Discoverysilver

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2024, and 2023

Dated May 14, 2024

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, 2024 and 2023 (the "Interim Financial Statements") which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Additional information relating to the Company, including the most recent Annual Information Form ("AIF") for the year ended December 31, 2023, and the Company's audited consolidated financial statements for the year ended December 31, 2023 (the "Annual Financial Statements"), are available on SEDAR+ at www.sedarplus.ca. The information provided herein supplements, but does not form part of, the Interim 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 14, 2024, unless otherwise stated.

DESCRIPTION OF BUSINESS

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

Discovery's flagship asset is the 100%-owned Cordero silver project ("Cordero" or the "Cordero 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 Cordero in August 2019, Discovery's focus has been on defining the economic potential of the Cordero Project primarily through two extensive drill programs and two detailed metallurgical testwork programs. Following the completion of a Feasibility Study titled the "*Cordero Silver Project: NI 43-101 Technical Report & Feasibility Study (Chihuahua State, Mexico)*" (the "FS") with an effective date of February 16, 2024, published on March 28, 2024, the focus during the remainder of 2024 is now on further de-risking the project through the advancement of the construction permitting process, studies on water, power and land, alongside property-wide exploration. The FS demonstrates that Cordero is a tier-one project with the potential to be developed into one of the largest silver mines globally.

NON-GAAP PERFORMANCE MEASURES

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

The non-GAAP performance measures can include – cash cost per silver equivalent payable ounce, all-in sustaining cost per silver equivalent payable ounce ("AISC"), and free cash flow.

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

Q1 2024 HIGHLIGHTS

CORDERO

On February 20, 2024, the Company announced results from its Feasibility Study ("FS") on the Cordero Project.

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

- **Large-scale, long-life production:** 19-year mine life with average annual production of 37 Moz AgEq in Year 1 to Year 12.
- **Low costs, high margins:** average AISC of less than $12.50 over the first eight years of the mine life placing Cordero in the bottom half of the cost curve.
- **Low capital intensity:** initial development capital expenditures of $606 million resulting in an attractive after-tax NPV-to-capex ratio of 2.0.
- **Attractive project economics:** Base Case after-tax Net Present Value at 5% ("NPV") of $1.2 billion and IRR of 22% with NPV expanding to $2.2 billion in Year 4.
- **Tier 1 reserve base:** Reserves of Ag - 302 Moz, Au - 840 koz, Pb – 3.0 Blb and Zn – 5.2 Blb, positioning Cordero as one of the largest undeveloped silver deposits globally.
- **Clear upside potential:** 240Mt of Measured & Indicated Resource sit outside the FS pit highlighting the potential to materially extend the mine life at modestly higher silver prices.
- **Substantial socio-economic contribution:** an initial investment of over $600 million, 2,500 jobs created during construction, $4 billion of goods and services purchased and estimated tax contributions of over $1.4 billion within Mexico.
- **Environmental standards:** third-party reviews of proposed environmental practices to ensure adherence to both Mexican regulatory standards and Equator Principles 4. The Study also incorporates investment in infrastructure and technology to recycle wastewater from local communities with discharged water representing the primary source of water for mine operations.

Project Economics

The economics for the FS were based on the following metal prices: Ag - $22.00/oz, Au - $1,600/oz, Pb - $1.00/lb and Zn - $1.20/lb. A 10% increase in metal prices results in a 40% increase in the Project NPV to over $1.6 billion.

The payback is 5.2 years due to the expansion of the processing plant from 26,000 tpd to 51,000 tpd in Year 3 at a capital cost of $291 million. This expansion is expected to be funded from operating cash flow.

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

Resource Update

In conjunction with the FS, the Mineral Resource Estimate for Cordero has been updated to incorporate an additional 34,957 m of drilling in 103 holes since the release of the PFS (Mineral Resource Estimate now includes total drilling of 310,861 m in 793 drill holes). The Measured & Indicated Resource has grown by 70 Moz AgEq to 1,202 Moz AgEq with the Inferred Resource being reduced by 12 Moz AgEq to 155 Moz AgEq as summarized below. The overall expansion of the resource was largely driven by exploration success at depth and in the northeast part of the deposit.

- **Measured & Indicated Resource of 1,202 Moz AgEq at an average grade of 52 g/t AgEq** (719 Mt grading 21 g/t Ag, 0.06 g/t Au, 0.31% Pb and 0.60% Zn)
- **Inferred Resource of 155 Moz AgEq at an average grade of 32 g/t AgEq** (149 Mt grading 14 g/t Ag, 0.03 g/t Au, 0.18% Pb and 0.35% Zn)

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

CORPORATE

2024 Workplan

On January 24, 2024, the Company announced the workplan for 2024 with the objective of reaching a construction decision later this year or early 2025. Refer to details in the "Outlook" section of this MD&A.

OUTLOOK

Following release of the FS, the Company is executing a work program in 2024 aimed at further advancing and de-risking the Cordero Project. The program includes extensive engineering and design work, additional permitting, the acquisition or lease of additional surface rights where appropriate, further exploration work and the continuation of the Company's ESG and community outreach programs as it works through the permitting process.

Further details about the 2024 work program are provided below.

Engineering

The Company plans to conduct Front-End Engineering Design ("FEED") work for the Project. This engineering work consists of early project planning and will advance engineering definition to a higher degree, offering more certainty in estimated capital costs. It will also enable the Company to place orders for long lead-time items and to define and tender the EPCM scope in more detail.

Permitting

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

The Company formally submitted for evaluation its MIA in August 2023.

The CUS submission is supported by a Change of Land Use Study known as an Estudio Tecnico Justificativo ("ETJ"). Compilation of the ETJ by the Company and third-party consultants will be largely completed during the first half of 2024 with formal submission of the CUS targeted for the third quarter of 2024.

Project De-Risking

Power: Work in 2024 for the powerline will consist of finalizing the powerline route, surface rights access negotiations, permitting and engineering for both the upgrade to the existing Camargo II substation and the new powerline to site. The option to use renewable energy sources at site to supplement grid power will also be evaluated.

Surface rights: After securing surface rights corresponding with the planned open pit and key infrastructure locations at Cordero in 2023, the Company will focus on acquiring ancillary surface rights where appropriate as well as securing long-term access and lease agreements for nearby land as required.

Water: In 2024, the Company will initiate the permitting process for the zoning of the groundwater rights it already owns. The Company also plans to advance engineering work for the planned major upgrade to local water treatment infrastructure and accompanying water pipeline in addition to drilling and testing more pumping well holes and monitoring wells.

Exploration

Exploration work in 2024 is expected to include mapping and sampling of new target areas. Key target areas include La Perla (10 km south of Cordero), Dos Mil Diez (immediately southwest of Cordero) and Porfido Norte (10 km north of Cordero).

- La Perla – work will focus on a zone of anomalous silver from rock sampling within a very large alteration footprint and high chargeability / low resistivity anomalies defined by the geophysics program completed in 2022. Historical mine workings are also present within a northeast trending structural corridor (parallel to the orientation of the main mineralized trends at Cordero).
- Dos Mil Diez – further mapping and sampling is planned to support the evaluation of chargeability anomalies identified during an IP survey completed in 2022. Dos Mil Diez is located in an area of mapped intrusives, veining and alteration, directly to the southwest of Cordero.

(Expressed in Canadian dollars, except where otherwise noted)

- Porfido Norte – additional mapping and sampling is planned to define targets within a northeast trending structural corridor in this area.

In addition to the technical work planned in 2024 to further progress Cordero, the Company also plans to advance all financing options for the Project through the course of the year. These options include equity, debt, offtake, joint ventures, partnerships, lease financing on major equipment, streams, royalties and other strategic alternatives.

The Company is well positioned to finance the 2024 work program with a cash position of approximately $50 million as at May 14, 2024, and no debt.

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Summary of Quarterly Results

		Q1 2024		Q4 2023		Q3 2023		Q2 2023
Net loss	**$**	**(680,805)**	$	(5,665,597)	$	(2,207,479)	$	(3,879,721)
Basic and diluted per share	**$**	**(0.00)**	$	(0.01)	$	(0.01)	$	(0.01)
Total comprehensive income (loss)	**$**	**1,118,080**	$	(4,539,860)	$	(3,059,766)	$	(3,459,046)
Cash and cash equivalents	**$**	**50,704,880**	$	58,944,459	$	59,931,068	$	68,168,006
Total assets	**$**	**147,418,451**	$	146,065,998	$	150,770,808	$	149,199,876
Total current liabilities	**$**	**11,443,293**	$	12,168,225	$	13,327,861	$	11,057,495
Working capital(1)	**$**	**42,866,483**	$	49,691,371	$	59,402,439	$	65,661,086
Total weighted average shares outstanding		**395,973,316**		395,747,953		395,720,230		386,471,109

		Q1 2023		Q4 2022		Q3 2022		Q1 2022
Net loss	$	(3,999,718)	$	(10,411,846)	$	(5,550,164)	$	(11,986,331)
Basic and diluted per share	$	(0.01)	$	(0.02)	$	(0.02)	$	(0.04)
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	$	65,521,439
Total weighted average shares outstanding		352,071,321		351,012,880		349,402,721		338,750,309

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

Q1 2024 Compared to Q1 2023

Net loss and total comprehensive income (loss)

The Company had total comprehensive income of $1,118,080 during Q1 2024, compared to a total comprehensive loss of $3,344,648 for Q1 2023. The total comprehensive income for Q1 2024 includes a non-cash currency translation adjustment ("CTA") gain of $1,798,885 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 2023 – CTA gain of $655,070). The CTA gain resulted from the appreciation of the MXP compared to the CAD during Q1 2024, primarily impacting the mineral property balances which have increased significantly from the comparative Q1 2023 period due to the capitalization of exploration and evaluation expenditures.

The decrease in net loss during Q1 2024 compared to Q1 2023 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 2024 compared to Q1 2023.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $881,496 during Q1 2024, compared to $1,028,070 during Q1 2023. The decrease was due to a higher number of stock options issued to directors, employees, and consultants during Q1 2023 with higher calculated fair values than the RSU's and DSU's granted during Q1 2024. There were no options granted during Q1 2024.

Exploration and project evaluation expense

The Company incurred and expensed exploration and project evaluation costs of $153,447 during Q1 2024 compared to $653,881 in Q1 2023 primarily as a result of a focus on the Cordero Project over regional exploration targets. Expenditures directly related to the Cordero Project are capitalized to mineral properties.

General office and other expenses

During Q1 2024, the Company incurred general office and other expenses of $1,941,475 compared to $1,656,126 during Q1 2023. The increase quarter over quarter was primarily related to higher salaries and benefits costs as the Company continues to strengthen the management team at both corporate head office and in Mexico.

Professional fees

During Q1 2024, the Company incurred professional fees of $504,024 compared to $550,902 during Q1 2023 relating to legal, accounting, and other consulting fees. The higher professional fees in Q1 2023 were due primarily to 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.

Interest income

The Company earned interest income of $699,881 during Q1 2024 compared to $405,345 during Q1 2023. The increase is due to a higher cash and cash equivalents balance as a result of the marketing offering during Q2 2023 and a rise in interest rates. These two factors combined 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 $1,976,289 during Q1 2024 compared to a gain of $288,395 during Q1 2023. 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.

IVA receivable

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

During the three months ended December 31, 2023, the Company completed an in-person audit with SAT and received a net refund of $8.0 million, including interest and inflationary adjustments less legal fees. This refund was for a cumulative five-year return filed with SAT in 2022, for months beginning August 2017 through May 2022 (the "Cumulative Refund"). The favourable assessment provided the Company with greater confidence on future IVA collection. All prior provisions recorded against the IVA receivable balance were reversed in 2023.

The Company classifies the IVA receivable balance as current or non-current based on the estimated timing of collection from SAT. Any returns deemed collectible within 12 months are recorded as a current receivable while any IVA estimated to be collectible after 12 months is recorded as a non-current receivable. As at March 31, 2024, the Company had recorded $2,769,114 and $3,072,632 as current and non-current IVA receivables in the Statement of Financial Position.

CASH FLOW

The Company had net cash used in operating activities of $3,334,740 for Q1 2024 compared to net cash used in operating activities of $3,224,234 for Q1 2023. Based on the successful completion of a pre-feasibility study in January 2023 declaring proven and probable reserves for the Cordero project, the Company began capitalizing eligible exploration and evaluation expenditures that are likely to be recoverable by future exploration and development.

The Company had net cash used in investing activities of $4,453,550 for Q1 2024 compared to net cash used in investing activities of $5,881,008 for Q1 2023, mainly related to the mineral property additions capitalized to the Cordero Project in both periods.

The Company had net cash used in financing activities of $23,921 during Q1 2024 compared to cash provided by financing activities of $176,047 during Q1 2023. The net cash outflow during Q1 2024 was the result of the principal repayment on the corporate office lease while the cash inflow during Q1 2023 related primarily to cash received of $195,095 from the exercise of stock options.

(Expressed in Canadian dollars, except where otherwise noted)

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, with the goal of creating shareholder value, as well ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The current excess funds realized from the non-brokered private placements are invested in highly liquid, interest-bearing marketable securities with no restrictions on redemption.

At March 31, 2024, the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the three months ended March 31, 2024.

SHARE CAPITAL

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

	Common Shares	Amount
At December 31, 2023	**395,862,249**	**$ 216,194,163**
Shares issued on redemption of RSUs	**777,466**	**1,104,002**
At March 31, 2024	**396,639,715**	**$ 217,298,165**

OUTSTANDING SHARE DATA

At May 14, 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	397,449,215 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 18,510,825 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	5,793,165 RSU's and 2,375,997 DSU's to acquire Common Shares

(Expressed in Canadian dollars, except where otherwise noted)

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, 2024 and 2023 are as follows:

		Three Months Ended March 31,	
Transaction Type	**Nature of Relationship**	**2024**	2023
Non-cash share-based payments	Directors and officers	**$ 818,418**	$ 822,456
Salaries and benefits	Officers	**670,666**	508,750
Director fees	Directors	**87,500**	81,250
		$ 1,576,584	$ 1,412,456

A summary of amounts due to related parties:

Transaction Type	**Nature of Relationship**	**March 31, 2024**	December 31, 2023
Salaries and benefits payable	Directors, officers, and employees	**$ -**	$ 1,103,245
		$ -	$ 1,103,245

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

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

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

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

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

(Expressed in Canadian dollars, except where otherwise noted)

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

Financial Risk Factors

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

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2024, the Company had a cash and cash equivalents balance of $50,704,880 (December 31, 2023 – $58,944,459) to settle current liabilities of $11,443,293 (December 31, 2023 – $12,168,225). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At March 31, 2024, the Company has no sources of revenue to fund its operating and development expenditures and has historically relied solely on non-brokered private placements to fund its operations. The Company's current cash balance is sufficient to fund the 2024 work program as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives.

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, 2024		December 31, 2023
Cash and cash equivalents	**$**	**50,704,880**	$	58,944,459
Other receivables		**171,437**		237,086
Deposits		**118,617**		130,504
	$	**50,994,934**	**$**	59,312,049

c) Market Risks

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

i. Interest rate risk

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

ii. Foreign currency risk

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

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

At March 31, 2024 and December 31, 2023, the Company had the following foreign currency denominated trade payables and accrued liabilities:

		March 31, 2024		December 31, 2023
United States dollar	**$**	**7,528,001**	$	6,991,862
Mexican Peso		**847,842**		806,771
	$	**8,375,843**	$	7,798,633

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Peso against the Canadian Dollar would affect net loss at March 31, 2024 by approximately $837,570 (December 31, 2023 - $779,844).

iii. Price risk

The Company is exposed to price risk with respect to commodity prices and prices of equity securities. Equity security price risk is defined as the potential adverse impact on the Company's net income or loss due to movements in individual prices of equity securities or price movements in the stock market generally. Commodity price risk is defined as the potential adverse impact on net income or loss and economic value due to commodity price movement and volatility. The

Company closely monitors commodity prices, particularly as they relate to base and precious metals, and movements in the price of individual equity securities, and movements in the stock market generally, to assist in determining the appropriate course of action to be taken by the Company.

OTHER RISKS AND UNCERTAINTIES

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

For a detailed discussion of risks, refer to the Company's MD&A and Annual Information Form ("AIF") for the year ended December 31, 2023 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, 2024, 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, 2023.

CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Standards

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

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

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

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

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

Information about critical judgments and estimates in applying accounting policies that have the most significant effect on the amounts recognized in the interim financial statements for the three months ended March 31, 2024, are consistent with those applied and disclosed in note 5 of the annual consolidated financial statements for the year ended December 31, 2023. The Company's interim results are not necessarily indicative of its results for a full year.

OFF-BALANCE SHEET ARRANGEMENTS

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

QUALIFIED PERSON

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Internal Control over Financial Reporting

NI 52-109 also requires public companies in Canada to submit interim and annual certificates relating to the design of internal control over financial reporting ("ICFR") and an annual certificate that includes evaluating the operating effectiveness of ICFR. The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Management is responsible for establishing and maintaining ICFR. The

Company used the 2013 Commission of Sponsoring Organizations of the Treadway Commission ("COSO") framework as the basis for designing its ICFR. Due to its inherent limitations, ICFR may not prevent or detect misstatements on a timely basis as such systems can only be designed to provide reasonable as opposed to absolute assurance. Also, projections of any evaluation of the effectiveness of ICFR to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. There have been no significant changes in the Company's internal controls during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, ICFR. The individuals performing the duties of the Company's Chief Executive Officer and the Chief Financial Officer have each evaluated the operating effectiveness of the Company's ICFR as at March 31, 2024 and have concluded that the ICFR are effective.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact, information contained, or incorporated by reference, herein constitutes "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "planned", "expect", "project", "predict", "potential", "targeting", "intends", "believe", and similar expressions, or describes a "goal", or variation of such words and phrases or states that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved. Statements relating to mineral resources are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described exist in the quantities predicted or estimated or that it will be commercially viable to produce any portion of such resources. Forward-looking statements in this MD&A include, but may not be limited to, statements and expectations regarding: outlooks for the Cordero Project pertaining to production rates, mining and processing rates, total cash costs, all-in sustaining costs, capital spending, cash flow, operational performance, mine life, value of operations and decreases to costs resulting from the intended mill expansion; intended infrastructure investments in, method of funding for, and timing of completion of the development and construction of the Cordero Project, planned continuation of negotiation of formal agreements with land owners and Mexican authorities with respect to the Cordero Project, as well as other statements and information as to strategy, plans or future financial and operating performance, such as project timelines, production plans, expected sustainable impact improvements, expected exploration programs, costs and budgets, forecasted cash shortfalls and the ability to fund them and other statements that express management's expectations or estimates of future plans and performance. 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 the Company's 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 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 "Company") 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: risks associated with exploration, development, and operating risks, and risks associated with the early-stage status of the Company's mineral properties; the nature of exploration could have a negative effect on the Company's operations and valuation; risk related to the cyclical nature of the mining business; permitting and license risks; risks related to title to land and the potential acquisition of neighboring land packages and the timing thereof; risks related to requiring a significant supply of water for the Company's operations and being able to source it; the availability of adequate infrastructure for the Company's operations; risks related to community relations; environmental risks and hazards and the limitations that environmental regulation poses on the Company; market price volatility of the Company's common shares; uncertainties with respect to economic conditions; the Company's mineral exploration activities being subject to extensive laws and regulations and the risk of failing to comply with those laws or obtain required permits; risks and uncertainties related to operating in a foreign country, and specifically, risks arising from operating in Mexico; risks posed by health epidemics and other outbreaks, such as COVID-19; climate change risks; the risk that commodity prices decline; cybersecurity risks; risks of adverse publicity; potential dilution to the common shares; risks associated with contractual agreements and subsidiaries; the potential of future lack of funding; credit and liquidity risks; the Company's history of net losses and negative operating cash flow; the Company's reliance on a limited number of properties; uninsurable risks; costs of land reclamation; pandemic and global health risks on the Company's business, operations, and market for securities; the competitive nature of mineral exploration and in the mining industry generally; the Company's reliance on specialized skills and knowledge; risks associated with acquisitions and integrating new business; future sales of common shares by existing shareholders; risks associated with having multiple shareholders holding over 10% of the common shares; influence of third-party stakeholders; litigation risk; conflicts of interest; reliance on key executives; reliance on internal controls; risks stemming from international conflicts; global financial conditions; currency rate risks; potential enforcement under the Extractive Sector Transparency Measures Act (Canada); and the potential to pay future dividends. 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 defence of Environmental Impact Assessment reports ("EIAs"); exploration, development, and operating risks, and risks associated with the early stage status of the Company's mineral properties and the nature of exploration; could have a negative effect on the Company'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 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 Annual Information Form for the year ended December 31, 2023 (the "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 Company's indemnified liabilities; pandemics including COVID-19 or other pandemic (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 Company to retain its key management employees and the impact of shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; future sales of Common Shares by existing shareholders; influence of third party stakeholders; successful defence against existing, pending, or threatened litigation or other proceedings; conflicts of interest; the Company's designation as a "passive foreign investment company"; the adequacy of the Company'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 Company could be a party; 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 Company's history of net losses and negative operating cash flow; the Company'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 Company has attempted to identify important factors that could cause actual performance, achievements, actions, events, results, or conditions to differ materially from those described in forward-looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results, or conditions to differ from those anticipated, estimated, or intended. Further details relating to many of these factors is discussed in the section entitled "Risk Factors" in the Company's AIF available on SEDAR+ at www.sedarplus.ca.

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

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

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

Without limiting the foregoing, these documents use the terms "measured resources", "indicated resources", and "inferred resources". Shareholders in the United States are advised that, while such terms are defined in and required by Canadian securities laws, the United States Securities and Exchange Commission (the "**SEC**") does not recognize them. Under United States standards, mineralization may not be classified as a reserve unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration; however, there is no certainty that these inferred mineral resources will be converted into mineral reserves, once economic considerations are applied. Under Canadian rules inferred mineral resources must not be included in the economic analysis, production schedules, or estimated mine life in publicly disclosed Pre-Feasibility or Feasibility Studies, or in the Life of Mine plans and cash flow models of developed mines. Inferred Mineral Resources can only be used in economic studies as provided under NI 43-101 (as defined below). These standards are similar to, but differ in some ways from, the requirements of the SEC that are applicable to domestic United States reporting companies and foreign private issuers not eligible for the multijurisdictional disclosure system. Any mineral reserves and mineral resources reported by the Company in accordance with NI 43-101 (as defined below) may not qualify as such under SEC standards under Subpart 1300 of Regulation S-K. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of contained ounces is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report resources as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in these documents may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

FINANCIAL INFORMATION AND NON-GAAP MEASURES

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

The Company has included certain non-GAAP performance measures and ratios as detailed below. In the mining industry, these are common performance measures and ratios but may not be comparable to similar measures or ratios presented by other issuers and the non-GAAP measures and ratios do not have any standardized meaning. Accordingly, these measures and ratios are included to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS

Accounting Standards. Total cash costs per ounce, all-in sustaining costs, and free cash flow, are all forward-looking non-GAAP financial measures or ratios. As the Cordero Project is not in production, these prospective non-GAAP financial measures or ratios may not be reconciled to the nearest comparable measure under IFRS Accounting Standards and there is no equivalent historical non-GAAP financial measure or ratio for these prospective non-GAAP financial measures or ratios. Each non-GAAP financial measure and ratio used herein is described in more detail below.

Total Cash Costs per Silver Equivalent Payable Ounce

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

All-in Sustaining Costs and All-in Sustaining Costs per Silver Equivalent Payable Ounce

The Company has provided an all-in sustaining costs performance measure that reflects all the expenditures that are required to produce an ounce of silver from operations. While there is no standardized meaning of the measure across the industry, the Company's definition conforms to the all-in sustaining cost definition as set out by the World Gold Council in its updated Guidance Note issued in 2018. The Company believes that this measure is useful to external users in assessing operating performance and the Company's ability to generate free cash flow from current operations. Subsequent amendments to the guidance have not materially affected the figures presented.

AISC is calculated as: [Operating costs (mining, processing and G&A) + Royalties + Concentrate Transportation + Treatment & Refining Charges + Concentrate Penalties + Sustaining Capital (excluding $37M of capex for the initial purchase of mining fleet in Year 1)] / Payable AgEq ounces.

Free Cash Flow

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

ADDITIONAL INFORMATION

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