additional annual payments of 200,00MXP over the term of the agreement.

14. GENERAL OFFICE AND OTHER EXPENSES

	Three Months Ended		Six months Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Travel	**$ 4,683**	$ 13,552	**$ 11,781**	$ 37,621
Salaries and benefits	**170,620**	266,425	**369,948**	550,806
Shareholder communication and investor relations	**815**	8,241	**16,114**	31,607
Filing and transfer agent fees	**19,259**	5,780	**20,512**	18,581
Business development	**0**	6,248	**16,586**	34,244
Rent	**16,566**	34,066	**33,314**	57,465
Depreciation	**28,608**	5,090	**56,941**	10,180
General office and other	**46,130**	40,518	**80,735**	76,926
	$ 286,681	$ 379,920	**$ 605,931**	$ 817,431

15. PROFESSIONAL FEES

	Three Months Ended		Six months Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Legal	**$ 15,899**	$ 32,368	**$ 26,724**	$ 45,988
Audit and accounting	**61,019**	52,307	**96,483**	67,364
Consulting	**-**	4,566	**-**	5,327
	$ 76,918	$ 89,241	**$ 123,207**	$ 118,679

16. INCOME TAXES

	Three Months Ended		Six months Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Loss before tax at statutory rate of 27% (2018 – 27%)	**$ 218,132**	$ 606,337	**$ 432,427**	$ 1,008,427
Effect on taxes of:				
Non-deductible expenses	**(15,655)**	(35,624)	**(32,198)**	(82,953)
Change in deductible temporary differences	**(202,477)**	(570,713)	**(400,229)**	(925,474)
Income tax expense	**$ -**	$ -	**$ -**	$ -

17. CAPITAL MANAGEMENT

The Company defines capital as its shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's objectives when managing capital are to support the Company's main activities of identifying, defining and developing mineral deposits, thus 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. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As at June 30, 2019, aside from the long-term portion of the lease liability (note 11), the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the three and six months ended June 30, 2019.

18. FINANCIAL INSTRUMENTS

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

As at June 30, 2019 the Company had no financial instruments classified as Level 2 or 3.

19. FINANCIAL RISK MANAGEMENT

The Company's has exposure to certain risks resulting from its use of financial instruments.

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. As at June 30, 2019, the Company had a cash balance of $3,139,279 (December 31, 2018 – $4,691,676) to settle current liabilities of $220,488 (December 31, 2018 – $230,090). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at June 30, 2019, the Company has no sources of revenue to fund its operating expenditures. Since inception the Company has relied solely on the gross proceeds of $15,618,500 received through a non-brokered private placement of 31 million common shares at a price of $0.50 per share during the year ended December 31, 2017 to fund its operating expenditures.

On July 25, 2019, the Company announced a non-brokered private placement through which gross proceeds of $9,004,770 were raised at a price of $0.23 per share. Refer to note 24b) for additional details.

Management believes these financings will fund the Company's initial exploration work on the properties in Coahuila and Chihuahua (refer to note 24c), Mexico as well as the existing administrative needs for the near term. However, the Company will require additional financing to accomplish the Company's long-term strategic objectives. Future funding may be obtained by means of issuing share capital, or debt financing. If the Company is unable to continue to finance itself through these means, it is possible that the Company will be unable to continue as a going concern. Consequently, the Company is currently exposed to a moderate level of liquidity risk.

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, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. Management deems the credit risk associated with other receivables and deposits to be at an acceptable level.

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.

		June 30, 2019		December 31, 2018
Cash and cash equivalents	$	3,139,279	$	4,691,676
Other receivables		7,589		12,428
Deposits		10,638		10,693
	$	3,157,506	$	4,714,797

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 The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At June 30, 2019, cash balances were held primarily in Canadian 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 use derivative instruments to reduce its exposure to foreign currency risk.

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

As at June 30, 2019 and December 31, 2018, the Company had the following foreign currency denominated trade payables

		June 30, 2019		December 31, 2018
United States dollar	$	18,695	$	38,077
Mexican Peso		7,033		108,625
	$	25,728	$	146,702

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss at June 30, 2019 by approximately $2,574 (December 31, 2018: $19,035).

(Expressed in Canadian dollars, except where otherwise noted)

As at June 30, 2019, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

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 movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base metals, and movement in the price of individual equity securities movements and the stock market generally, to determine the appropriate course of action to be taken by the Company. As at June 30, 2019 Management has determined the Company's exposure to price risk to be at an acceptable level.

20. SEGMENTED INFORMATION

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

The Company has one operating segment, which involves the exploration of polymetallic deposits. All mineral properties are located in Mexico. The Company currently has no revenues.

Segment performance is evaluated based on several operating and financial measures, including net loss (income) and total comprehensive loss (income), which is measured consistently with net loss (income) and total comprehensive loss (income) in the consolidated financial statements.

The net loss and total comprehensive loss is distributed by geographic region as follows:

	Three Months Ended		Six months Ended	
	June 30, 2019	June 30, 2018	**June 30, 2019**	June 30, 2018
Canada	**$ (559,615)**	$ (330,566)	**$ (984,009)**	$ (1,007,918)
Mexico	**(354,868)**	(1,697,202)	**(634,937)**	(2,665,283)
Net loss and total comprehensive loss	**$ (914,483)**	$ (2,027,768)	**$ (1,618,946)**	$ (3,673,201)

21. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

a) Puerto Rico project

On completion of the permitting for the Puerto Rico project, the Company will have to pay USD$300,000 over 15 months, beginning 30 calendar days after the receipt of the permit (refer to note 13a)).

During the year ended December 31, 2017, the Company contracted an environmental engineering consultancy firm to assist in the preparation and filing of all environmental and technical reports required by various governmental agencies with respect to the permitting process at Puerto Rico. The contract totalled USD$1.2 million of which the remaining USD$100 thousand will be paid upon receipt of all permits.

b) Monclova project

During the year ended December 31, 2018, the Company contracted an environmental engineering consultancy firm to assist in the preparation and filing of all environmental and technical reports required by various governmental agencies with respect to the permitting process at Monclova. The contract totalled USD$90 thousand which will be paid upon receipt of all permits.

c) Other commitments

Effective January 1, 2019, the Company adopted IFRS 16 – Leases which brings operating leases onto the statement of financial position while allowing for certain exemptions based on duration of the lease and total dollar value of the contract. As a result of the adoption of IFRS 16, the Company determined that the office premise lease previously accounted for as an operating lease, matched the criteria under IFRS 16 for setting up a right-of-use asset and associated liability (note 23).

The Company has operating leases for certain office equipment that fall within the IFRS exemption criteria. Total payments made during the three and six months ended June 30, 2019 for these operating leases were $690 and $1,380 respectively (three and six months ended June 30, 2018 - $690 and $1,380, respectively).

Total future minimum lease payments, under non-cancellable operating leases as at June 30, 2019 and December 31 ,2018 are as follows:

Year	**June 30, 2019**	December 31, 2018
2019	**$ 1,380**	$ 2,760
2020	**1,840**	1,840
	$ 3,220	$ 4,600

22. 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. 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.

A company partially owned by one of the directors of the Company provides access to administrative and exploration personnel and has made certain payments on behalf of the Company on an as-needed basis. There is no fee charged to the Company, as all expenses are allocated at cost. Reimbursed expenses for the three and six months ended June 30, 2019 totaled $12,676 and $18,448, respectively (three and six months ended June 30, 2018 – $7,543 and $26,747 respectively). The Company had $1,576 in expenses payable to this company as at June 30, 2019 (December 31, 2018 – $5,772). These expenses are not included in the table below.

(Expressed in Canadian dollars, except where otherwise noted)

Under similar arrangements, during the three and six months ended June 30, 2019 the Company reimbursed expenses of $4,619 and $5,326 (three and six months ended June 30, 2018 – $nil and USD$756) to other companies which have a Director in common. There was $536 in expenses payable at June 30, 2019 (December 31, 2018 – USD$707).

These expenses are not included in the tables below.

		Three Months Ended June 30,	
Transaction Type	**Nature of Relationship**	**2019**	2018
Share-based payments	Directors and officers	**$ 31,690**	$ 57,434
Salaries and benefits	Officers	**162,451**	129,761
Directors fees	Directors	**43,750**	43,750
		$ 237,891	$ 230,945

		Six Months Ended June 30,	
Transaction Type	**Nature of Relationship**	**2019**	2018
Share-based payments	Directors and officers	**$ 63,033**	$ 165,771
Salaries and benefits	Officers	**324,901**	265,820
Directors fees	Directors	**87,500**	87,500
		$ 475,434	$ 519,091

A summary of amounts due to related parties:

Transaction Type	**Nature of Relationship**	**June 30, 2019**	December 31, 2018
Accounts payable and accrued liabilities	A director and a company with a director/officer in common with the Company	**$ 1,554**	$ 1,554
		$ 1,554	$ 1,554

A director of the Company is also party to the mineral exploration and option agreements and amendments thereto, entered into between the Company and the Vendors. Refer to the Company's management information circular dated June 5, 2019 for additional details.

23. IFRS TRANSITION ADJUSTMENTS

The Company has applied IFRS 16 using the modified retrospective approach which requires the cumulative effect of the initial application to be recognized in retained earnings at January 1, 2019. The Company determined the impact to opening retained earnings to be immaterial and no adjustment was made.

(Expressed in Canadian dollars, except where otherwise noted)

On adoption of IFRS 16, the Company recognized lease liabilities for leases previously classified as operating leases under IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the applicable incremental borrowing rate as of January 1, 2019 of 3.95%. The company did not have any leases previously classified as finance leases under IAS 17.

The Company applied certain practical expedients and exemptions permitted under IFRS 16 as follows:

- The accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- The accounting for operating leases of low-value assets to remain as operating leases; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table summarizes the difference between operating lease commitments disclosed immediately preceding the date of initial application and the lease liabilities in the statement of financial position at the date of initial application:

Operating lease commitments at December 31, 2018	$	361,243
Less: short-term and low-value operating leases		(4,600)
Operating lease commitments subject to IFRS 16	$	356,643
Discounted using the incremental borrowing rate of 3.95%		**176,073**
Lease liabilities recognized at January 1, 2019		**176,073**
Less: current portion		**43,232**
Non-current portion	**$**	**132,841**

The associated ROU asset was measured at the amount equal to the lease liabilities and included in Property and equipment on the statement of financial position.

24. EVENTS AFTER THE REPORTING PERIOD

a) Warrant Extension

On July 8, 2019, the Company announced it had received approval from the TSX Venture Exchange to extend the term of an aggregate 31,237,000 outstanding common share purchase warrants that were issued pursuant to a non-brokered private placement as described in the Company’s news releases dated July 17, 2017, July 19, 2017 and June 17, 2019.

Each Warrant entitles its holder to acquire one common share of the Company (a “Common Share”) at an exercise price of $1.00 per Common Share. The original expiry date of each Warrant was August 17, 2019. The Company received approval from the TSXV to extend the expiry date of the Warrants by an additional 18 months, such that each Warrant will expire on February 17, 2021. The exercise price of all Warrants will remain unchanged, at the current exercise price of $1.00 per Common Share. No Warrants under the Private Placement have been exercised to date.

b) Non-brokered private placement

On July 25, the Company announced it had closed a non-brokered private placement raising $9,004,770 through the issuance of 23,216,174 common shares at a price of $0.23 per common share and 15,935,000 subscription receipts at a price of $0.23 per subscription receipt. Discovery paid finders fees totalling $17,500 to arms' length parties who introduced Discovery to investors.

The proceeds of the Private Placement will be used primarily to fund Discovery's continuing exploration program at Cordero, following the closing of the Levon Transaction, and the Coahuila projects (Puerto Rico, Minerva and Monclova). A portion of the proceeds will be used for general working capital purposes.

c) Acquisition of Levon Resources Ltd.

On August 2, 2019, the Company announced the closing of the acquisition of Levon Resources Ltd ("Levon") by way of a statutory plan of arrangement, as previously announced on May 30, 2019.

Pursuant to the Acquisition, Levon shareholders exchanged all issued and outstanding common shares, warrants and options for common shares, warrants and options of Discovery at a ratio of 0.55 Discovery common share, warrant or option for one common share, warrant or option of Levon. The total transaction consideration paid to securityholders of Levon is estimated to be $25,570,156 in aggregate value of common shares of Discovery and replacement warrants and options, based on the opening price of Discovery common shares on the Toronto Venture Stock Exchange ("TSXV") of $0.395 on August 2, 2019.

The activity of Levon does not constitute a business, as defined by IFRS 3, and consequently, Discovery expects to account for the acquisition of Levon as an asset acquisition. As a result, the fair values of key net assets, including VAT receivable and exploration and evaluation assets, are being assessed and will be adjusted on finalization of the allocation of equity consideration which Management intends to finalize by December 31, 2019.

d) Stock option grant

On August 16, 2019, the Company announced, pursuant to the Company's stock option plan, that it granted an aggregate 5,300,000 options to certain management, employees, consultants and directors. The Options have an exercise price of $0.48 per share, have a five-year term from the date of grant, and vest according to the following schedules:

- **Management and employees**: annually in equal thirds beginning on the date of grant;
- **Consultants**: quarterly in equal eighths beginning three months after the date of grant; and
- **Directors**: immediately on the date of grant.

Any common shares issuable upon exercises of Options will, in accordance with applicable securities laws, be subject to a hold period expiring four months and one day from the date of grant.