Discoverysilver

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2023, and 2022

Dated November 13, 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 and nine months ended September 30, 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.sedarplus.ca. 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 November 13, 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. Cordero 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 Project in August 2019, Discovery's focus has been on defining its economic potential 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 Q1 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 can include – cash cost per silver equivalent payable ounce, working capital, all-in sustaining cost per silver equivalent payable ounce ("AISC"), and free cash flow.

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

Q3 2023 HIGHLIGHTS

PROJECTS

Cordero

Additional Feasibility Study Drill Results

On August 2, 2023, the Company announced results from Feasibility Study drill holes at Cordero. These holes consisted of reserve expansion and definition drilling and will be incorporated in the upcoming Feasibility Study in conjunction with a resource update planned for the first half of 2024.

Highlight intercepts include:

- **52 m averaging 105 g/t AgEq** (51 g/t Ag, 0.19 g/t Au, 0.6% Pb and 0.9% Zn) from 102 m and **37 m averaging 171 g/t AgEq (**79 g/t Ag, 0.09 g/t Au, 1.1% Pb and 1.5% Zn) from 276 m in hole C22-722.
- **15 m averaging 479 g/t AgEq** (278 g/t Ag, 0.08 g/t Au, 3.1% Pb and 2.9% Zn) from 145 m in hole C22-713.
- **39 m averaging 134 g/t AgEq** (104 g/t Ag, 0.17 g/t Au, 0.5% Pb and 0.3% Zn) from 46 m in hole C22-728.

[1]All results are rounded. Assays are uncut and undiluted. Widths are drilled widths, not true widths, as a full interpretation of the actual orientation of mineralization is not complete. As a guideline, intervals with disseminated mineralization were chosen based on a 25 g/t AgEq cutoff with no more than 10 m of dilution. AgEq calculations are used as the basis for reporting metal content calculations given Ag is the dominant metal constituent as a percentage of AgEq value in approximately 70% of the Company's mineralized intercepts. AgEq is calculated as Ag(g/t) + 18.39 x Au(g/t) + 30.81 x Pb(%) + 36.54 x Zn(%). This calculation is based on metal prices of USD $22.00/oz Ag, $1,600/oz Au, $1.00/lb Pb, $1.20/lb Zn and life-of-mine average recovery assumptions from the 2023 Pre-Feasibility Study of 87% for Ag, 22% for Au, 86% for Pb and 85% for Zn.

This Feasibility Study drilling consisted of 22 drill holes and was focused on reserve upgrade and expansion drilling in the southwest of the deposit. Drill results continue to demonstrate the potential to improve grade and convert low-grade material to ore within the reserves pit. One hole drilled in the southwest part of the South Corridor returned several long-mineralized intervals that have the potential to expand the volume of higher-grade blocks laterally and vertically. Another hole drilled in the North Corridor demonstrates the potential of increasing the depth extent of some of the higher-grade blocks.

Submission of Environmental Impact Assessment for the Cordero Project

On August 31, 2023, the Company announced that it has formally submitted its Environmental Impact Asessment ("EIA") for the Cordero Project. The submission was made to Secretaría de Medio Ambiente y Recursos Naturales ("SEMARNAT"), the federal government agency responsible for evaluating EIA submissions. The EIA is one of the principal permits required for the development of Cordero and encapsulates extensive social and environmental work programs completed since 2020.

CORPORATE

2022 Environmental, Social and Governance ("ESG") Report

On July 6, 2023, the Company released its 2022 Environmental, Social and Governance ("ESG") Report, highlighting the Company's current practices and priorities going forward. Key highlights included:

- Receipt of the Socially Responsible Enterprise (Empresa Socialmente Responsable) ("ESR") distinction from the Mexican Centre for Philanthropy (Centro Mexicana para la Filantropía) ("CEMEFI")
- Receipt of the Great Place to Work Certification, an internationally recognized certification program awarded to companies that create outstanding employee experiences.

The Company was pleased to have released their third ESG Report, a milestone that reflects our proactive approach and strong commitment to industry-leading environmental and sustainability practices. Two very significant achievements were awarded: the prestigious Socially Responsible Company (ESR) Distinction, ranking in the top 10% of approximately 1,000 participating small to medium sized companies in Mexico, and the receipt of the Great Place to Work Certification, achieving an overall score of 84%. The Company also held 19 engagement sessions with local stakeholders and made significant community investments in health, education, and training.

RECENT DEVELOPMENTS

PROJECTS

Cordero

Results from Feasibility Study Metallurgical Test Program

On October 26, 2023, the Company announced results from its Feasibility Study metallurgical test program from its Cordero Project. Highlights from the test work included:

- *Increased silver recoveries of up to 7% to the precious metals concentrate where higher payabilities are received.*
- *Significant reductions in reagent consumption while achieving improved metallurgical performance than outlined in the Preliminary Feasibility Study ("PFS")*
- *Excellent metallurgical performance achievable for oxide-sulphide blending of up to 15% oxides (the PFS assumed a cap of up to 10% oxides).*
- *Primary grind sensitivity confirmed a coarse grind size of 200 micron passing p80 is the optimal grind size (unchanged from the PFS).*
- *Blasting study showed run-of-mine material to be smaller than previously estimated allowing for a smaller primary crusher.*

This Feasibility Study test work demonstrates the exceptional metallurgical characteristics of the Cordero deposit. Previous test work had established excellent recoveries for different mining phases, and variable grade profiles to generate clean, saleable concentrates. The FS metallurgical test program was focused on optimizing metallurgical performance for a run-of-mine composite with process variables such as reagent dosage and type, grind size and the testing of oxide-sulphide blends with oxides above 10%. Silver recoveries to the precious metal concentrates increased up to 7% in comparison to the PFS testwork through reagent optimization. The FS testwork was successful in achieving improved recoveries at significantly reduced reagent consumption. Locked cycle tests were completed on blends of 15% oxides / 85% sulphides and 20% oxides / 80% sulphides. Results demonstrate that excellent metallurgical performance can be achieved with blending of up to 15% oxides (the PFS assumed a cap of 10% oxides).

PROCESS DESIGN

The process design for the FS will consist of conventional flotation with staged expansions, consistent with the PFS approach. The first phase consists of a conventional grinding circuit made up of a primary crusher, SAG mill and ball mill, followed by a flotation circuit. The planned throughput rate of this initial phase is expected to be approximately 25,500 tonnes per day ("tpd").

The second phase of the plant expansion will include the addition of a parallel circuit consisting of a SAG mill and a ball mill and a duplicate flotation circuit. The planned throughput rate of this expanded phase is expected to be approximately 51,000 tpd.

The proposed process design for the FS is a conventional, well-proven flowsheet that is capital-efficient, robust and delivers comparatively reasonable operating costs with reliability of operations. The design is effectively the same as what was assumed for the PFS with the main change being the incorporation of a smaller primary crusher. This change was based on results from an ore blasting study that demonstrated run-of-mine material to be delivered to the plant is smaller than what was assumed in the PFS.

OUTLOOK

The Company has now drilled approximately 58,200 m (196 holes) as part of its Feasibility Study drill program (since the data cut-off for the PFS study). This includes approximately 40,000 m of reserve definition and expansion drilling, 7,000 m of condemnation drilling, and 11,200 m of engineering drilling (hydrogeology and geotechnical). Engineering drilling will be ongoing through the remainder of the year and we have made excellent progress this year on the critical de-risking items for Cordero as we systematically advance the Project towards a construction decision. The Company recently secured surface rights covering the proposed open pit and key infrastructure locations at the Project, as well as a significant volume of water rights. The findings from two power studies were received earlier this year, confirming there is sufficient capacity in the existing power grid to supply the Project for mine operations, and establishing the work required to access the grid.

Feasibility Study Update

The Company continues to pursue optimization and expansion opportunities in its Feasibility Study work program. 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 Feasibility Study, 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 Feasibility Study is expected to be completed in 2024. The Company is considering accelerating the front-end engineering design work as part of the feasibility study scope to increase the confidence level of the initial capital cost estimate, and to shorten the timeline between the feasibility study completion and the project build. Feasibility Study drilling wrapped up during the quarter with results highlighting the potential to extend the already long mine life at Cordero. We also reported strong results from our metallurgical test program demonstrating that higher silver recoveries of up to 7% into the precious metals concentrate are achievable at significantly reduced levels of reagent consumption.

The Company's balance sheet remains strong, with a cash balance of approximately $60 million at September 30, 2023. The Company expects that this will be sufficient to finance the 2023 and 2024 work programs 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.

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. More recently, 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 precious metals may continue during this period of rising interest rates. Cessation of the Federal Reserve's actions, along with the potential for interest rates to decrease, could signal and provide increased safe-haven demand for precious metals, resulting in an 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 Q3 2023 YTD, the average price of silver was $23.03 per ounce, with silver trading between $20.04 and $26.03 per ounce based on the London Fix silver price. This compares to an average of $21.92 per ounce for Q3 2022 YTD with a low of $17.77 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 September 30, 2023, the Canadian Dollar/Mexican Peso exchange rate was 12.87 (December 31, 2022: 14.30), and the Canadian Dollar/US Dollar exchange rate was 1.35 (December 31, 2022: 1.36).

(Expressed in Canadian dollars, except where otherwise noted)

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Summary of Quarterly Results

		Q3 2023		Q2 2023		Q1 2023		Q4 2022
Net loss								
(a) Total	**$**	**(2,207,479)**	$	(3,879,721)	$	(3,999,718)	$	(10,411,846)
(b) basic and diluted per share	**$**	**(0.01)**	$	(0.01)	$	(0.01)	$	(0.02)
Net loss and total comprehensive loss	**$**	**(3,059,766)**	$	(3,459,046)	$	(3,344,648)	$	(10,206,433)
Cash and cash equivalents	**$**	**59,931,068**	$	68,168,006	$	37,272,498	$	46,220,938
Total assets	**$**	**150,770,808**	$	149,199,876	$	89,256,576	$	91,583,326
Total current liabilities	**$**	**13,327,861**	$	11,057,495	$	1,783,522	$	1,964,868
Working capital(1)	**$**	**59,402,439**	$	65,661,086	$	43,933,240	$	53,081,932
Total weighted average shares outstanding		**395,720,230**		386,471,109		352,071,321		351,012,880

		Q3 2022		Q2 2022		Q1 2022		Q4 2021
Net loss								
(a) Total	$	(5,550,164)	$	(11,986,331)	$	(13,147,429)	$	(7,098,928)
(b) basic and diluted per share	$	(0.02)	$	(0.04)	$	(0.04)	$	(0.02)
Net loss and total comprehensive loss	$	(4,993,977)	$	(12,055,084)	$	(13,402,257)	$	(7,030,220)
Cash and cash equivalents	$	55,552,791	$	63,610,036	$	46,229,095	$	54,748,652
Total assets	$	101,208,131	$	101,782,302	$	99,464,516	$	107,790,755
Total current liabilities	$	3,380,384	$	2,536,304	$	1,410,165	$	1,704,530
Working capital(1)	$	60,764,790	$	62,521,439	$	61,667,325	$	69,611,661
Total weighted average shares outstanding		349,402,721		338,750,309		332,025,353		329,898,229

(1) Refer to "Financial Information and Non-IFRS Performance Measures" section of this MD&A.

Q3 2023 Compared to Q3 2022

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $3,059,766 during Q3 2023, compared to a net and total comprehensive loss of $4,993,977 for Q3 2022. The net and total comprehensive loss for Q3 2023 includes a non-cash currency translation adjustment ("CTA") loss of $852,287 from the translation of Discovery Silver's Mexican subsidiaries Mexican Peso ("MXP") functional currency to the Company's reporting currency of CAD on consolidation (Q3 2022 – CTA gain of $556,187). The CTA loss resulted from the appreciation of the MXP compared to the CAD during Q3 2023, primarily impacting the mineral property balances.

The decrease in net loss during Q3 2023 compared to Q3 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 that declared proven and probable reserves for the Cordero project. Additionally, higher interest income received, partially offset by higher share-based compensation and general and administrative expenses, contributed to the decrease in net loss in Q3 2023 compared to Q3 2022.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $2,418,966 during Q3 2023, compared to $1,672,190 during Q3 2022. The increase quarter over quarter related to RSU's and DSU's being granted to new additions to the management team, and board that occurred during Q3 2023, while there were no issuances of DSU's or RSU's in Q3 2022. Additionally, the expense is higher because the DSU's granted during Q1 and Q3 2023 have one year amortization periods compared to the share-based compensation expense recorded during 2022 included equity instruments that were being amortized over a three-year vesting term.

Exploration and project evaluation expense

The Company incurred and expensed exploration and project evaluation costs of $1,408,823 during Q3 2023 compared to $9,078,504 in Q3 2022. A total of 6,308 metres were drilled during Q3 2023 compared to 15,361 metres during Q3 2022. $6,520,742 was capitalized to mineral properties during Q3 2023 related to engineering, hydrogeology, condemnation, and geotechnical drilling, metallurgical studies, and pit-wall optimization studies for the FS. During Q3 2022, $3,638,896 of drilling costs were spent at Cordero including diamond drilling targeting high IP geophysical anomalies, and deep skarn mineralization targeting depths down to 1,700 m below surface.

General office and other expenses

During Q3 2023, the Company incurred general office and other expenses of $1,887,914 compared to $1,076,536. The increase quarter over quarter was related to an increase in the workforce in Canada through several key management and advisory appointments that strengthen the Company's Board of Directors, as well as our permitting and technical teams. Office, insurance and general expenses, rent, IT expenses, and travel all increased quarter over quarter as the Company continued to grow its workforce to support the ramp-up towards a potential construction decision for the Cordero Project. Corporate development and investor relations cost increases were primarily related to the evaluation of various corporate initiatives.

Professional fees

During Q3 2023, the Company incurred professional fees of $155,749 compared to $380,501 during Q3 2022 relating to legal, accounting, and other consulting fees. Higher consulting fees incurred during Q3 2022 than Q3 2023 mainly related to additional technical consultants supporting various areas of work performed on the Cordero project.

Reversal of Provision for IVA receivable

During the third quarter of 2022, the Company filed a cumulative IVA return for months previously not filed totaling approximately $8.0 million. The Company provided the supporting documentation required to substantiate and validate the cumulative IVA claim and responded to all of SAT's inquiries and requests for additional documentation. Subsequent to the reporting period, the Company completed an in-person audit with

SAT and received a refund of $8.0 million for the cumulative IVA return filed, including interest and inflationary adjustments.

Due to the increased confidence in collectability and collection of the cumulative IVA return, resulting from the successful SAT audit, the Company has reversed the previously recorded provision for the IVA paid during the second half of 2022 and 2023 and recorded these amounts to be recovered as a current IVA receivable. The Company has exercised judgement in classifying the current and non-current portions of the IVA receivables. The Company believes that the IVA balance is fully recoverable and has not provided an allowance. As the Company is uncertain of the timing of the recovery of IVA, it has recorded $12,024,648 as the current portion of the IVA receivable expected to be received within twelve months, and $2,029,881 as a non-current receivable.

The $8.0M IVA refund received after the reporting period is included in the current IVA receivable balance at September 30, 2023.

Interest income

The Company earned interest income of $842,057 during Q3 2023 compared to $199,453 during Q3 2022. The increase is due to the rise in interest rates over the last twelve months, and the higher cash balances on hand from the equity financing completed during April 2023. This combination generated higher interest income on cash balances on hand, as well as short term guaranteed investment certificates ("GICs") and term deposits.

Foreign exchange gain

The Company realized a foreign exchange loss of $480,893 during Q3 2023 compared to a gain of $1,945,749 during Q3 2022. This foreign exchange loss was due to the depreciation 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 loss on translation into the Company's Canadian Dollar reporting currency.

<u>Q3 YTD 2023 Compared To Q3 YTD 2022</u>

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $9,863,458 during Q3 YTD 2023, compared to a net and total comprehensive loss of $30,451,318 for Q3 YTD 2022. The net and total comprehensive loss for Q3 YTD 2023 includes a non-cash currency translation adjustment ("CTA") gain of $223,459 as a result of the translation of Discovery Silver's Mexican subsidiaries MXP currency financial statements to the Company's reporting currency of CAD on consolidation (Q3 YTD 2022 – CTA gain of $232,606). This CTA gain is the result of the appreciation of the MXP to CAD which primarily impact the mineral property balances.

The decrease in net loss during Q3 2023 YTD compared to Q3 2022 YTD 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 Q3 2023 YTD compared to Q3 2022 YTD.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $4,614,654 during Q3 2023 YTD, compared to $7,763,023 during Q3 2022 YTD. The decrease was due to a higher number of stock options issued to directors, employees, and consultants during Q3 2022 YTD with higher calculated fair values than the options, RSU's and DSU's granted during Q3 2023 YTD 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 $2,904,868 during Q3 2023 YTD compared to $24,209,221 in Q3 2022 YTD. A total of 21,861 metres were drilled during Q3 2023 YTD compared to 57,987 metres during Q3 2022 YTD. $10,374,317 was capitalized to mineral properties during Q3 2023 YTD related to engineering, hydrogeology, condemnation, and geotechnical drilling, metallurgical studies, and pit-wall optimization studies for the FS. A total of $23,901,789 was spent on Cordero during Q3 YTD 2022 comprised primarily of $11,622,276 in drilling costs related to infill drilling within open pit outlined in the PEA that was focused on upgrading resources in both the North and South Corridors.

General office and other expenses

During Q3 2023 YTD, the Company incurred general office and other expenses of $5,179,164 compared to $3,917,873 during Q3 2022 YTD. Office, insurance and general expenses, rent, IT expenses, and travel costs all increased quarter over quarter as the Company continued to grow its workforce to support the ramp-up towards a potential construction decision for the Cordero Project. Corporate development and investor relations cost increases were primarily related to the evaluation of various corporate initiatives. The increase in transfer agent and filing fees incurred related to the Company's graduation to the TSX, additional costs related to the base shelf prospectus filed, and the marketed public offering completed during Q2 2023.

Professional fees

During Q3 2023 YTD, the Company incurred professional fees of $1,246,330 compared to $906,969 during Q3 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, legal fees incurred for the filing of the base shelf prospectus, and legal fees related to the Company's marketed public offering completed during Q2 2023. Higher legal fees were also incurred in Mexico in relation to the acquisitions of land, surface, and water rights on the Cordero property.

Reversal of Provision for IVA receivable

During the third quarter of 2022, the Company filed a cumulative IVA return for months previously not filed totaling approximately $8.0 million. The Company provided the supporting documentation required to substantiate and validate the cumulative IVA claim and responded to all of SAT's inquiries and requests for additional documentation. Subsequent to the reporting period, the Company completed an in-person audit with SAT and received a refund of $8.0 million for the cumulative IVA return filed, including interest and inflationary adjustments.

Due to the increased confidence in collectability and collection of the cumulative IVA return, resulting from the successful SAT audit, the Company has reversed the previously recorded provision for the IVA paid during the second half of 2022 and 2023 and recorded these amounts to be recovered as a current IVA receivable. The Company has exercised judgement in classifying the current and non-current portions of the IVA receivables. The Company believes that the IVA balance is fully recoverable and has not provided an allowance. As the Company is uncertain of the timing of the recovery of IVA, it has recorded $12,240,874 as the current portion of the IVA receivable expected to be received within twelve months, and $2,029,881 as a non-current receivable.

The $8.0M IVA refund received after the reporting period is included in the current IVA receivable balance at September 30, 2023.

Interest income

The Company earned interest income of $1,876,364 during Q3 2023 YTD compared to $518,792 during Q3 2022 YTD. The increase is due to the rise in interest rates during 2023, as well as a higher cash balance resulting from the equity financing completed during April 2023.

Foreign exchange gain

The Company realized a foreign exchange gain of $235,476 during Q3 2023 YTD compared to a gain of $2,933,852 during Q3 2022 YTD. 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 $8,345,339 for Q3 2023 YTD compared to net cash used in operating activities of $29,641,322 for Q3 2022 YTD. 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 $26,826,490 for Q3 2023 YTD mainly related to the mineral property additions of $16,895,059 spent and capitalized on the Cordero Project, and the acquisition of land, surface, and water rights on the Cordero property. Net cash from investing activities for Q3 2022 YTD was $14,661,242 due to a GIC investment maturing in June 2022.

The Company had net cash provided by financing activities of $48,927,527 during Q3 2023 YTD compared to cash provided by financing activities of $13,987,277 during Q3 2022 YTD. The net cash inflow during Q3 2023 YTD was the result of cash received of $48,741,556 from the market public offering equity raise completed during April 2023. The Q3 2022 YTD cash inflow mainly related to $12,188,527 of cash received from the exercise of warrants.

(Expressed in Canadian dollars, except where otherwise noted)

CAPITAL MANAGEMENT AND LIQUIDITY

The Company's capital management objectives are intended to maintain financial flexibility to continue as a going concern while optimizing growth and maximizing returns on investments from shareholders. The Company monitors its capital structure, and based on changes in operations and economic conditions, may adjust the structure by issuing new shares or debt. Management reviews its capital management approach on an ongoing basis, facilitated by the preparation of annual budgets and forecasts that are approved by the Board of Directors.

The Company defines capital as shareholder's equity (comprised of issued share capital, contributed surplus and deficit). The Company's investment policy is to invest cash in highly liquid short-term investments with maturities of days or less, selected with regards to the expected timing of expenditures from operations. The Company expects that its available capital resources will be sufficient to carry out its development and growth plans for at least the next twelve months.

At September 30, 2023, the Company is not subject to any externally imposed capital requirements or debt covenants, with the exception of complying with the terms under the lease liabilities. There was no change to the Company's approach to capital management during the three and nine months ended September 30, 2023.

SHARE CAPITAL

A summary of the common shares issued and outstanding at September 30, 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 for marketed public offering(1)	**43,125,000**	**51,750,000**
Finders' fees incurred for marketed public offering(1)	**-**	**(3,008,444)**
Shares issued on exercise of options	**528,650**	**374,642**
Shares issued on exercise of RSU's	**125,000**	**156,250**
At September 30, 2023	**395,720,230**	**$ 216,004,826**

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

(Expressed in Canadian dollars, except where otherwise noted)

OUTSTANDING SHARE DATA

At November 13, 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	395,720,230 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 21,226,992 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	3,698,543 RSU's and 1,475,997 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 and nine months ended September 30, 2023 and 2022 are as follows:

		Three Months Ended September 30,	
Transaction Type	**Nature of Relationship**	**2023**	2022
Non-cash share-based payments	Directors and officers	**$ 1,845,785**	$ 1,170,533
Salaries and benefits	Officers	**508,750**	422,500
Director fees	Directors	**81,250**	81,250
		$ 2,435,785	$ 1,674,283

		Nine Months Ended September 30,	
Transaction Type	**Nature of Relationship**	**2023**	2022
Non-cash share-based payments	Directors and officers	**$ 3,602,335**	$ 6,374,651
Salaries and benefits	Officers	**1,526,250**	1,087,000
Director fees	Directors	**243,750**	243,750
		$ 5,372,335	$ 7,705,401

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 September 30, 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 its financial obligations as they arise. The Company manages liquidity risk by monitoring actual projected cash outflows and matching the maturity profile of financial assets and liabilities. At September 30, 2023, the Company had a cash and cash equivalents balance of $59,931,068 (December 31, 2022 – $46,220,938) to settle current liabilities of $13,231,700 (December 31, 2022 – $1,964,868). The Company's trade payable liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At September 30, 2023, the Company has no sources of revenue to fund its operating and development expenditures and has historically relied solely on equity financings to fund its operations. The Company believes that its current cash balance is sufficient to fund work programs for the next twelve months as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of an equity or debt financing, or a combination of both.

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.

	September 30, 2023	December 31, 2022
Cash and cash equivalents	**$ 59,931,068**	$ 46,220,938
Other receivables	**216,226**	343,346
Deposits	**126,646**	126,270
	$ 60,273,940	**$** 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 September 30, 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 and other accrued liabilities) denominated in USD and MXP.

(Expressed in Canadian dollars, except where otherwise noted)

At September 30, 2023 and December 31, 2022, the Company had the following foreign currency denominated trade payables and other accrued liabilities:

		September 30, 2023		December 31, 2022
United States dollar	**$**	**7,146,965**	$	102,028
Mexican Peso		**806,695**		360,325
	$	**7,953,660**	$	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 September 30, 2023 by approximately $795,355 (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 AIF for the year ended December 31, 2022 available on the Company's website.

This MD&A also contains forward-looking information that involves 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".

(Expressed in Canadian dollars, except where otherwise noted)

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The following table summarizes the maturities of the Company's financial liabilities at September 30, 2023 based on the undiscounted contractual cash flows:

	< 1 year	1 – 2 years	3 – 5 years	Over 5 years
Accounts payable and accrued liabilities	$13,231,700	-	-	-
Lease liabilities	$96,161	$213,045	$174,868	-
Other long-term liabilities	-	$4,152,516	-	-
Total	$13,327,861	$4,365,561	$174,868	-

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

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure controls and procedures. Together, the internal control frameworks provide internal control over financial reporting and disclosure. Due to its inherent limitations, internal control over financial reporting and disclosure may not prevent or detect all misstatements. Further, the effectiveness of internal control is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may change.

There were no changes in our internal controls over financial reporting during the three months ended September 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. Under the supervision of the President and Chief Executive Officer and Chief Financial Officer, management will continue to monitor and evaluate the design and effectiveness of its internal control over financial reporting, disclosure controls and procedures, and may make modifications from time to time as considered necessary.

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 PERFORMANCE MEASURES

Discovery has prepared its condensed interim consolidated financial statements and annual audited 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 uses 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, they are 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 calculates working capital as current assets less current liabilities from the Company's condensed interim consolidated financial statements. The Corporation calculates 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. When the Corporation provides an AISC performance measure, it 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 AISC 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.sedarplus.ca.