Discoverysilver

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2023, and 2022

Dated May 5, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements, and their related notes, of Discovery Silver Corp. ("Discovery Silver" or "the Company"), as at and for the three months ended March 31, 2023 and 2022 which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Additional information relating to the Company, including the most recent Annual Information Form ("AIF") for the year ended December 31, 2022, and the Company's audited consolidated financial statements for the year ended December 31, 2022, are available on SEDAR at www.sedar.com. The information provided herein supplements, but does not form part of, the unaudited condensed interim consolidated financial statements and includes financial and operational information from the Company's subsidiaries.

This document contains forward-looking statements and forward-looking information. Refer to the cautionary language under the section entitled "Cautionary Statement on Forward-Looking Statements" in this MD&A. All dollar ($) amounts are expressed in Canadian dollars ("CAD"), the Company's reporting currency, except where otherwise noted. References to United States dollars are denoted as ("USD"). All information contained in this MD&A is current and has been reviewed by management and approved by the Board of Directors ("Board") of the Company as of May 5, 2023, unless otherwise stated.

DESCRIPTION OF BUSINESS

The Corporation's Common Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "DSV", on the OTCQX under the symbol "DSVSF", and on the Frankfurt Stock Exchange under the symbol "1CU0".

Discovery's flagship asset is the 100%-owned Cordero silver project ("Cordero" or the "Project") located in Chihuahua State, Mexico. The Cordero Project has all the attributes of a quality project: grade, scale, significant organic growth opportunities, and well located in mining-friendly Chihuahua state on a prolific silver belt. Since acquiring the Cordero Project in August 2019, Discovery's focus has been on defining the economic potential of the Cordero Project primarily through two extensive drill programs and two detailed metallurgical testwork programs. Following the completion of a Pre-Feasibility Study titled the "*Cordero Silver Project: NI 43-101 Technical Report & Pre-feasibility Study (Chihuahua State, Mexico)*" (the "PFS") with an effective date of January 20, 2023, published on February 10, 2023, the focus during the remainder of 2023 is now on the delivery of a Feasibility Study ("FS") in the first half of 2024, alongside property-wide exploration and the advancement of the construction permitting process. The PFS demonstrates that Cordero is a tier-one project with the potential to be developed into one of the largest silver mines globally.

NON-IFRS PERFORMANCE MEASURES

Discovery uses non-IFRS performance measures throughout this MD&A as it believes that these generally accepted industry performance measures provide a useful indication of the Company's operational performance. These non-IFRS performance measures do not have standardized meanings defined by IFRS and may not be comparable to information in other Company reports and filings. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The non-IFRS performance measures include – cash cost per silver equivalent payable ounce, working capital, all-in sustaining cost per silver equivalent payable ounce, and free cash flow.

For further information and detailed reconciliations, refer to the section entitled "Non-IFRS Performance Measures" in this MD&A.

Q1 2023 HIGHLIGHTS

PROJECTS

During Q1 2023, the Company issued several news releases announcing results from exploration activities at the Cordero Project, in addition to corporate development initiatives.

Cordero

On January 24, 2023, the Company announced results from its Preliminary Feasibility Study on the Cordero Project with support from Ausenco Engineering Canada Inc. ("Ausenco"), AGP Mining Consultants Inc. ("AGP") and Knight Piésold Ltd. ("Knight Piésold").

Highlights include *(all figures are in US$ unless otherwise noted)*:

- **Excellent project economics:** Base Case after-tax NPV5% of $1.2 Billion (C$1.5 Billion) and IRR of 28% (Ag - $22.00/oz, Au - $1,600/oz, Pb - $1.00/lb and Zn - $1.20/lb).
- **Extended mine life & higher production:** 18-year mine life with average annual production of 33 Moz AgEq(1)
- **High margins & low capital intensity:** average AISC of $12.80/oz AgEq in Years 1 to 12 with an initial development capex of $455 M resulting in an attractive NPV-to-capex ratio of 2.5x.
- **Significantly de-risked Reserve base:** new Reserves declared of Ag - 266 Moz, Au - 790 koz, Pb - 2,970 Mlb and Zn – 4,650 Mlb; more than 70% of mill feed in Years 1 to 5 classified as Proven.
- **Exceptional silver price leverage:** PFS mine plan assumes only 42% of Measured & Indicated Resource tonnes are processed; clear potential to significantly extend mine life at higher silver prices.
- **ESG/economic contribution:** total estimated taxes payable of $1.2 Billion, a peak estimated local workforce of over 1,000 employees and over $4 Billion of expected goods and services purchased locally within Mexico over the life of the mine.

(1) – AgEq Produced is metal recovered in concentrate. AgEq Payable is metal payable from concentrate and incorporates metal payment terms outlined in the Concentrate Terms section. AgEq is calculated as Ag + (Au x 72.7) + (Pb x 45.5) + (Zn x 54.6); these factors are based on metal prices of Ag - $22/oz, Au - $1,600/oz, Pb - $1.00/lb and Zn - $1.20/lb. AISC is a non-GAAP measure; refer to the Non-IFRS Measures section of the MD&A for further information on this measure.

Mineral Resource Update

In conjunction with the PFS, the Mineral Resource Estimate for Cordero was updated to incorporate an additional 67,800 m of drilling (total drilling of 287,400 m in 706 drill holes). The Measured & Indicated Resource has grown by 35% to 1,132 Moz AgEq and the Inferred Resource has grown by 40% to 119 Moz AgEq as summarized below. This resource expansion has largely been driven by exploration success at depth and in the northeast part of the deposit.

- **Measured & Indicated Resource of 1,132 Moz AgEq at an average grade of 49 g/t AgEq** (716 Mt grading 20 g/t Ag, 0.06 g/t Au, 0.29% Pb and 0.54% Zn)
- **Inferred Resource of 167 Moz AgEq at an average grade of 35 g/t AgEq** (145 Mt grading 14 g/t Ag, 0.02 g/t Au, 0.23% Pb and 0.38% Zn)

Project Economics

The economics for the PFS were based on the following metal prices: Ag - \$22.00/oz, Au - \$1,600/oz, Pb - \$1.00/lb and Zn - \$1.20/lb. Sensitivity of the Project's expected after-tax NPV, IRR and payback at different commodity price assumptions is outlined in the table below:

	Units	Base Case	Spot Price	Base Case +15%	Base Case -15%
After-Tax NPV (5% discount rate)	(US$ M)	$1,153	$1,723	$1,797	$508
Internal Rate of Return	(%)	28.0%	35.9%	37.5%	16.9%
Payback	(yrs)	4.2	3.4	3.2	6.0

- Spot Price assumptions (as at close on January 20, 2023): Ag = \$23.87/oz, Au = \$1,925/oz, Pb = \$0.97/lb, Zn = \$1.54/lb

A summary of AgEq production and AISC is provided in the table below. A breakdown of the production proportions of each individual metal and AISC over the LOM is provided in the graph below the table.

	Units	Year 1 – 4	Year 5 - 12	Year 13 -18	LOM
AgEq Produced – Average/yr	(Moz)	30	40	25	33
AgEq Payable – Average/yr	(Moz)	25	34	21	27
AgEq Produced - Total	(Moz)	118	322	151	591
AgEq Payable - Total	(Moz)	102	268	124	494
All-In Sustaining Cost (AISC)	(US$/AgEq	$12.29	$12.99	$16.05	$13.62

Note – AgEq Produced is metal recovered in concentrate. AgEq Payable is metal payable from concentrate and incorporates metal payment terms outlined in the Concentrate Terms section. AgEq is calculated as Ag + (Au x 72.7) + (Pb x 45.5) + (Zn x 54.6); these factors are based on metal prices of Ag - \$22/oz, Au - \$1,600/oz, Pb - \$1.00/lb and Zn - \$1.20/lb. AISC is a non-IFRS measure; refer to the Non-GAAP Measures section of the MD&A for further information on this measure.

MINERAL RESOURCE ESTIMATE

Material	Class	Tonnes	Grade					Contained Metal				
			Ag	Au	Pb	Zn	AgEq	Ag	Au	Pb	Zn	AgEq
		(Mt)	*(g/t)*	*(g/t)*	*(%)*	*(%)*	*(g/t)*	*(Moz)*	*(koz)*	*(Mlb)*	*(Mlb)*	*(Moz)*
Oxide	Measured	21	30	0.08	0.23	0.25	**49**	21	51	109	117	**33**
	Indicated	42	24	0.06	0.24	0.31	**46**	33	85	224	288	**62**
	M&I	**63**	**26**	**0.07**	**0.24**	**0.29**	**47**	**54**	**136**	**333**	**405**	**95**
	Inferred	**36**	**18**	**0.04**	**0.28**	**0.37**	**43**	**21**	**40**	**216**	**292**	**49**
Sulphide	Measured	250	23	0.08	0.33	0.57	**55**	185	604	1,824	3,132	**439**
	Indicated	403	18	0.04	0.27	0.56	**46**	228	524	2,387	4,947	**598**

(Expressed in Canadian dollars, except where otherwise noted)

Material	Class	Tonnes	Grade					Contained Metal				
			Ag	Au	Pb	Zn	AgEq	Ag	Au	Pb	Zn	AgEq
		(Mt)	*(g/t)*	*(g/t)*	*(%)*	*(%)*	*(g/t)*	*(Moz)*	*(koz)*	*(Mlb)*	*(Mlb)*	*(Moz)*
	M&I	**653**	**20**	**0.05**	**0.29**	**0.56**	**49**	**413**	**1128**	**4,211**	**8,079**	**1037**
	Inferred	**109**	**13**	**0.02**	**0.21**	**0.38**	**33**	**46**	**82**	**510**	**923**	**118**
TOTAL	Measured	271	24	0.08	0.32	0.55	55	206	655	1,933	3,249	472
	Indicated	445	19	0.04	0.27	0.54	46	261	609	2,611	5,235	660
	M&I	**716**	**20**	**0.06**	**0.29**	**0.54**	**49**	**467**	**1,264**	**4,544**	**8,484**	**1,132**
	Inferred	**145**	**14**	**0.02**	**0.23**	**0.38**	**35**	**67**	**122**	**726**	**1,215**	**167**

Supporting Technical Disclosure for Resource

- *Mineral Resource Estimates are inclusive of Mineral Reserves.*
- *The previous Cordero mineral resource estimate (MRE) was completed in November 2021 for Cordero by RedDot3D Inc. (RedDot). The current mineral resource estimate was calculated for Discovery Silver by RedDot, with final review by Richard Schwering of Hard Rock Consulting who is acting as the PFS report's QP for mineral resources.*
- *Mineral resources that are not mineral reserves do not have demonstrated economic viability.*
- *The Resource is an in-pit resource containing a total of 860 Mt of Mineral Resource and 1,501 Mt of waste (below NSR$7.25 cut off) for total tonnes of 2,361,Mt). The pit is constrained by a pit optimisation based on the following parameters:*
    - *Commodity prices: Ag - $24.00/oz, Au - $1,800/oz, Pb - $1.10/lb, Zn - $1.20/lb.*
    - *Metallurgical recoveries: Ag – 87%, Au – 18%, Pb – 89% and Zn – 88%. AgEq for sulphide mineralization and Ag – 59%, Au – 18%, Pb - 37% and Zn - 85% for oxide mineralization.*
    - *Operating costs:*
        - *Base mining costs of $1.59/t for ore and $1.59/t for waste were developed by AGP Mining Consultants Inc.*
        - *Processing costs of $5.22/t for mill/flotation and G&A costs of $0.86/t were developed by Ausenco Engineering Canada Inc.*
    - *Average pit slope assumption of 45^0*
- *Sulphide and Oxide mineral resources are reported at a $7.25/t NSR cut-off based on the approximate estimated processing and G&A cost for mineralization. NSR is defined as the net revenue from metal sales (taking into account metallurgical recoveries and payabilities) less treatment costs and refining charges.*
- *Individual metals are reported at 100% of in-situ grade.*
- *AgEq for sulphide mineral resources is calculated as Ag + (Au x 15.52) + (Pb x 32.15) + (Zn x 34.68); these factors are based on commodity prices of Ag - $24.00/oz, Au - $1,800/oz, Pb - $1.10/lb, Zn - $1.20/lb and assumed recoveries of Ag – 87%, Au – 18%, Pb – 89% and Zn – 88%. AgEq for oxide mineral resources is calculated as Ag + (Au x 22.88) + (Pb x 19.71) + (Zn x 49.39); this factor is based on commodity prices of Ag - $24.00/oz and Au - $1,800/oz and assumed recoveries of Ag – 59%, Au – 18%, Pb - 37% and Zn - 85%.*
- *There are no known factors or issues that materially affect the mineral resource and mineral reserve estimates other than normal risks faced by mining projects in Mexico in terms of legal, environmental, permitting, taxation, socio-economic, and political factors. Additional risk factors are listed in the "Cautionary Note Regarding Forward-Looking Statements" section in this MD&A.*

MINERAL RESERVE ESTIMATE

Material	Class	Tonnes	Grade				Contained Metal			
			Ag	Au	Pb	Zn	Ag	Au	Pb	Zn
		(Mt)	*(g/t)*	*(g/t)*	*(%)*	*(%)*	*(Moz)*	*(Moz)*	*(Blb)*	*(Blb)*
Oxide	Proven	8	34	0.08	0.28	0.29	9	0.02	0.05	0.05
	Probable	11	28	0.07	0.28	0.36	10	0.02	0.07	0.09
	Total P&P	**19**	**31**	**0.07**	**0.28**	**0.33**	**19**	**0.04**	**0.12**	**0.14**
Sulphide	Proven	156	29	0.10	0.46	0.69	144	0.50	1.57	2.38
	Probable	128	25	0.06	0.44	0.76	104	0.25	1.23	2.14
	Total P&P	**284**	**27**	**0.08**	**0.45**	**0.72**	**248**	**0.75**	**2.79**	**4.52**

(Expressed in Canadian dollars, except where otherwise noted)

Material	Class	Tonnes	Grade				Contained Metal			
			Ag	Au	Pb	Zn	Ag	Au	Pb	Zn
		(Mt)	*(g/t)*	*(g/t)*	*(%)*	*(%)*	*(Moz)*	*(Moz)*	*(Blb)*	*(Blb)*
TOTAL	Proven	164	29	0.10	0.45	0.67	153	0.52	1.63	2.42
	Probable	138	26	0.06	0.43	0.73	114	0.27	1.30	2.22
	Total P&P	**302**	**27**	**0.08**	**0.44**	**0.70**	**266**	**0.79**	**2.94**	**4.65**

Supporting Technical Disclosure for Reserves

- *This mineral reserve estimate has an effective date of January 18, 2023, and is based on the mineral resource estimate prepared for Discovery Silver by Richard Schwering of Hard Rock Consulting of the same date.*
- *The Mineral Reserve estimate was completed under the supervision of Manuel Jessen, P.Eng. of AGP, who is a Qualified Person as defined under NI 43-101.*
- *Mineral Reserves are stated within the final pit designs based on a US$20.00/oz silver price, US$1,600/oz gold price, US$0.95/lb lead price and US$1.20/lb zinc price.*
- *An NSR cut-off of US$10.00/t was used to define sulfides reserves. The life-of-mine mining cost averaged US$1.60/t mined, preliminary processing costs were US$5.22/t ore and G&A was US$0.89/t ore placed. The metallurgical recoveries were varied according to head grade and concentrate grades. Lead concentrate recoveries were approximately 82.5%, 12.6% and 91.8% for silver, gold, and lead respectively. Zinc concentrate recoveries were approximately 10.0%, 9.5% and 77.8% for silver, gold, and zinc respectively.*

Feasibility Study Drill Results from Cordero

On March 22, 2023, the Company announced results from its Feasibility Study drill holes at Cordero focused on reserve and resource expansion for inclusion in the FS resource update.

Highlight intercepts from this current set of drill holes include:

- 32 m averaging 77 g/t Ag, 0.16 g/t Au, 0.7% Pb and 1.3% Zn from 108 m and 39 m averaging 124 g/t Ag, 0.09 g/t Au, 1.2% Pb and 1.9% Zn from 185 m within the reserves pit in the South Corridor in hole C22-677;
- 36 m averaging 35 g/t Ag, 0.06 g/t Au, 0.7% Pb and 1.7% Zn from 481 m and 27 m averaging 25 g/t Ag, 0.06 g/t Au, 0.6% Pb and 2.2% Zn from 555 m in hole C22-687; these intervals were toward the bottom and beneath the reserves pit in an area previously modelled as low-grade ore; and
- 15 m averaging 137 g/t Ag, 0.05 g/t Au, 3.1% Pb and 3.5% Zn from 50 m and 23 m averaging AgEq 55 g/t Ag, 0.04 g/t Au, 0.9% Pb and 1.5% Zn from 143 m in hole C22-671; these intervals were approximately 1.5 km northeast of the reserves pit.

This drilling consisted of 30 drill holes and was focused on two key areas: expansion of reserves within and beneath the PFS open pit and upgrading and expansion of the resource in the far northeast of the deposit. These positive drill results demonstrate the potential to expand reserves through the conversion of waste to ore within the reserves pit and through the expansion at depth of the reserves pit.

CORPORATE

Executive Appointment

On January 23, 2023, the Company announced that Tony Makuch had been appointed Chief Executive Officer ("CEO") effective immediately. Mr. Makuch had been the Interim CEO of the Company since June 2022.
Mr. Makuch is a professional engineer with over 35 years of development, operational and leadership experience. Most recently he was CEO of Kirkland Lake Gold Ltd. ("Kirkland Lake"), a leading senior global gold company with operations in Ontario and Australia. During his five-year tenure Mr. Makuch led the transformation of Kirkland Lake, increasing annual gold production from 315,000 oz to over 1,400,000 oz and increasing market capitalization from approximately C$1 billion to over C$10 billion. Over that time period, Kirkland Lake's share price increased over 500%.

Graduation to TSX

On February 2, 2023, the Company announced that its shares were listed and commenced trading on the TSX at market open on Friday February 3, 2023, under the symbol DSV. As a result of this graduation, the Company's shares were delisted from the TSX Venture Exchange after market close on Thursday February 2, 2023.

Filing of Final Base Shelf Prospectus

On March 24, 2023, the Company announced the filing of its final short form base prospectus allowing for the sale of Common Shares, Warrants, Subscription Receipts and Units of the Company in one or more series of issuances for aggregate gross proceeds of up to $300,000,000 for a period of 25 months following the filing.

RECENT DEVELOPMENTS

CORPORATE

Closing of $51.75 million Marketed Public Offering

On April 19, 2023, the Company announced the closing of its previously announced marketed public offering of common shares of the Company for aggregate gross proceeds of approximately $51.75 million (net proceeds of $48.88 million. The offering consisted of the sale of 43,125,000 common shares that included the full exercise of the Agents' option at a price of $1.20 per share. The Offering was conducted by a syndicate of agents co-led by Clarus Securities Inc. and Cormark Securities Inc., and including BMO Nesbitt Burns Inc., Eight Capital, and PI Financial Corp. The Company intends to use the net proceeds from the Offering to fund the continued advancement and de-risking of the Cordero Project and for working capital and general corporate purposes.

OUTLOOK

The Company has now completed 49,000 m of its Feasibility Study ("FS") drill program that consists of engineering drilling, resource upgrade drilling, and reserve expansion drilling targeting the expansion of the Pre-Feasibility Study ("PFS") open pit. The drill results subsequent to the PFS cut-off date continue to demonstrate the mineral resource growth potential that could be unlocked and included in the upcoming Feasibility Study. Drilling has returned several higher-grade intercepts within, and below, the reserves pit, in areas that were previously modeled as low-grade ore demonstrating the potential to grow reserves within and below the pit.

The Company's drill program in 2023 is also designed to support the FS through condemnation and geotechnical investigation for locating site infrastructure and for hydrogeology investigation. Once the condemnation drilling is completed, drill testing on property wide exploration targets will commence. The Company completed its 3D IP Geophysics program during the quarter and the surveys identified large chargeability anomalies at Molino de Viento, and in the eastern portion of Sanson. These anomalies reported a similar level of chargeability intensity to those in the main Cordero resource area. Drill testing of these anomalies is scheduled to commence in the middle of the year with initial drilling focused on Sanson.

Feasibility Study Update

The Company continues to pursue optimization and expansion opportunities in its Feasibility Study work program. The sample selection for the metallurgical test program was recently finalized, with an underlying objective of reducing reagent costs, and improving metallurgical performance. The potential to reduce mining costs with the use of larger benches and mining equipment is also being evaluated as part of the scope. An expanded hydrogeological Investigation and groundwater flow model will be completed and will be guided by both the hydrogeology drilling campaign in areas near the open pit and geophysical surveys further away from the pit to guide future water exploration drilling campaigns. Work on the tailings facility will focus on surface water management, additional facility engineering, and a trade-off study evaluating dry-stacked versus thickened tailings. Additionally, a detailed cost estimate for the construction of the powerline will be incorporated in the FS, based on the successful power installation study received during the quarter, confirming the existence of sufficient capacity in the power grid to supply the project.

The FS is expected to be completed in the first half of 2024, with the construction permitting work being performed in parallel. The submission of the Environmental Impact Statement ("Manifesto de Impacto Ambiental" or "MIA") is expected to be made to the Mexican Federal Environmental Department ("SEMARNAT") later this quarter. Assuming a 12 to 24 month permitting timeline, this would position the Company to make a potential construction decision toward the end of 2024. In parallel with the 2023 work plans, our ESG program continues to be an important area of focus, with our 2022 ESG report scheduled for issuance in mid-2023. Additionally, on April 29, 2023, the Mexican government approved a bill amending several laws relating to Federal mining and water concessions. The Company is awaiting further details on these amendments, including publication of the approved laws in the Official Gazette, to determine the impact, if any, on the Company's operations.

The Company's balance sheet remains strong, with a current cash balance of approximately $84 million, and no debt. The Company expects that this will be sufficient to finance the 2023 work program at Cordero, and to advance the project to a potential construction decision through delivering on key de-risking milestones, along with our ongoing feasibility study work.

(Expressed in Canadian dollars, except where otherwise noted)

KEY ECONOMIC TRENDS

The prices of silver, lead and zinc have an impact on the economic viability of the Company's mineral and exploration projects. Prices of precious metals moved lower during Q4 2022, driven primarily by rising nominal and real interest rates and a stronger US dollar as the US Federal Reserve aggressively hiked interest rates to curb the continued rise in inflation during the last six months of the year. Precious metal prices have risen during the first quarter of 2023 partially due to the failure of certain banks in the US and Europe that has increased demand for safe haven investments such as precious metals. The Federal Reserve's aggressive monetary tightening to cool inflation has weighed on precious metal prices, as the US Dollar and treasury yields have risen as a result. Volatility in the precious may continue during this period of rising interest rates. Cessation of the Federal Reserve actions could signal increased safe haven demand for precious metals and a resulting increase in silver and gold prices. Thus, the impact central banking policy changes will have on precious metal prices and foreign exchange markets is currently difficult to predict.

Silver price

During the three months ended March 31, 2023, the average price of silver was $22.76 per ounce, with silver trading between $20.04 and $24.50 per ounce based on the London Fix silver price. This compares to an average of $24.01 per ounce for the three months ended March 31, 2022, with a low of $22.24 and a high of $26.18 per ounce.

Foreign exchange rates

The Company's operations can be affected by foreign exchange rate volatility with the largest exposure being the Canadian Dollar/US Dollar exchange rate, and the Canadian Dollar/Mexican Peso exchange rate's impact on the operating and administrative costs in Mexico. At March 31, 2023, the Canadian Dollar/Mexican Peso exchange rate was 13.33 (December 31, 2022: 14.30), and the Canadian Dollar/US Dollar exchange rate was 1.35 (December 31, 2022: 1.36).

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Summary of Quarterly Results

	Q1 2023	Q4 2022	Q3 2022	Q1 2022
Net loss				
(a) Total	**$ (3,999,718)**	$ (10,411,846)	$ (5,550,164)	$ (11,986,331)
(b) basic and diluted per share	**$ (0.01)**	$ (0.02)	$ (0.02)	$ (0.04)
Net loss and total comprehensive loss	**$ (3,344,648)**	$ (10,206,433)	$ (4,993,977)	$ (12,055,084)
Cash and cash equivalents	**$ 37,272,498**	$ 46,220,938	$ 55,552,791	$ 63,610,036
Total assets	**$ 89,256,576**	$ 91,583,326	$ 101,208,131	$ 101,782,302
Total current liabilities	**$ 1,783,522**	$ 1,964,868	$ 3,380,384	$ 2,536,304
Working capital(1)	**$ 43,933,240**	$ 53,081,932	$ 60,764,790	$ 62,521,439
Total weighted average shares outstanding	**352,071,321**	351,012,880	349,402,721	338,750,309

(Expressed in Canadian dollars, except where otherwise noted)

		Q1 2022		Q4 2021		Q3 2021		Q2 2021
Net loss								
(a) Total	$	(13,147,429)	$	(7,098,928)	$	(8,752,766)	$	(8,709,519)
(b) basic and diluted per share	$	(0.04)	$	(0.02)	$	(0.03)	$	(0.03)
Net loss and total comprehensive loss	$	(13,402,257)	$	(7,030,220)	$	(8,739,307)	$	(8,736,684)
Cash and cash equivalents	$	46,229,095	$	54,748,652	$	57,637,485	$	72,955,295
Total assets	$	99,464,516	$	107,790,755	$	109,227,233	$	116,923,661
Total current liabilities	$	1,410,165	$	1,704,530	$	1,753,280	$	1,825,301
Working capital(1)	$	61,667,325	$	69,611,661	$	71,594,510	$	86,871,096
Total weighted average shares outstanding		332,025,353		329,898,229		325,155,725		324,892,666

(1) Non-IFRS measure defined as current assets less current liabilities from the Company's consolidated financial statements.

Q1 2023 Compared to Q1 2022

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $3,344,648 during Q1 2023, compared to a net and total comprehensive loss of $13,147,429 for Q1 2022. The net and total comprehensive loss for Q1 2023 includes a non-cash currency translation adjustment ("CTA") gain of $655,070 from the translation of Discovery Silver's Mexican subsidiaries Mexican Peso ("MXP") functional currency financial statements to the Company's reporting currency of CAD on consolidation (Q1 2022 – CTA loss of $254,828). The CTA gain resulted from the appreciation of the MXP compared to the CAD during Q1 2023, primarily impacting the mineral property balances.

The decrease in net loss during Q1 2023 compared to Q1 2022 mainly resulted from the Company beginning to capitalize eligible exploration and evaluation expenditures that are likely to be recoverable by future exploration and development based on the successful completion of a pre-feasibility study in January 2023 which declared proven and probable reserves for the Cordero project. Additionally, lower share-based compensation expense and higher interest income received also contributed to the decrease in net loss in Q1 2023 compared to Q1 2022.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $1,028,070 during Q1 2023, compared to $4,322,305 during Q1 2022. The decrease was due to a higher number of stock options issued to directors, employees, and consultants during Q1 2022 with higher calculated fair values than the options, RSU's and DSU's granted during Q1 2023 due to a lower share price quarter over quarter.

Exploration and project evaluation expense

The Company incurred and expensed exploration and project evaluation costs of $653,881 during Q1 2023 compared to $7,129,653 in Q1 2022. A total of 9,245 metres were drilled during Q1 2023 compared to 22,600 metres during Q1 2022. $6,221,476 was capitalized to mineral properties during Q1 2023 related to engineering, hydrogeology and geotechnical drilling, metallurgical studies, and pit-wall optimization studies for the FS.

During Q1 2022, $1,243,519 of drilling costs were spent at Cordero mainly focused on the expansion of the open pit and the resource in the northeast of the deposit, which were incorporated in the resource update and PFS completed and released in Q1 2023.

General office and other expenses

During Q1 2023, the Company incurred general office and other expenses of $1,656,126 compared to $1,134,179 during Q1 2022. The increase quarter over quarter was related to higher investor relations and travel costs due to the removal of COVID-19 travel restrictions. An increase in salaries and benefits costs, and an increase in transfer agent and filing fees incurred during Q1 2023 related to the Company's graduation to the TSX and additional costs related to the base shelf prospectus filed during the quarter.

Professional fees

During Q1 2023, the Company incurred professional fees of $550,902 compared to $237,438 during Q1 2022 relating to legal, accounting, and other consulting fees. The increase in professional fees was due to higher legal and consulting fees incurred related to the Company's graduation to the TSX, and legal and audit fees incurred for the filing of the base shelf prospectus.

Provision for IVA receivable

During 2022, the Company filed a cumulative IVA return for months previously not filed that had a net value of approximately $7.7 million. The Company provided all the supporting documentation required to substantiate and validate the cumulative IVA claim, and subsequently responded to all inquiries and requests for additional documentation. The Company is currently nearing completion of a mandatory in-person audit with SAT and expects to receive the cumulative refund during the second half of 2023. The Company continues to record a provision against IVA paid during a period until management has prepared and filed the IVA return and filed it with SAT.

During the last two years the Company has been successful in recovering some of the amounts owed to its operating Mexican subsidiaries. Due to the increased confidence in collectability and filing of the cumulative IVA return, the Company has recorded IVA receivables related to IVA returns that have been filed and are pending review by SAT. The Company records amounts expected to be collected within twelve months as a current asset on the Condensed Interim Consolidated Statement of Financial Position and amounts not expected to be collected within twelve months are recorded as a long-term receivable.

The total net book value of value-added taxes receivable recognized as at March 31, 2023 related to Mexico is $7,681,445 as current and $2,092,881 as non-current, respectively.

Interest income

The Company earned interest income of $405,345 during Q1 2023 compared to $153,537 during Q1 2022. The increase is due to the rise in interest rates during the second half of 2022, that continued into 2023, which generated higher interest income on cash balances, short term guaranteed investment certificates, and term deposits purchased during the quarter.

Foreign exchange gain

The company realized a foreign exchange gain of $288,395 during Q1 2023 compared to a loss of $2,895 during Q1 2022. This foreign exchange gain was due to the appreciation of the US Dollar and Mexican Peso against the Canadian Dollar that resulted in the Company's US Dollar and Mexican Peso cash balances receiving a foreign exchange gain on translation into the Company's Canadian Dollar reporting currency.

CASH FLOW

The Company had net cash used in operating activities of $3,224,234 for Q1 2023 compared to net cash used in operating activities of $9,208,283 for Q1 2022. This decrease mainly resulted from the Company beginning to capitalize eligible exploration and evaluation expenditures that are likely to be recoverable by future exploration and development based on the successful completion of a pre-feasibility study in January 2023 which declared proven and probable reserves for the Cordero project.

The Company had net cash used in investing activities of $5,881,008 for Q1 2023 mainly related to the mineral property additions of $5,704,308 spent and capitalized on the Cordero Project, discussed previously. Net cash used in investing activities for Q1 2022 was $56,051 and related to purchases of property, plant and equipment.

The Company had net cash provided by financing activities of $176,047 during Q1 2023 compared to cash provided by financing activities of $1,036,094 during Q1 2022. The net cash inflow during Q1 2023 was the result of cash received of $195,095 from the exercise of stock options. The Q1 2022 cash inflow mainly related to the $725,911 of cash received from the exercise of warrants, and $322,169 of cash received from the exercise of options.

CAPITAL MANAGEMENT AND LIQUIDITY

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

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of its underlying assets as well as possible business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management. Management reviews its capital management approach on an ongoing basis. As at March 31, 2023, the Company does not have any long-term debt outstanding, and is not subject to any externally imposed capital requirements or debt covenants.

At March 31, 2023, the Company had working capital (defined as current assets less current liabilities) of $43,933,240 (December 31, 2022 – $53,081,932). The Company's balance sheet remains strong, with a current cash balance of approximately $84.0 million, and no debt. This should be sufficient to finance the 2023 work program at Cordero, and to advance the project to a potential construction decision through delivering on key de-risking milestones, along with our ongoing feasibility study work.

(Expressed in Canadian dollars, except where otherwise noted)

SHARE CAPITAL

A summary of the common shares issued and outstanding at March 31, 2023 and impact of changes to share capital is as follows:

	Common Shares		Amount
At December 31, 2022	**351,941,580**	**$**	**166,732,378**
Shares issued on exercise of options	**408,650**		**287,236**
At March 31, 2023	**352,350,230**	**$**	**167,019,614**

OUTSTANDING SHARE DATA

At May 5, 2023 the Company had the following equity securities and convertible securities outstanding:

	Authorized	Number and Type Outstanding
Voting or Equity Securities Issued and Outstanding	Unlimited Common Shares	352,350,230 Common Shares
Securities convertible or exercisable into voting or equity securities-stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 21,646,992 Common Shares
Securities convertible or exercisable into voting or equity securities-RSU's & DSU's	RSU's and DSU's to acquire up to 10% of outstanding Common Shares	2,989,965 RSU's and 1,080,025 DSU's to acquire Common Shares

RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as well as those personnel with responsibility for the oversight of the Company's activities. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Related party transactions for the three months ended March 31, 2023 and 2022 are as follows:

		Three Months Ended March 31,			
Transaction Type	**Nature of Relationship**		**2023**		2022
Non-cash share-based payments	Directors and officers	**$**	**822,456**	$	3,494,898
Salaries and benefits	Officers		**508,750**		303,750
Director fees	Directors		**81,250**		81,250
		$	**1,412,456**	$	3,879,898

(Expressed in Canadian dollars, except where otherwise noted)

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

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

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

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

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

At March 31, 2023 the Company had no financial instruments classified as Level 2 or 3.

Financial Risk Factors

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

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2023, the Company had a cash and cash equivalents balance of $37,272,498 (December 31, 2022 – $46,220,938) to settle current liabilities of $1,783,522 (December 31, 2022 – $1,964,868). The Company’s financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At March 31, 2023, the Company has no sources of revenue to fund its operating and development expenditures and has historically relied solely on non-brokered private placements to fund its operations. The Company’s current cash balance is sufficient to fund the 2023 work program as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives.

(Expressed in Canadian dollars, except where otherwise noted)

b) Credit risk

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

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

		March 31, 2023		December 31, 2022
Cash and cash equivalents	**$**	**37,272,498**	$	46,220,938
Other receivables		**38,038**		343,346
Deposits		**135,091**		126,270
	$	**37,445,627**	**$**	46,690,554

c) Market Risks

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

i. Interest rate risk

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

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At March 31, 2023, cash balances were held primarily in Canadian and US dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not currently use derivative instruments to reduce its exposure to foreign currency risk, however exchange rates are continually monitored for any significant changes. A portion of the Company's exploration expenses are paid in USD, and over the past two years the Company converted a portion of its CAD cash balances into USD to reduce its currency risk exposure related to the CAD.

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

At March 31, 2023 and December 31, 2022, the Company had the following foreign currency denominated trade payables:

		March 31, 2023		December 31, 2022
United States dollar	**$**	**569,296**	$	102,028
Mexican Peso		**596,333**		360,325
	$	**1,165,629**	$	462,353

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Peso against the Canadian Dollar would affect net loss at March 31, 2023 by approximately $115,993 (December 31, 2022: $45,735).

iii. Price risk

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

OTHER RISKS AND UNCERTAINTIES

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

For a detailed discussion of risks, refer to the Company's MD&A and Annual Information Form ("AIF") for the year ended December 31, 2022 available on the Company's website.

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There have been no material changes to the Company's commitments and contractual obligations during the three months ended March 31, 2023, and to the date of this MD&A.

SIGNIFICANT ACCOUNTING POLICIES

For a full description of the Company's significant accounting policies, please see note 3 of the consolidated financial statements for the year ended December 31, 2022.

CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Standards

Adoption of New Accounting Standards

The new standards, or amendments to standards and interpretations that were adopted by the Company, effective January 1, 2023, are as follows:

Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating; or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on, the basis of, those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The IASB has issued amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which introduce a definition of accounting estimates and provide other clarifications to help entities distinguish accounting policies from accounting estimates. Under the amendments, accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments also emphasize that a change in an accounting estimate that results from new information or new developments is not an error correction, and that changes in an input or a measurement technique used to develop an accounting estimate are considered changes in accounting estimates if those changes in an input or measurement technique are not the result of an error correction.

This amendment is effective for annual periods beginning on or after January 1, 2023. The adoption of this amendment did not have a material impact on the Company’s condensed interim consolidated financial statements.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

QUALIFIED PERSON

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

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In compliance with the Canadian Securities Administrators’ Regulation the Company has filed Form 52-109F2 certificates (the “certificates”) signed by the Chief Executive Officer and the Chief Financial Officer (the “Certifying Officers”). As a result of becoming a non-venture issuer during Q1 2023 and in contrast to the usual certificate required for non-venture issuers under National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”), the certificates signed by the Certifying Officers do not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. In particular, the Certifying Officers are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s GAAP.

The issuer's Certifying Officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they make in the certificate.

Investors should be aware that inherent limitations on the ability of Certifying Officers of an issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 in the first financial period following the issuer becoming a non-venture issuer in the circumstances described in s. 5.5 of NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact, information contained, or incorporated by reference, herein constitutes "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "planned", "expect", "project", "predict", "potential", "targeting", "intends", "believe", and similar expressions, or describes a "goal", or variation of such words and phrases or states that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved. Statements relating to mineral resources are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described exist in the quantities predicted or estimated or that it will be commercially viable to produce any portion of such resources. Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made, including among other things, the future prices of gold, silver, lead, zinc, and other metals, the price of other commodities such as coal, fuel and electricity, currency exchange rates and interest rates; favourable operating conditions, political stability, timely receipt of governmental approvals, licenses, and permits (and renewals thereof); access to necessary financing; stability of labour markets and in market conditions in general; availability of equipment; the accuracy of mineral resource estimates, and of any metallurgical testing completed to date; estimates of costs and expenditures to complete our programs and goals; the speculative nature of mineral exploration and development in general; there being no significant disruptions affecting the development and operation of the project, including due to the pandemic of the novel coronavirus (COVID-19) or other possible pandemic; exchange rate assumptions being approximately consistent with the assumptions in the report; the availability of certain consumables and services and the prices for power and other key supplies being approximately consistent with assumptions in the report; labour and materials costs being approximately consistent with assumptions in the report and assumptions made in mineral resource estimates, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological assumptions, capital and operating cost estimates, and general marketing, political, business and economic conditions. Many of these assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies, and other factors that are not within the control of Discovery Silver Corp. ("**Discovery**" or the "**Corporation**") and could thus cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information.

Forward-looking information and forward-looking statements herein includes, but is not limited to: statements or information concerning the future financial or operating performance of Discovery and its business, operations, properties and condition, resource potential, including the potential quantity and/or grade of minerals, or the potential size of a mineralized zone, potential expansion of mineralization, the timing and results of future resource estimates, the timing of other exploration and development plans at Discovery's mineral project interests, the amenability of mineralization to produce a saleable concentrate of sufficiently high enough grade and quality to be economic; changes in project parameters as plans continue to be refined; illustrative mine lives of the Corporation's various mineral project interests, the proposed timing and amount of estimated future production, and the illustrative costs thereof; and with respect to the Cordero Project: statements regarding the results of the pre-feasibility study and the anticipated capital and operations costs, sustaining costs, internal rate of return, concession renewal, permitting of the Cordero Project, economic and scoping-level parameters of the Cordero Project, mineral resource estimates, the cost and timing of any development of the Cordero Project, the proposed mine plan and mining methods, dilution and mining recoveries, processing method and rates and production rates; projected metallurgical recovery rates, infrastructure requirements, capital, operating and sustaining cost estimates, the projected life of mine and other expected attributes of the project, the net present value ("**NPV**"), the Cordero Project location, the timing of the environmental assessment process, changes to the Cordero Project configuration that may be requested as a result of stakeholder or government input to the environmental assessment process, government regulations and permitting timelines, estimates of reclamation obligations, requirements for additional capital, environmental risks, general business and economic conditions. Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Discovery to be materially different from any future results, performance, or achievements expressed or implied.

Such factors include, among others: the timing and possible outcome of regulatory and permitting matters; the ability to obtain, maintain or renew the underlying licenses and permits in Mexico in accordance with the requirements of applicable mining, environmental, and other laws in Mexico; satisfaction of requirements relating to the submissions and successful defense of Environmental Impact Assessment reports ("**EIAs**"); exploration, development, and operating risks, and risks associated with the early stage status of the Corporation's mineral properties and the nature of exploration; risks associated with the Corporation having no known reserves and no economic reserves may exist on the Corporation's properties, which could have a negative effect on the Corporation's operations and valuation; discrepancies between actual and estimated mineral resources; possible variations of mineral grade or recovery rates; fluctuations in commodity prices and relative currency rates; volatility, changes, or disruptions in market conditions; government regulation of mining operations and changes in government legislation and regulation, including but not limited to the Mining Law (Mexico) and potential regulatory changes as a result of such legislative amendments and changes and pursuant to the *Canadian Extractive Sector Transparency Measures Act* (Canada); foreign operations risks, political instability, hostilities, insurrection, or acts of war or terrorism (and the potential consequential capital and financial market reaction); reputational risks; potential dilution of Common Shares (as defined in the Company's December 31, 2022 Annual Information Form ("**AIF**")) voting power or earnings per share as a result of the exercise of warrants, RSUs, DSUs, or Options (all as defined in the AIF), future financings or future acquisitions financed by the issuance of equity; uncertainties associated with minority interests and joint venture operations; ability to satisfy contractual obligations and additional capital needs generally; reliance on a finite number of properties; contests over title to properties; availability of adequate infrastructure; costs and results derived from community relations activities; environmental risks and hazards; the cost, timing, and amount of estimated future capital, operating exploration, acquisition, development, and reclamation activities; limited operating history and no earnings; limits of insurance coverage and uninsurable risk; accidents, labour disputes, and other risks of the mining industry, including but not limited to environmental risks and hazards, pitwall failures, flooding, rock bursts, and other acts of God or natural disasters; unfavourable operating conditions; limitations on the use of community water sources; risks associated with the Corporation's indemnified liabilities; pandemics including the novel coronavirus (COVID-19) (and the potential consequential governmental regulations and capital and financial market reaction); competitive conditions in the mineral exploration and mining businesses; the ability of the Corporation to retain its key management employees and the impact of shortages of skilled personnel and contractors; potential acquisitions and their integration with the Corporation's current business; future sales of Common Shares by existing shareholders; influence of third party stakeholders; successful defense against existing, pending, or threatened litigation or other proceedings; conflicts of interest; the Corporation's designation as a "passive foreign investment company"; the adequacy of the Corporation's system of internal controls; credit and/or liquidity risks; cyber security risks; the interpretation and actual results of historic data associated with, and drill results from, those properties, and the reliance on technical information provided by third parties; changes in labour costs or other costs of exploration and development; failure of equipment or processes to operate as anticipated;, completion of expenditure and other obligations under earn-in or option agreements to which the Corporation is a party; the impact of archaeological, cultural, or environmental studies within the property area; the designation of all or part of the property area of the Corporation's projects as a protected wildlife habitat under government legislation and regulation; future issuances of the Common Shares to satisfy earn-in or lease-related obligations or the acquisition of exploration properties; judgement of management when exercising discretion in their use of proceeds from offerings of securities; those general business, economic, competitive, political, regulatory, and social uncertainties, disruptions or changes in the credit or securities markets and market fluctuations in prices for Discovery's securities that may occur outside of management's control; the Corporation's history of net losses and negative operating cash flow; the Corporation's major shareholder(s) having the ability to influence matters submitted to Discovery's shareholders for approval; and the risks involved in the exploration, development, and mining business in general.

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

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and the Corporation disclaims any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events, or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

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

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

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

FINANCIAL INFORMATION AND NON-IFRS MEASURES

Discovery has prepared its consolidated financial statements, incorporated herein by reference, in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. As a result, they may not be comparable to financial statements prepared in accordance with other financial reporting frameworks, including generally acceptable accounting principles used in the US ("**GAAP**"). The Corporation has included certain non-IFRS performance measures as detailed below. In the mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers and the non-IFRS measures do not have any standardized meaning. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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

The Corporation has provided an AISC performance measure that reflects all the expenditures that are required to produce an ounce of silver from operations. While there is no standardized meaning of the measure across the industry, the Corporation's definition conforms to the all-in sustaining cost definition as set out by the World Gold Council in its guidance dated June 27, 2013. The Corporation believes that this measure is useful to external users in assessing operating performance and the Corporation's ability to generate free cash flow from current operations. Subsequent amendments to the guidance have not materially affected the figures presented. AISC consists of total cash costs plus sustaining capital expenditures.

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

ADDITIONAL INFORMATION

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