Discoverymetals

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

(expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of Discovery Metals Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Discovery Metals Corp. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of loss and total comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Craig Moffat.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 24, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian dollars)

	Notes		**December 31, 2019**		December 31, 2018
ASSETS					
Current					
Cash and cash equivalents	**7**	**$**	**23,950,737**	$	4,691,676
Sales tax and other receivables	**8**		**59,274**		984,547
Prepaids and deposits	**9**		**521,399**		36,873
Investments			**45,835**		-
			24,577,245		5,713,096
Non-current					
Property and Equipment	**10**		**429,419**		239,611
Reclamation deposits			**32,629**		-
Mineral properties	**11**		**28,479,306**		1,264,007
TOTAL ASSETS		**$**	**53,518,599**	$	7,216,714
LIABILITIES					
Current					
Accounts payable and accrued liabilities	**12**	**$**	**671,625**	$	230,090
Current portion of lease liabilities	**13**		**44,971**		-
		$	**716,596**	$	230,090
Non-current					
Lease liabilities	**13**		**87,870**		-
TOTAL LIABILITIES		**$**	**804,466**	$	230,090
SHAREHOLDERS' EQUITY					
Share capital	**14(b)**	**$**	**76,174,408**	$	23,539,388
Contributed surplus			**13,943,396**		4,169,144
Warrants	**14(d)**		**924,440**		8,010,367
Accumulated other comprehensive loss			**(42,241)**		(102,958)
Accumulated deficit			**(38,285,870)**		(28,629,316)
TOTAL EQUITY		**$**	**52,714,133**	$	6,986,625
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**53,518,599**	$	7,216,714

Commitments and contractual obligations (Note 23). Events after the reporting period (Note 26)

Approved on Behalf of the Board on April 24, 2020:

"Jeff Parr"	"Murray John"
Jeff Parr – Director	Murray John – Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS
OF LOSS AND TOTAL COMPREHENSIVE LOSS

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

			Years Ended
	Notes	**December 31, 2019**	December 31, 2018
Expenses (income)			
General office and other expenses	**16**	**$ 1,902,331**	$ 1,289,068
Interest income		**(123,611)**	(113,826)
Interest expense	**13**	**6,415**	-
Professional fees	**17**	**355,047**	289,323
Exploration and project evaluation expenses	**15**	**4,106,202**	4,876,988
Share-based compensation	**14(c)**	**1,823,318**	518,770
Other income		**(11,660)**	-
Impairment of IVA receivable	**8**	**1,409,637**	-
Change in fair value of investments		**29,456**	-
Foreign exchange loss		**159,419**	170,304
Net loss		**$ 9,656,554**	$ 7,030,627
Other comprehensive gain		**(60,717)**	(243,471)
Net loss and total comprehensive loss		**$ 9,595,837**	$ 6,787,156
Weighted average shares outstanding			
Basic and diluted	**14(b)**	**114,752,935**	65,043,998
Net loss per share			
Basic and diluted		**$ (0.08)**	$ (0.10)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

			Years Ended
	Notes	**December 31, 2019**	December 31, 2018
Operating Activities			
Net loss		**$ (9,656,554)**	$ (7,030,627)
Items not affecting cash:			
Depreciation		**117,671**	51,531
Share-based compensation	**14(c)**	**1,823,318**	518,770
Impairment of IVA receivable		**1,409,637**	-
Change in fair value of investments		**29,456**	-
Unrealized foreign exchange (gain) loss		**120,240**	139,543
Changes in non-cash operating working capital:			
Sales tax and other receivables	**8**	**(443,941)**	(771,653)
Prepaids and deposits		**(478,451)**	914
Accounts payable and accrued liabilities	**12**	**(168,281)**	(212,301)
Net cash used in operating activities		**$ (7,246,905)**	$ (7,303,823)
Investing Activities			
Cash from acquisition of Levon Resources		**193,358**	-
Acquisition of property and equipment	**10**	**(127,005)**	(127,665)
Acquisition of mineral properties	**6,11**	**(594,795)**	(113,305)
Net cash provided by (used in) investing activities		**$ (528,442)**	$ (240,970)
Financing Activities			
Issuance of shares, net of costs	**7**	**27,014,820**	-
Issuance of shares on exercise of options	**14(c)**	**109,032**	-
Principal payment on lease liability		**(43,232)**	-
Net cash provided by financing activities		**$ 27,080,620**	$ -
Effect of exchange rates on cash and cash equivalents		**(46,212)**	1,658
Increase (decrease) in cash		**19,259,061**	(7,543,135)
Cash and cash equivalents, beginning of period	**7**	**4,691,676**	12,234,811
Cash and cash equivalents, end of period	**7**	**$ 23,950,737**	$ 4,691,676
Supplemental Cash Flow Information:			
Income tax expense paid		**$ -**	$ -
Interest paid		**$ 6,415**	$ -

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Canadian dollars, except share information)

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2019		**65,043,998**	**$ 23,539,388**	**$ 8,010,367**	**$ 4,169,144**	**$ (102,958)**	**$ (28,629,316)**	**$ 6,986,625**
Share-based compensation	**14(c)**	**-**	**-**	**-**	**1,823,318**	**-**	**-**	**1,823,318**
Expiration of warrants issued under non-brokered private placement (Aug.17, 2017)	**14(d)**	**-**	**-**	**(346,993)**	**346,993**	**-**	**-**	**-**
Revaluation of warrants on extension (Aug.17, 2017)	**14(d)**	**-**	**-**	**(6,997,929)**	**6,997,929**	**-**	**-**	**-**
Shares issued under non-brokered private placement (Jul. 24, 2019)	**14(b)**	**39,151,174**	**9,004,770**	**-**	**-**	**-**	**-**	**9,004,770**
Finders' fees for private placement (Jul.24, 2019)	**14(b)**	**-**	**(17,500)**	**-**	**-**	**-**	**-**	**(17,500)**
Shares issued under non-brokered private placement (Nov.4, 2019)	**14(b)**	**42,222,219**	**19,000,000**	**-**	**-**	**-**	**-**	**19,000,000**
Warrants issued under non-brokered private placement (Nov.4, 2019)	**14(d)**	**-**	**-**	**205,179**	**(205,179)**	**-**	**-**	**-**
Finders' fees for private placement (Nov.4, 2019)		**-**	**(972,450)**	**-**	**-**	**-**	**-**	**(972,450)**
Replacement shares issued on close of Plan of Arrangement	**14(b)**	**64,412,929**	**25,443,112**	**-**	**-**	**-**	**-**	**25,443,112**
Replacement options issued on close of Plan of Arrangement	**14(c)**	**-**	**-**	**-**	**879,247**	**-**	**-**	**879,247**
Replacement warrants issued on close of Plan of Arrangement	**14(d)**	**-**		**53,816**	**-**	**-**	**-**	**53,816**
Shares issued on exercise of options	**14(c)**	**375,000**	**177,088**	**-**	**(68,056)**	**-**	**-**	**109,032**
Net loss and total comprehensive loss for the period		**-**	**-**	**-**	**-**	**60,717**	**(9,656,554)**	**(9,595,837)**
At December 31, 2019		**211,205,321**	**$ 76,174,408**	**$ 924,440**	**$ 13,943,396**	**$ (42,241)**	**$ (38,285,870)**	**$ 52,714,133**

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
At January 1, 2018		65,043,998	$ 23,539,388	$ 8,010,367	$ 3,650,374	$ (346,429)	$ (21,598,689)	$ 13,255,011
Share-based compensation	14(c)	-	-	-	518,770	-	-	518,770
Net loss and total comprehensive loss		-	-	-	-	243,471	(7,030,627)	(6,787,156)
At December 31, 2018		65,043,998	$ 23,539,388	$ 8,010,367	$ 4,169,144	$ (102,958)	$ (28,629,316)	$ 6,986,625

See accompanying notes to the consolidated financial statements.

1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

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

The Company was incorporated on October 10, 1986 under the laws of British Columbia as Ayubowan Capital Ltd. On June 13, 2017, the Company's name was changed to Discovery Metals Corp. The Company is listed on the TSX Venture Exchange (the "Exchange" or "TSXV") under the symbol "DSV". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

The Company's Board of Directors authorized the issuance of these audited annual consolidated financial statements (the "consolidated financial statements") on April 24, 2020.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). IFRS includes IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs").

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2019, the Company had working capital (defined as current assets less current liabilities) of $23,860,648 (December 31, 2018 – $5,483,006), shareholders' equity of $52,714,132 (December 31, 2018 – $6,986,625) and an accumulated deficit of $38,285,870 (December 31, 2018 – $28,629,316).

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value through profit or loss ("FVTPL"), as explained in the accounting policies described herein. Additionally, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. Certain of the comparative figures for the year ended December 31, 2018 have been reclassified to conform with current year's presentation.

b) Basis of Consolidation

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

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

The Company’s principal subsidiaries and their geographic locations at December 31, 2019 were as follows:

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

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

c) Currency of Presentation

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

d) Foreign currency translation

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

e) Cash and cash equivalents and restricted cash

Cash and cash equivalents include cash and highly liquid investments with original maturities of twelve months or less. The Company invests excess cash in high yield savings accounts maintained in high credit-rated institutions. Restricted cash comprises cash balances which are restricted from being immediately exchanged or used to settle a transaction and can be classified as either a current or non-current asset depending on the terms of the restriction(s).

f) Mineral properties and equipment

On initial acquisition, mineral properties and equipment are valued at cost, being the purchase price and the directly attributable costs of acquisition. The Company capitalizes cash and share-based payments made to acquire mineral properties (note 8). Land is stated at cost less any impairment in value and is not depreciated. Exploration and development costs are capitalized if a pre-feasibility study demonstrates that future economic benefits are probable. Upon disposal or abandonment, the carrying amount of mineral properties are derecognized and any associated gains or losses are recognized in profit and loss.

i. Depreciation

Depreciation is recognized in earnings or loss on a straight-line basis over the estimated useful lives of each part of an item (component), since this most closely reflects the expected pattern of consumption of economic benefits embodied in the asset. The estimated useful lives for assets and components that are depreciated on a straight-line basis range from three to 10 years.

Depreciated assets	Useful Life
Computer equipment and software	3 years
Vehicles	4 years
Office equipment and furniture	5 to 10 years
Buildings and machinery	5 to 10 years

ii. Impairment

At the end of each reporting period, the Company reviews whether there is any indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of the asset's fair value less costs of disposal and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing its value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in earnings or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in earnings or loss.

Where an item of mineral properties and equipment is disposed of, it is derecognized and the difference between it's carrying value and net sales proceeds is disclosed as earnings or loss on disposal in the consolidated financial statements of operations and total comprehensive loss. Any items of mineral properties and equipment that cease to have future economic benefits are derecognized with any gain or loss included in the financial year in which the item is derecognized.

g) Exploration and evaluation assets

The Company expenses all exploration and evaluation expenditures. Such costs are capitalized once technical feasibility and commercial viability are reached, demonstrating future economic benefits are probable and will flow to the Company.

h) Leases

In addition to contracts which take the legal form of a lease, other significant contracts are assessed to determine whether, in substance, they are or contain a lease, if the contractual arrangement contains the use of a specific asset and the right to use that asset. Where the Company receives substantially all the risks and rewards of ownership of the asset, these assets are capitalized at the lower of the fair value of the leased asset or the estimated present value of the minimum lease payments. The corresponding lease obligation is included within lease obligations and accretion expense is recognized over the term of the lease. Leases or contracts that do not meet the specific criteria due to their immaterial nature are not capitalized and are included in the consolidated statements of operations and total comprehensive loss on a straight-line basis over the term of the lease or contract.

Effective January 1, 2019, the Company has adopted IFRS 16 – *Leases*. Refer to note 4a for a discussion of changes and management's assessment of the implication of adoption on the consolidated financial statements.

i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present liability for statutory, contractual, or legal obligations that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

j) Financial instruments

The Company classifies and measures its financial instruments at fair value, with changes in fair value recognized in profit or loss as they arise. Unless restrictive criteria regarding the objective and contractual cash flows of the instrument are met then classification and measurement are at either amortized cost or fair value through other comprehensive income.

Subsequent to initial measurement at fair value, all recognized financial assets are required to be subsequently measured at amortized cost or fair value. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost in subsequent periods. Financial assets that have a business model whose objective is achieved by both collecting the contractual cash flows and selling financial assets are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at fair value through profit and loss (“FVTPL”) in subsequent accounting periods. In addition, on initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s FVTOCI, with only dividend income generally recognized in profit or loss. Transaction costs for financial assets held at FVTPL are expensed, for all other financial assets, they are recognized at fair value at initial measurement less any directly attributable transaction costs.

Financial liabilities are designated as either: (i) FVTPL; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the balance sheet subsequent to inception and how changes in value are recorded.

For the impairment of financial assets an ‘expected credit loss’ model is applied which requires a loss allowance to be recognized based on expected credit losses. This applies to financial assets measured at amortized cost. The expected credit loss model is updated at each reporting date to reflect changes in initial recognition.

k) Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

l) Warrants

Warrants are classified as equity, separately from common shares and are valued at their fair value on grant date. The fair value of the warrants granted is measured using the Black-Scholes pricing model, considering the terms and conditions upon which the warrants were granted. The impact of changes to the original terms of a warrant grant or revisions to original estimates are accounted for prospectively and recognized in equity with a corresponding change in contributed surplus on the date of remeasurement.

m) Share-based payments

The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, considering the terms and conditions upon which the options were granted. The Company annually revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to reserve.

In situations where equity instruments are issued to non-employees and some or all the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

n) Income taxes

Income tax on the earnings or loss for the years presented comprises current and deferred tax. Income tax is recognized in earnings or loss in the statements of operation except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable operations, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o) Total comprehensive loss

Total comprehensive loss is comprised of net loss and other comprehensive income (loss). The Company has other comprehensive income (loss) components as a result of currency translation adjustments from the functional currency of MXP in Discovery Mexico to the presentation currency of CAD in the consolidated financial statements.

p) Earnings (loss) per share

Basic earnings or loss per share ("EPS") represents the profit or loss for the period, divided by the weighted average number of common shares in issue during the period. Diluted EPS represents the profit for the period, divided by the weighted average number of common shares in issue during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted losses per share is anti-dilutive and accordingly, the diluted loss per share would be the same as the basic loss per share.

4. CHANGES IN ACCOUNTING POLICIES

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

i. IFRS 16 – Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, replacing *IAS 17 – Leases*. IFRS 16 provides a single lessee accounting model and requires the lessee to recognize assets and liabilities for all leases on its balance sheet, providing the reader with greater transparency of an entity's lease obligations. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. The transitional adjustments arising from the adoption are recognized in the opening balance sheet (refer to note 24).

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

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

Lease liability

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

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

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the Company expects to exercise an option to terminate the lease.

The lease liability is subsequently measured by:
- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect the lease payments made; and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications.

Right-of-use asset

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

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

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

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

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

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

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

- The effect of changes in facts and circumstances.

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

b) Adoption of accounting policies as a result of the acquisition of Levon Resources Ltd.

i. Reclamation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore mineral properties in the period in which the obligation is incurred. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and restoration, reclamation and revegetation of affected areas.

The fair value of the liability for a rehabilitation provision is recorded when it is incurred. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related exploration and evaluation assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability, which is accreted over time through periodic charges to profit or loss. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

At December 31, 2019, the Company is not aware of any existing environmental problems related to any of its current or former properties that may result in a material liability to the Company.

5. CRITICAL JUDGMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

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

a) Critical accounting judgments

The significant areas of judgment considered by management in preparing the consolidated financial statements include, but are not limited to:

i. Functional currency

The functional currency for each of the Company and its subsidiaries is the currency of the primary economic environment in which the entity operates. The Company has determined that for each of the Canadian entities, the functional currency is CAD and for the Mexican subsidiaries the functional currency is MXP. Foreign exchange differences arising from the translation from functional to presentation currency are recognized each period in other comprehensive income (loss) and may or may not be subsequently reclassified to profit or loss depending on future events.

ii. Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

The Company makes determinations whether development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgical information, economic assessments and existing permits for land access and drilling. The estimates contained within these criteria could change over tie which could affect the economic recoverability of capitalized costs.

b) Critical accounting estimates

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

i. Determination of useful lives

Equipment is depreciated using the straight-line method based on the specific asset's useful life. Should the actual useful life vary from the initial estimation, future depreciation charges may change. Should the componentization of these like assets change, depreciation charges may vary materially.

ii. Impairment charges

The Company assesses its CGUs at each reporting date to determine whether any indication of impairment exists. Where an indicator of impairment exists, an estimate of the recoverable amount is made, which is the higher of the fair value less costs to sell and value in use. The determination of the recoverable amount requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and future operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties. The estimates are subject to risk and uncertainty and therefor there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the individual assets or CGUs.

iii. Sales tax recoverability

The Company incurs significant expenditures on which sales tax is paid ("GST/HST" in Canada and "IVA" in Mexico). The Company can claim a 100% refund of sales taxes paid on allowable expenditures.

As a result of the Company's limited operating history, management cannot reasonably estimate collectability of IVA balances in Mexico as it is possible that the refund requests may be delayed, reduced or denied by the taxation authorities. Management assesses collectability and classification of the asset at each reporting period and currently includes a 100% provision for this balance (note 8).

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At December 31, 2019, a provision of $1,409,637 for IVA recoverable was made (December 31, 2018 – no provision made).

iv. Share-based payments

The fair value of the estimated number of stock options that will eventually vest is recognized as share-based compensation expense over the vesting period of the stock options with the corresponding increase in equity.

Determining the fair value of options and warrants requires the exercise of judgment related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Option and warrant pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's options or warrants at the date of grant. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of equity.

6. ACQUISITION OF LEVON RESOURCES LTD.

On August 2, 2019, the Company announced the closing of the acquisition of Levon Resources Ltd ("Levon") by way of a statutory plan of arrangement, as previously announced on May 30, 2019. Pursuant to the Acquisition, Levon shareholders exchanged all issued and outstanding common shares, warrants and options for common shares, warrants and options of Discovery at a ratio of 0.55 Discovery common share, warrant or option for one common share, warrant or option of Levon. The total transaction consideration paid to securityholders of Levon was $26,376,175 in aggregate value of common shares of Discovery and replacement warrants and options, based on the opening price of Discovery common shares on the Toronto Venture Stock Exchange ("TSXV") of $0.395 on August 2, 2019.

The activity of Levon does not constitute a business, as defined by IFRS 3, and consequently, Discovery has accounted for the acquisition of Levon as an asset acquisition. A summary of the fair value estimates of the equity consideration issued for the acquired assets is as follows:

Fair value estimate of the Discovery share consideration	$	25,443,112
Fair value estimate of the consideration for warrants		53,816
Fair value estimate of the consideration for options		879,247
Total equity consideration	**$**	**26,376,175**
Transaction costs		594,795
Total cost of acquisition	**$**	**26,970,970**

(Expressed in Canadian dollars, except where otherwise noted)

The fair values of the warrants and options were determined using the Black-Scholes valuation model. Model assumptions used in the calculations were as follows:

		Replacement options		Replacement warrants
Exercise price	$	**0.291**	$	**0.909**
Share price	$	**0.395**	$	**0.395**
Expected life (years)		**1.00**		**0.53**
Risk free interest rate		**1.51%**		**1.51%**
Expected volatility		**92.1%**		**112.1%**
Fair Value	$	**0.182**	$	**0.038**
Total number of replacement instruments issued		**4,909,300**		**1,414,167**
Total fair value	$	**879,247**	$	**53,816**

The equity consideration reflects the number of outstanding Levon commons shares and Levon common shares issuable upon the exercise of outstanding Levon options and warrants as at August 2, 2019. All issued and outstanding warrants and options (vested and unvested) of Levon at the Acquisition date were deemed converted into warrants and options of Discovery.

The equity consideration has been allocated to the acquired assets, net of the assumed liabilities based on their relative fair value as follows:

		Purchase Price Allocation
Cash and cash equivalents	$	193,358
VAT receivables and other		41,211
Other current assets		81,366
Exploration and Evaluation assets		27,226,224
Other long-term assets		38,627
Total Assets assumed		**27,580,786**
Accounts payable and accrued liabilities		(609,816)
Net assets assumed	**$**	**26,970,970**

7. CASH AND CASH EQUIVALENTS

		December 31, 2019		December 31, 2018
Cash	**$**	**23,860,737**	$	4,601,676
Cash equivalents (1)		**90,000**		90,000
	$	**23,950,737**	$	4,691,676

(1) Marketable securities with short-term maturities and no restrictions on redemption.

On July 25, the Company announced it had closed a non-brokered private placement raising $9,004,770 through the issuance of 23,216,174 common shares at a price of $0.23 per common share and 15,935,000 subscription receipts at a price of $0.23 per subscription receipt. The subscription receipts were automatically converted to common shares on August 2, 2019, on closing of the plan of arrangement pursuant to which Discovery acquired all the issued and outstanding common shares of

(Expressed in Canadian dollars, except where otherwise noted)

Levon. The Company paid finders fees totalling $17,500 to arms' length parties who introduced Discovery to investors.

On November 5, the Company announced it had closed an oversubscribed non-brokered private placement raising $19,000,000 through the issuance of 38,911,108 common shares at a price of $0.45 per common share and 3,311,111 subscription receipts at a price of $0.45 per subscription receipt. The subscription receipts were automatically converted to common shares on December 11, 2019 on approval by shareholders of the Company for 2176423 Ontario Ltd. to become a 'Control Person' as defined in the policies of the TSX Venture Exchange. The Company paid cash finders fees totalling $972,450 and issued 1,063,833 broker warrants with an exercise price of $0.50 and a 24-month expiry to arms' length parties who introduced the Company to investors.

8. SALES TAX AND OTHER RECEIVABLES

		December 31, 2019		December 31, 2018
Sales tax receivable	**$**	**1,454,986**	$	950,053
Impairment of sales tax receivable		**(1,409,637)**		-
Other receivables		**13,925**		34,494
	$	**59,274**	$	984,547

At December 31, 2019, the Company had an aggregate Mexican value added tax ("IVA") recoverable balance of $3,197,997 including $1,743,011 acquired in the Levon transaction. The Company does not have a history of collection of Mexican IVA recoverable amounts due to the recent commencement of operations in Mexico. In addition, there is a high degree of uncertainty regarding the timing of repayment of IVA amounts by the Mexican government.

As a result, on acquisition of Levon, no value was allocated to the IVA receivable balance. At December 31, 2019, the Company established a provision in full for the IVA receivable balance of $1,409,637.

On February 21, 2020, the Company received a partial IVA refund in the amount of 5,400,430MXP, or approximately $360,000 which is expected to be recognized as 'Other Income' in the consolidated Statement of Loss and Other Comprehensive Loss for the three months ended March 31, 2020. The Company will continue to provide for 100% of the IVA recoverable balance until such time as there are sufficient indicators of recoverability.

9. PREPAIDS AND DEPOSITS

		December 31, 2019		December 31, 2018
Insurance	**$**	**38,805**	$	26,181
Office		**16,114**		10,692
Drilling contract(1)		**466,480**		-
	$	**521,399**	$	36,873

(1) At December 31, 2019, the Company had made deposits in aggregate of USD$390,000 to a contractor performing exploration drilling activities at the Cordero Project. Under the contract, the deposit will be used to offset amounts due to

(Expressed in Canadian dollars, except where otherwise noted)

the contractor by an amount equal to 10% of every invoice until the deposit is used in its entirety. At December 31, 2019, the Company had applied USD$70,098 of the deposit against invoices received.

10. PROPERTY AND EQUIPMENT

	Equipment	Vehicles	Office & Furniture	Computer	Total
Cost					
Balance at December 31, 2018	**$ 68,151**	**$ 83,827**	**$ 37,929**	**$ 107,670**	**$ 297,577**
IFRS 16 transition (note 25)	**-**	**-**	**176,073**	**-**	**176,073**
Balance at January 1, 2019	**68,151**	**83,827**	**214,002**	**107,670**	**473,650**
Additions[1]	**107,948**	**4,398**	**-**	**20,657**	**133,003**
Disposals	**-**	**-**	**-**	**-**	**-**
Currency translation adjustment	**(1,386)**	**(137)**	**(124)**	**(327)**	**(1,974)**
Balance at December 31, 2019	**$ 174,713**	**$ 88,088**	**$ 213,878**	**$ 128,000**	**$ 604,679**

Accumulated depreciation					
Balance at January 1, 2019	**$ (6,441)**	**$ (20,641)**	**$ (5,324)**	**$ (25,560)**	**$ (57,966)**
Additions[1]	**(9,098)**	**(20,811)**	**(52,563)**	**(35,199)**	**(117,671)**
Disposals	**-**	**-**	**-**	**-**	**-**
Currency translation adjustment	**864**	**(373)**	**(14)**	**(100)**	**377**
Balance at December 31, 2019	**$ (14,675)**	**$ (41,825)**	**$ (57,901)**	**$ (60,859)**	**$ (175,260)**

Carrying amount	**Equipment**	**Vehicles**	**Office & Furniture**	**Computer**	**Total**
At December 31, 2018	**$ 61,710**	**$ 63,186**	**$ 32,605**	**$ 82,110**	**$ 239,611**
At January 1, 2019	**$ 61,710**	**$ 63,186**	**$ 208,678**	**$ 82,110**	**$ 415,684**
At December 31, 2019	**$ 160,038**	**$ 46,263**	**$ 155,977**	**$ 67,141**	**$ 429,419**

(1) As part of the acquisition of Levon Resources Ltd., the Company acquired certain property and equipment including vehicles, machinery and computer hardware. Depreciation has been calculated for the period from acquisition date of August 2, 2019 to December 31, 2019 and based on the combined acquisition date fair values of $5,998.

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

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

(Expressed in Canadian dollars, except where otherwise noted)

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

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

Leased assets		**Total**
At December 31, 2018	$	-
IFRS 16 transition		176,073
At January 1, 2019	$	176,073
Depreciation		(45,932)
At December 31, 2019	**$**	**130,141**

11. MINERAL PROPERTIES

Balance at January 1, 2018	$	1,055,393
Acquisition of mineral properties[1]		113,305
Currency translation adjustment		95,309
Balance at December 31, 2018	$	1,264,007
Acquisition of mineral properties[2]		**27,226,224**
Currency translation adjustment		**(10,925)**
Balance at December 31, 2019	**$**	**28,479,306**

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

(2) On August 2, 2019, the Company acquired Levon Resources Ltd. and the 100%-owned Cordero Project (note 6).

The value attributed to each the Company's mineral properties is as follows:

		December 31, 2019		December 31, 2018
Cordero	**$**	**27,226,224**	$	-
Puerto Rico		**856,687**		856,687
Minerva		**174,580**		174,580
Renata		**153,313**		153,313
La Kika		**93,131**		93,131
		28,503,935		1,277,711
Cumulative CTA		**(24,629)**		(13,704)
	$	**28,479,306**	$	1,264,007

(Expressed in Canadian dollars, except where otherwise noted)

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2019		December 31, 2018
Trade and other payables	**$**	**342,883**	$	228,536
Salaries and benefits payable		**241,125**		-
Accrued liabilities		**87,617**		1,554
	$	**671,625**	$	230,090

(1) Salaries and benefits payable comprise short-term incentive amounts payable to Executive Management and employees.

13. LEASE LIABILITIES

		December 31, 2019		**January 1, 2019**
IFRS 16 transition (note 25)	**$**	**-**	**$**	**176,073**
Lease liabilities		**132,841**		**176,073**
Less: current portion		**44,971**		**43,232**
Non-current portion	**$**	**87,870**	**$**	**132,841**

(1) As a result of the adoption of IFRS 16, the Company recognized a lease liability of $176,073 on January 1, 2019 related to the long-term lease contract for office space, with a remaining term of 3.5 years at an incremental borrowing rate of 3.95%. As at December 31, 2019, remaining payments are as follows:

Year		
2020	**$**	**44,971**
2021		**46,780**
2022		**41,090**
Total	**$**	**132,841**

Interest expense for the year ended December 31, 2019 related to the lease liability was $6,177 (year ended December 31, 2018 - $nil).

14. SHARE CAPITAL AND WARRANTS

a) Authorized

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

b) Shares issued and outstanding

	Common Shares		**Amount**
As at December 31, 2018	65,043,998	$	23,539,388
Shares issued on Acquisition of Levon Resources Ltd.	**64,412,929**		**25,443,112**
Shares issued on Private placement (Jul.24)	**39,151,174**		**9,004,770**
Finders' fees on Private placement (Jul.24)	**-**		**(17,500)**
Shares issued on Private placement (Nov.4)	**42,222,219**		**19,000,000**
Finders' fees on Private placement (Nov.4)	**-**		**(972,450)**
Shares issued on exercise of options	**375,000**		**177,088**
As at December 31, 2019	**211,205,321**	**$**	**76,174,408**

(Expressed in Canadian dollars, except where otherwise noted)

During the year ended December 31, 2019, the Company completed the acquisition of Levon Resources Ltd. and issued 64,412,929 common shares (note 6). In addition, the Company closed two non-brokered private placements and issued an aggregate total of 81,373,393 common shares for gross proceeds of $28,004,770 (note 7).

c) Stock Options

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

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

During the year ended December 31, 2019, an aggregate 5,300,000 options were granted to certain management, directors, consultants and employees with an exercise price of $0.48 and a five-year expiry from the date of grant (year ended December 31, 2018 – 700,000 options granted with a weighted average exercise price of $0.51 and five-year term to expiry). Options granted to directors vested immediately while options granted to officers and employees vested 1/3 immediately, and 1/3 on each subsequent anniversary of grant date. Options issued to consultants have a vesting schedule of 1/8 each quarter beginning three months after grant date.

In addition, an aggregate 4,909,300 replacement options were issued on completion of the acquisition of Levon Resources on August 2, 2019 at an exercise price of $0.2909 with a one-year term to expiry from the acquisition date. The fair value of these options was determined using the Black-Scholes model for option valuation (note 6). During the year ended December 31, 2019, 375,000 of these options were exercised for gross proceeds of $109,032.

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

	Outstanding		**Weighted Average Exercise Price**
As at January 1, 2018	5,433,333	$	0.57
Options granted	700,000		0.51
Options expired	(550,000)		0.45
Options forfeited or cancelled	(483,333)		0.81
As at December 31, 2018	5,100,000	$	0.56
Replacement options issued	**4,909,300**		**0.29**
Options granted	**5,300,000**		**0.48**
Options exercised	**(375,000)**		**0.29**
Options cancelled/forfeited	**(175,000)**		**0.55**
As at December 31, 2019	**14,759,300**	**$**	**0.46**

(Expressed in Canadian dollars, except where otherwise noted)

The share-based compensation expense for the year ended December 31, 2019 was $1,823,318 (year ended December 31, 2018 - $518,770).

As at December 31, 2019, the options outstanding and exercisable are as follows:

	Options Outstanding			Options Exercisable		
Exercise Price	**Number**	**Weighted average remaining life**	**Weighted average exercise price**	**Number**	**Weighted average remaining life**	**Weighted average exercise price**
$0.45	650,000	1.76	$0.45	650,000	1.76	$0.45
$0.60	3,300,000	2.63	$0.60	3,266,667	2.63	$0.60
$0.48	300,000	2.88	$0.48	300,000	2.88	$0.48
$0.53	300,000	3.02	$0.53	200,000	3.02	$0.53
$0.50	400,000	3.52	$0.50	266,667	3.52	$0.50
$0.29	4,259,300	0.59	$0.29	4,259,300	0.59	$0.29
$0.71	275,000	0.59	$0.71	275,000	0.59	$0.71
$0.48	5,275,000	4.63	$0.48	3,267,708	4.63	$0.48
	14,759,300	**1.32**	**$0.46**	**12,485,342**	**1.24**	**$0.45**

The fair values of the option grants have been estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

		Year Ended December 31, 2019		Year Ended December 31, 2018
Exercise price	**$**	**0.40**	$	0.51
Share price	**$**	**0.44**	$	0.43
Expected life (years)		**1.7**		5.0
Risk free interest rate		**1.35%**		2.03%
Expected volatility		**91.97%**		100%
Expected forfeiture rate		**19.21%**		-
Dividend yield		**-**		-
Fair Value	**$**	**0.21**	$	0.31

Refer to note 6 for valuation assumptions used for replacement options.

d) Warrants

During the year ended December 31, 2019, an aggregate 1,414,168 replacement warrants were issued on completion of the acquisition of Levon on August 2, 2019 with an exercise price of $0.91 and an expiry date under the original terms of February 13, 2020. The fair value of these replacement options was determined using the Black-Scholes valuation model (note 6).

On July 8, 2019, 31,664,500 warrants issued as part of the 2017 private placement were extended 18 months from their original expiry date of August 17, 2019, to February 17, 2021.

(Expressed in Canadian dollars, except where otherwise noted)

During the year ended December 31, 2019, 1,244,460 broker warrants issued as part of the 2017 private placement with an exercise price of $0.60 expired unexercised.

The fair values of the extended warrants have been estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

		Year Ended December 31, 2019
Exercise price	$	1.00
Share price	$	0.24
Expected life (years)		1.62
Risk free interest rate		1.69%
Expected volatility		84.2%
Expected forfeiture rate		-
Dividend yield		-
Fair Value	$	0.02

The re-valuation of the warrants resulted in a decrease in fair value of the warrants and a corresponding increase to contributed surplus of $6,997,929 for a net $nil impact to Shareholders' Equity.

As part of the Private placement that closed on November 4, 2019, the Company issued 1,063,833 broker warrants at an exercise price of $0.50 with a two-year expiry on November 4, 2021.

The fair value of $205,179 attributed to the broker warrants was estimated using the Black-Scholes option-pricing model using the following weighted-average assumptions:

		Year Ended December 31, 2019
Exercise price	$	0.50
Share price	$	0.45
Expected life (years)		2
Risk free interest rate		1.60%
Expected volatility		84.2%
Expected forfeiture rate		-
Dividend yield		-
Fair Value	$	0.19

(1) Total fair value of $205,179 will not calculate due to rounding.

(Expressed in Canadian dollars, except where otherwise noted)

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

	Term	Expiry Date	Exercise Price	Number	Value		Amount
As at December 31, 2018	1.5 and 2 years	2/17/2019 and 8/17/2019	$0.60 and $1.00	32,908,960	$0.24 to $0.28	$	8,010,367
Replacement warrants issued[1]	**1 years**	**2/13/2020**	**$0.91**	**1,414,168**	**$0.91**	**$**	**53,816**
Warrants issued on Private placement (Nov.4)	**2 years**	**11/4/2021**	**$0.50**	**1,063,833**	**$0.19**	**$**	**205,179**
Warrants extended	**1.5 years**	**02/17/2021**	**$1.00**	**-**	**$0.02**	**$**	**(6,997,929)**
Warrants expired	**1.5 years**	**2/17/2019**	**$0.60**	**(1,244,460)**	**$0.28**	**$**	**(346,993)**
As at December 31, 2019	**1 to 2 years**	**2/13/2020 and 2/17/2021**	**$0.91-$1.00**	**34,142,501**	**$0.24**	**$**	**924,440**

1) These warrants expired unexercised on February 13, 2020.

The remaining contractual lives of Warrants outstanding as at December 31, 2019 are as follows:

Number of Warrants	Weighted average remaining life	Weighted average exercise price
34,142,501	1.58 years	$0.98

15. EXPLORATION AND PROJECT EVALUATION

	Year Ended December 31, 2019							
	Puerto Rico	**La Kika**	**Minerva**	**Monclova**	**Cordero**	**Other[1]**	**Project Evaluation**	**Total**
Permitting	$ -	$ -	$ -	$ -	$ 75,657	$ -	$ -	$ 75,657
Mining duties	58,969	9,403	25,812	38,310	-	5,034	-	137,528
Surface access	-	-	24,294	-	65,111	-	-	89,405
Site access	11,979	-	-	62,465	19,098	-	-	93,542
Drilling	-	-	-	-	1,342,844	-	-	1,342,844
Mapping, Sampling & Assays	7,000	-	-	-	212,659	-	-	219,659
Geophysics	-	-	10,998	-	823,056	-	-	834,054
Salaries and benefits	167,330	-	122,602	122,794	361,585	-	-	774,311
Travel	32,314	-	13,820	17,869	22,081	-	-	86,084
Administrative and other	54,127	-	44,357	23,803	68,443	-	-	190,730
Project Evaluation	-	-	-	-	-	-	262,388	262,388
Total	$ 331,719	$ 9,403	$ 241,883	$ 265,241	$ 2,990,534	$ 5,034	$ 262,388	$ 4,106,202

1) Other includes Jemi Rare, Renata and Santa Rosa

(Expressed in Canadian dollars, except where otherwise noted)

	Year Ended December 31, 2018						
	Puerto Rico	La Kika	Minerva	Monclova	Other[(1)]	Project Evaluation	Total
Permitting	$ 1,572,637	$ -	$ -	$ -	$ -	$ -	$ 1,572,637
Mining duties	47,931	5,467	13,723	45,072	4,267	-	116,460
Surface access	188,562	2,419	142,023	68,864	3,219	-	405,087
Site access	-	-	-	55,725	-	-	55,725
Drilling	-	149,862	-	-	-	-	149,862
Mapping, Sampling & Assays	392,834	597	424,102	412,895	-	-	1,230,428
Geophysics	25,410	-	53,364	9,201	-	-	87,975
Salaries and benefits	427,952	17,064	152,693	120,363	-	-	718,072
Travel	100,401	5,136	53,980	57,405	-	-	216,922
Administrative and other	137,384	20,518	93,079	72,839	-	-	323,820
Project Evaluation	-	-	-	-	-	-	-
Total	$ 2,893,111	$ 201,063	$ 932,964	$ 842,364	$ 7,486	$ -	$ 4,876,988

1) Other includes Jemi Rare, Renata and Santa Rosa

a) Puerto Rico

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

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

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

PAYMENT TYPE	ORIGINAL TERM	AMENDED TERM
Drill Permit milestone	- 500,000 common shares - US$300,000 cash in lump sum payment	- US$300,000 cash in 15 equal monthly instalments
Drill Permit milestone	- Four tranches of 500,000 common shares issued annually beginning August 17, 2019	- Four tranches of 500,000 common shares issued annually beginning the latter of August 17, 2019 or receipt of Drill Permit
Purchase Option work required	- US$12,500,000 minimum spend over five (5) years	- 12,000 meters of drilling over three (3) years
Purchase Option consideration	- Higher of 30% of fair market value of the Project or US$10,000,000. - Payment in common shares and cash	- Higher of 20% of fair market value of the Project or 18,000,000 common shares. - Payment all in common shares

(Expressed in Canadian dollars, except where otherwise noted)

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

16. GENERAL OFFICE AND OTHER EXPENSES

					Years Ended
			December 31, 2019		December 31, 2018
Travel	**$**	**$**	**74,711**	$	73,433
Salaries and benefits			**1,007,104**		789,209
Shareholder communication and investor relations			**118,748**		45,817
Filing and transfer agent fees			**165,104**		32,600
Business development			**96,710**		40,734
Rent			**67,049**		105,512
Depreciation			**117,671**		51,532
General office and other			**255,234**		150,231
	$	**$**	**1,902,331**	$	1,289,068

17. PROFESSIONAL FEES

					Years Ended
			December 31, 2019		December 31,
Legal	**$**	**$**	**178,993**	$	147,108
Audit, tax and accounting			**176,054**		136,888
Consulting and other			**-**		5,327
	$	**$**	**355,047**	$	289,323

18. INCOME TAXES

				Years Ended
		December 31, 2019		December 31, 2018
Loss before tax at statutory rate of 28% (2018 – 27%)	**$**	**2,665,957**	$	1,898,269
Effect on taxes of:				
Non-deductible expenses		**(521,007)**		(144,232)
Change in deductible temporary differences		**(2,144,950)**		(1,754,037)
Income tax expense	**$**	**-**	$	-

(Expressed in Canadian dollars, except where otherwise noted)

a) Unrecognized Deductible Temporary Differences

Deferred tax assets have not been recognized in respect of the following deductible temporary differences.

The tax loss carry-forwards will expire in 2026.

				Years Ended
		December 31, 2019		December 31, 2018
Non-capital loss carry-forwards	$	**9,222,000**	$	6,240,000
Capital loss carry-forwards		**12,640,000**		12,640,000
Share issue costs		**172,000**		276,000
Resource properties		**12,104,000**		6,419,000
	$	**34,138,000**	$	25,575,000

19. CAPITAL MANAGEMENT

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

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

As at December 31, 2019, aside from the long-term portion of the lease liability (note 13), 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 year ended December 31, 2019.

20. FINANCIAL INSTRUMENTS

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

Cash and cash equivalents, accounts receivable and deposits are classified as receivables and are measured at amortized cost using the effective interest method. Investments are classified as receivables and are measured at fair value through profit and loss. Accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost. These financial instruments approximate their fair value due to their short-term nature.

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

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

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

As at December 31, 2019 the Company had no financial instruments classified as Level 2 or 3.

21. FINANCIAL RISK MANAGEMENT

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

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had a cash and cash equivalents balance of $23,950,737 (December 31, 2018 – $4,691,676) to settle current liabilities of $716,596 (December 31, 2018 – $230,090). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

As at December 31, 2019, the Company has no sources of revenue to fund its operating expenditures. Since inception the Company has relied solely on the gross proceeds of $15,618,500 received through a non-brokered private placement of 31 million common shares at a price of $0.50 per share during the year ended December 31, 2017 to fund its operating expenditures. On July 25, 2019, the Company announced a non-brokered private placement through which gross proceeds of $9,004,770 were raised at a price of $0.23 per share (refer to note 13b). On November 5, 2019, the Company announced another non-brokered private placement through which gross proceeds of $19,000,000 were raised at a price of $0.45 (refer to note 13b).

Management believes these financings will fund the Company's initial exploration work on the properties in both Coahuila and Chihuahua, Mexico 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 issuing share capital, or debt financing. At December 31, 2019, the Company is currently exposed to a low level of liquidity risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian financial institutions. Management deems the credit risk associated with other receivables and deposits to be at an acceptable level.

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

		December 31, 2019		December 31, 2018
Cash and cash equivalents	**$**	**23,950,737**	$	4,691,676
Other receivables		**13,925**		34,494
Deposits		**482,594**		10,693
	$	**24,447,256**	**$**	4,736,863

c) Market Risks

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

i. Interest rate risk

The Company has significant cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high-yield savings accounts The Company regularly monitors its cash management policy. Management has determined interest rate risk to be low.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At December 31, 2019, cash balances were held primarily in Canadian dollars. Foreign currency risk is the risk that the value of the Company's financial instruments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. Changes in the exchange rate between foreign currencies and the Canadian Dollar could have a significant impact on the Company's financial position, results of operations, and cash flows. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP. As at December 31, 2019 and December 31, 2018, the Company had the following foreign currency denominated trade payables:

(Expressed in Canadian dollars, except where otherwise noted)

		December 31, 2019		December 31, 2018
United States dollar	**$**	**54,133**	$	38,077
Mexican Peso		**157,598**		108,625
	$	**211,731**	$	146,702

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss at December 31, 2019 by approximately $20,782 (December 31, 2018: $19,035).

As at December 31, 2019, Management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

iii. Price risk

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

As at December 31, 2019 Management has determined the Company's exposure to price risk to be at an acceptable level.

22. SEGMENTED INFORMATION

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

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

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

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

		Years Ended
	December 31, 2019	December 31, 2018
Canada	**$ (4,329,647)**	$ (1,835,159)
Mexico	**(5,266,190)**	(4,951,997)
Net loss and total comprehensive loss	**$ (9,595,837)**	$ (6,787,156)

23. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

a) Puerto Rico project

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

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

b) Monclova project

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

c) Other commitments

Effective January 1, 2019, the Company adopted IFRS 16 – Leases which brings operating leases onto the statement of financial position while allowing for certain exemptions based on duration of the lease and total dollar value of the contract. As a result of the adoption of IFRS 16, the Company determined that the office premise lease previously accounted for as an operating lease, matched the criteria under IFRS 16 for setting up a right-of-use asset and associated liability (note 25).

The Company has operating leases for rent and certain office equipment that fall within the IFRS exemption criteria. Total payments made during the year ended December 31, 2019 for these operating leases were $14,460 (year ended December 31, 2018 - $2,760).

(Expressed in Canadian dollars, except where otherwise noted)

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

Year		December 31, 2019		December 31, 2018
2020	**$**	**9,540**	$	2,760
2021		**2,520**		1,840
2022		**2,520**		-
2023		**2,520**		-
2024		**2,520**		-
Total	**$**	**22,140**	$	4,600

24. RELATED PARTY TRANSACTIONS

Key management personnel

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

A company partially owned by one of the directors of the Company provides access to administrative and exploration personnel and has made certain payments on behalf of the Company on an as-needed basis. There is no fee charged to the Company, as all expenses are allocated at cost. Reimbursed expenses for the year ended December 31, 2019 totaled $22,304 (year ended December 31, 2018 – $75,841). The Company had $8,216 in expenses payable to this company as at December 31, 2019 (December 31, 2018 – $5,772). These expenses are not included in the table below.

Under similar arrangements, during the year ended December 31, 2019 the Company reimbursed expenses of $31,457 (year ended December 31, 2018 –$27,619) to other companies which have a Director in common. There was $nil in expenses payable at December 31, 2019 (December 31, 2018 – $707). These expenses are not included in the table below.

					Years Ended December 31,
Transaction Type	**Nature of Relationship**		**2019**		2018
Share-based payments	Directors and officers	**$**	**964,379**	$	287,516
Salaries and benefits	Officers		**670,345**		585,005
Consulting fees	Director		**98,467**		-
Directors fees	Directors		**213,333**		175,000
		$	**1,946,524**	$	1,047,521

(Expressed in Canadian dollars, except where otherwise noted)

A summary of amounts due to related parties:

Transaction Type	Nature of Relationship		December 31, 2019		December 31, 2018
Salaries and benefits payable	Officers and employees	**$**	**266,125**	$	-
Accounts payable and accrued liabilities	A director and a company with a director/officer in common with the Company	**$**	**-**	$	1,554
		$	**266,125**	$	1,554

A director of the Company is also party to the mineral exploration and option agreements and amendments thereto, entered into between the Company and the Vendors (note 15).

25. IFRS TRANSITION ADJUSTMENTS

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

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

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

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

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

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

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

26. EVENTS AFTER THE REPORTING PERIOD

a) COVID-19

On March 31, 2019, the Company announced that it would temporarily suspend all exploration activities in Mexico as a result of a decree issued by the Mexican government stating that all non-essential services be stopped until April 30, 2019. The Company has developed business continuity plans to resume work once it is determined to be safe to do so.

b) Sale of non-core exploration property

On April 9, 2020, the Company announced the divestiture of its 100% interest in the Congress Property (“Congress”) located in British Columbia, to Talisker Resources Ltd. (“Talisker”). Congress is a non-core exploration property acquired by the Company as part of the Levon Resources Ltd. transaction that closed on August 2, 2019.

Under the terms of the purchase agreement, Talisker will issue 1,000,000 common shares to the Company in return for 100% ownership of Congress. The common shares are subject to a four month hold period pursuant to applicable securities laws and further subject to certain resale restrictions for up to one year.

The sale of Congress to Talisker is subject to the approval of the Canadian Securities Exchange.