



**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three months ended March 31, 2023 and 2022

(expressed in Canadian dollars)

**Discovery Silver Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

As at	Notes	March 31, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	6	\$ 37,272,498	\$ 46,220,938
Sales tax and other receivables	7	7,809,215	8,045,977
Prepays and deposits	8	185,619	259,279
Investments	9	449,430	520,606
		<b>45,716,762</b>	<b>55,046,800</b>
<b>Non-current</b>			
Equipment	10	1,636,147	1,639,621
Value-added taxes receivable	7	2,029,881	2,029,881
Mineral properties	11	39,873,786	32,867,024
<b>TOTAL ASSETS</b>		<b>\$ 89,256,576</b>	<b>\$ 91,583,326</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	12	\$ 1,689,238	\$ 1,875,457
Current portion of lease liabilities	13	94,284	89,411
		<b>\$ 1,783,522</b>	<b>\$ 1,964,868</b>
<b>Non-current</b>			
Lease liabilities	13	436,467	460,388
<b>TOTAL LIABILITIES</b>		<b>\$ 2,219,989</b>	<b>\$ 2,425,256</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14(b)	\$ 167,019,614	\$ 166,732,378
Contributed surplus		38,391,852	37,455,923
Warrants	14(e)	17,525,093	17,525,093
Accumulated other comprehensive loss		703,595	48,525
Accumulated deficit		(136,603,567)	(132,603,849)
<b>TOTAL EQUITY</b>		<b>\$ 87,036,587</b>	<b>\$ 89,158,070</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 89,256,576</b>	<b>\$ 91,583,326</b>

Approved on Behalf of the Board on May 5, 2023:

“Jeff Parr”  
Jeff Parr – Director

“Murray John”  
Murray John – Director

**Discovery Silver Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND TOTAL COMPREHENSIVE LOSS**  
Unaudited - (Expressed in Canadian dollars, except per share and share information)

	Notes	Three Months Ended	
		March 31, 2023	March 31, 2022
<b>Expenses (income)</b>			
General office and other expenses	16	\$ 1,656,126	\$ 1,134,179
Interest income		(405,345)	(153,537)
Interest expense		5,609	366
Professional fees	17	550,902	237,438
Exploration and project evaluation expenses	15	653,881	7,129,653
Share-based compensation	14(c)	1,028,070	4,322,305
Loss (gain) on fair value remeasurement of investments	9	71,176	(291,316)
Provision for value-added taxes receivable	7	727,694	765,445
Foreign exchange (gain) loss		(288,395)	2,895
Net loss		\$ 3,999,718	\$ 13,147,429
Other comprehensive (income) loss		\$ (655,070)	\$ 254,828
<b>Total comprehensive loss</b>		<b>\$ 3,344,648</b>	<b>\$ 13,402,257</b>
<b>Weighted average shares outstanding</b>			
Basic and diluted	14(b)	352,071,321	332,025,353
<b>Net loss per share</b>			
Basic and diluted		\$ (0.01)	\$ (0.04)

**Discovery Silver Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

	Notes	Three Months Ended	
		March 31, 2023	March 31, 2022
<b>Operating Activities</b>			
Net loss		\$ (3,999,718)	\$ (13,147,429)
Items not affecting cash:			
Depreciation		195,378	48,955
Share-based compensation	14(c)	1,028,070	4,322,305
Adjustments to Provision for value-added taxes receivable	7	727,694	765,445
Loss (gain) on fair value remeasurement	9	71,176	(291,315)
Unrealized foreign exchange gain		(126,171)	(65,788)
Changes in non-cash operating working capital:			
Sales tax and other receivables	7	(490,932)	(624,893)
Prepays and deposits	8	73,660	66,814
Accounts payable and accrued liabilities	12	(703,391)	(282,378)
<b>Net cash used in operating activities</b>		<b>\$ (3,224,234)</b>	<b>\$ (9,208,283)</b>
<b>Investing Activities</b>			
Additions to mineral properties	11, 15	(5,704,308)	-
Additions to property, plant and equipment	10	(176,700)	(56,051)
<b>Net cash provided by (used in) investing activities</b>		<b>\$ (5,881,008)</b>	<b>\$ (56,051)</b>
<b>Financing Activities</b>			
Issuance of shares on exercise of options	14(c)	195,095	322,169
Issuance of shares on exercise of warrants	14(e)	-	725,911
Principal payment on lease liability	13	(19,048)	(11,986)
<b>Net cash provided by financing activities</b>		<b>\$ 176,047</b>	<b>\$ 1,036,094</b>
Effect of exchange rates on cash and cash equivalents		(19,245)	(291,317)
<b>Decrease in cash and cash equivalents</b>		<b>(8,948,440)</b>	<b>(8,519,557)</b>
Cash and cash equivalents, beginning of period	6	46,220,938	54,748,652
<b>Cash and cash equivalents, end of period</b>	<b>6</b>	<b>\$ 37,272,498</b>	<b>\$ 46,229,095</b>
<b>Supplemental Cash Flow Information:</b>			
Interest paid		\$ 5,609	\$ 366

**Discovery Silver Corp.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
<b>At January 1, 2023</b>		<b>351,941,580</b>	<b>\$ 166,732,378</b>	<b>\$ 17,525,093</b>	<b>\$ 37,455,923</b>	<b>\$ 48,525</b>	<b>\$ (132,603,849)</b>	<b>\$ 89,158,070</b>
Share-based compensation	14c	-	-	-	1,028,070	-	-	1,028,070
Shares issued on exercise of options	14c	408,650	287,236	-	(92,140)	-	-	195,096
Net loss and total comprehensive loss for the period		-	-	-	-	655,070	(3,999,718)	(3,344,648)
<b>At March 31, 2023</b>		<b>352,350,230</b>	<b>\$ 167,019,614</b>	<b>\$ 17,525,093</b>	<b>\$ 38,391,852</b>	<b>\$ 703,594</b>	<b>\$ (136,603,567)</b>	<b>\$ 87,036,587</b>

	Notes	Number of Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Equity
<b>At January 1, 2022</b>		<b>331,348,433</b>	<b>\$ 150,492,379</b>	<b>\$ 23,395,976</b>	<b>\$ 24,095,443</b>	<b>\$ (389,494)</b>	<b>\$ (91,508,079)</b>	<b>\$ 106,086,225</b>
Share-based compensation	13c	-	-	-	4,322,305	-	-	4,322,305
Shares issued on exercise of options	13c	765,208	550,109	-	(227,940)	-	-	322,169
Shares issued on exercise of warrants	13e	981,975	725,911	(319,862)	319,862	-	-	725,911
Net loss and total comprehensive loss for the period		-	-	-	-	(254,828)	(13,147,429)	(13,402,257)
<b>At March 31, 2022</b>		<b>333,095,616</b>	<b>\$ 151,768,399</b>	<b>\$ 23,076,114</b>	<b>\$ 28,509,670</b>	<b>\$ (644,323)</b>	<b>\$ (104,655,508)</b>	<b>\$ 98,054,351</b>

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
(Expressed in Canadian dollars, except where otherwise noted)  
For the Three Months Ended March 31, 2023 and 2022

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## **1. DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS**

Discovery Silver Corp. (“Discovery Silver” or the “Company”) is engaged in the acquisition, exploration and development of mineral property interests, primarily in Mexico. The Company’s flagship asset is the 100% owed Cordero silver project located in Chihuahua State, Mexico.

The Company was incorporated on October 10, 1986 under the laws of British Columbia and on June 13, 2017, the Company’s name was changed to Discovery Metals Corp. On April 14, 2021, the Company’s name was changed to Discovery Silver Corp. The Company is listed on the Toronto Stock Exchange (the “Exchange” or “TSX”) under the symbol “DSV”. The Company’s head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

The Company’s Board of Directors authorized the issuance of these unaudited condensed interim consolidated financial statements (the “interim financial statements”) on May 5, 2023.

### **COVID-19 Update**

The Company remains focused on proactively addressing the health and safety risks resulting from the COVID-19 pandemic. The Company’s top priority remains the health and safety of its employees, contractors, vendors, and consultants. To-date, health and safety protocols and the efforts of employees and contractors to manage COVID-19 have been effective.

## **2. BASIS OF PREPARATION**

These interim financial statements for the three months ended March 31, 2023, and 2022, have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). As such, certain disclosures required by IFRS have been condensed or omitted. These interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto as at and for the years ended December 31, 2022 and 2021 (the “Consolidated Financial Statements”). The Company’s interim results are not necessarily indicative of its results for a full year.

These interim financial statements have been prepared on a going concern basis which contemplates the realization of assets and discharge of all liabilities in the normal course of business. The Company has, to date, relied on cash received from share issuances to fund its exploration and other business objectives. At March 31, 2023, the Company had working capital (defined as current assets less current liabilities) of \$43,933,240 (December 31, 2022 – \$53,081,932), shareholders’ equity of \$87,036,587 (December 31, 2022 – \$89,158,070) and an accumulated deficit of \$136,603,567 (December 31, 2022 – \$132,603,849).

## **3. MATERIAL ACCOUNTING POLICIES**

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

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
For the Three Months Ended March 31, 2023 and 2022

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**a) Basis of Measurement**

The interim financial statements have been prepared using the same accounting policies and methods of application as those disclosed in note 3 to the Company's Consolidated Financial Statements except those disclosed in Note 4 below.

**b) Basis of Consolidation**

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

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The interim financial statements include all the assets, liabilities, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions. The interim financial statements include the financial condition and results of operations of the Company and its subsidiaries as outlined below.

The Company's principal subsidiary and its geographic location as of March 31, 2023, is as follows:

<b>Direct Parent Company</b>	<b>Location</b>	<b>Ownership Percentage</b>	<b>Properties</b>
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 interim financial statements are presented in Canadian dollars 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 the Mexican peso ("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 condensed interim statements of loss and the unrealized portion is reported separately in the condensed interim consolidated statement of cash flows. The foreign exchange differences arising from the translation

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 For the Three Months Ended March 31, 2023 and 2022

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of the subsidiary with functional currency different than the consolidated functional currency are recognized as currency translation adjustments in other comprehensive loss in the condensed interim consolidated statement of loss and total comprehensive loss.

**e) 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. Land is stated at cost less any impairment in value and is not depreciated. Exploration and evaluation costs are capitalized if a pre-feasibility study demonstrates that future economic benefits are likely. Upon disposal or abandonment, the carrying amount of mineral properties are derecognized and any associated gains or losses are recognized in profit and loss. The carrying value of the Cordero mineral property, which is comprised of exploration and evaluation assets, was \$39,873,786 as at March 31, 2023.

*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.

<b>Depreciated assets</b>	<b>Useful Life</b>
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*

The carrying values of mineral properties are reviewed each reporting period or upon the occurrence of events or changes in circumstances indicating that the carrying values of assets may not be recoverable. If any such indicator exists, then an impairment test is performed by management. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) sufficient data exists to support that extracting the resources will not be technically feasible or commercially viable based on technical studies or desktop studies; and (iv) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

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.



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For the Three Months Ended March 31, 2023 and 2022

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Where an item of mineral properties and equipment is disposed of, it is derecognized and the difference between its' 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.

**f) Exploration and evaluation assets**

Exploration and evaluation expenditures are comprised of costs that are directly attributable to: researching and analyzing existing exploration data, conducting geological studies, exploratory drilling and sampling, examining and testing extraction and treatment methods, and compiling economic studies. Exploration expenditures are costs incurred in the search for resources suitable for commercial exploitation. Evaluation expenditures are costs incurred in determining the technical feasibility and commercial viability of a mineral resource. Exploration and evaluation expenditures are capitalized when there is a high degree of confidence in the project's viability and thus it is likely that future economic benefits will flow to the Company. When a project is considered to no longer have commercially viable prospects for the Company, exploration and evaluation costs in respect of that property are assessed as impaired and written off to the condensed interim statement of loss and total comprehensive loss. The Company also assesses mineral property costs for impairment when other facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

#### **4. ACCOUNTING PRONOUNCEMENTS**

##### **Adoption of New Accounting Standards**

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

##### **Disclosure of Accounting Policies (Amendments to IAS 1)**

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

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

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 For the Three Months Ended March 31, 2023 and 2022

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**Definition of Accounting Estimates (Amendments to IAS 8)**

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

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

**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.

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, 2023, are consistent with those applied and disclosed in note 5 of the annual consolidated financial statements. The Company's interim results are not necessarily indicative of its results for a full year.

**6. CASH AND CASH EQUIVALENTS**

	<b>March 31, 2023</b>	December 31, 2022
Cash	\$ 37,047,498	\$ 45,995,938
Cash equivalents (a)	<b>225,000</b>	225,000
	<b>\$ 37,272,498</b>	\$ 46,220,938

**a) Cash Equivalents**

Cash equivalents include marketable securities with short-term maturities and no restrictions on redemption.

**Discovery Silver Corp.**  
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For the Three Months Ended March 31, 2023 and 2022

**7. SALES TAX AND OTHER RECEIVABLES**

	<b>March 31, 2023</b>	December 31, 2022
Sales and value-added tax receivable	\$ 10,642,960	\$ 9,832,403
Accumulated provision for value-added tax receivable	<b>(2,857,466)</b>	(2,129,772)
Other receivables	<b>23,721</b>	343,346
	<b>\$ 7,809,215</b>	\$ 8,045,977

**a) Value-added tax receivable provision**

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 is subject to review and assessment by SAT. The complex application process can impact the collectability and timing of refunds from SAT. As a result, the Company recognizes a provision for 100% of the IVA incurred during a reporting period. Once the IVA return has been prepared and filed with the Tax Authorities, the Company expects to recover the IVA filed in full.

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

**b) Current and non-current value-added tax receivables**

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

The total net book value of value-added taxes receivable recognized as at March 31, 2023 related to Mexico is \$7,681,445 as current and \$2,029,881 as non-current, respectively.

**8. PREPAIDS AND DEPOSITS**

	<b>March 31, 2023</b>	December 31, 2022
Insurance	\$ 50,528	\$ 133,009
Office and other prepaid deposits	<b>135,091</b>	126,270
	<b>\$ 185,619</b>	\$ 259,279

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For the Three Months Ended March 31, 2023 and 2022

**9. INVESTMENTS**

During 2020 and 2021, as consideration for the sale and transfer of certain non-core properties, the Company received common shares of Talisker Resources Ltd. and Monumental Minerals Corp. At March 31, 2023, the fair value of the investments was \$449,430 and is comprised of the following:

<b>Investment in common shares of Talisker Resources Ltd.</b>	<b>Amount</b>
At January 1, 2023	\$ 140,000
Net unrealized loss on fair value remeasurement	(25,000)
<b>At March 31, 2023</b>	<b>\$ 115,000</b>

  

<b>Investment in common shares of Monumental Minerals Corp.</b>	<b>Amount</b>
At January 1, 2023	\$ 380,606
Net unrealized loss on fair value remeasurement	(46,176)
<b>At March 31, 2023</b>	<b>\$ 334,430</b>

**10. EQUIPMENT**

	Equipment	Vehicles	Office & Furniture	Computer	Total
<b>Cost</b>					
<b>Balance at January 1, 2023</b>	\$ 991,834	\$ 380,291	\$ 780,902	\$ 290,718	\$ 2,443,745
<b>Additions</b>	<b>123,606</b>	<b>30,398</b>	<b>1,807</b>	<b>20,889</b>	<b>176,700</b>
<b>Currency translation adjustment</b>	<b>7,898</b>	<b>8,031</b>	<b>5,806</b>	<b>6,735</b>	<b>28,470</b>
<b>Balance at March 31, 2023</b>	<b>\$ 1,123,338</b>	<b>\$ 418,720</b>	<b>\$ 788,515</b>	<b>\$ 318,342</b>	<b>\$ 2,648,915</b>
<b>Accumulated depreciation</b>					
<b>Balance at January 1, 2023</b>	\$ (170,304)	\$ (216,777)	\$ (234,280)	\$ (182,763)	\$ (804,124)
<b>Additions</b>	<b>(68,625)</b>	<b>(61,091)</b>	<b>(27,672)</b>	<b>(37,990)</b>	<b>(195,378)</b>
<b>Currency translation adjustment</b>	<b>(4,128)</b>	<b>(4,567)</b>	<b>(1,653)</b>	<b>(2,917)</b>	<b>(13,265)</b>
<b>Balance at March 31, 2023</b>	<b>\$ (243,057)</b>	<b>\$ (282,435)</b>	<b>\$ (263,605)</b>	<b>\$ (223,670)</b>	<b>\$ (1,012,767)</b>
<b>Carrying amount</b>					
<b>At January 1, 2023</b>	\$ 821,530	\$ 163,514	\$ 546,622	\$ 107,955	\$ 1,639,621
<b>At March 31, 2023</b>	<b>\$ 880,281</b>	<b>\$ 136,285</b>	<b>\$ 524,910</b>	<b>\$ 94,672</b>	<b>\$ 1,636,147</b>

  

	Equipment	Vehicles	Office & Furniture	Computer	Total
<b>Cost</b>					
<b>Balance at January 1, 2022</b>	\$ 765,456	\$ 268,195	\$ 212,635	\$ 207,574	\$ 1,453,861
<b>Additions</b>	<b>217,101</b>	<b>102,378</b>	<b>568,938</b>	<b>78,056</b>	<b>966,473</b>
<b>Currency translation adjustment</b>	<b>9,277</b>	<b>9,718</b>	<b>(671)</b>	<b>5,088</b>	<b>21,461</b>
<b>Balance at December 31, 2022</b>	<b>\$ 991,834</b>	<b>\$ 380,291</b>	<b>\$ 780,902</b>	<b>\$ 290,718</b>	<b>\$ 2,443,745</b>

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Accumulated depreciation										
Balance at January 1, 2022	\$	(66,985)	\$	(128,624)	\$	(177,250)	\$	(120,152)	\$	(493,011)
Additions		(98,185)		(78,692)		(55,156)		(57,305)		(289,338)
Currency translation adjustment		(5,134)		(9,641)		(1,874)		(5,306)		(21,775)
Balance at December 31, 2022	\$	(170,304)	\$	(216,777)	\$	(234,280)	\$	(182,763)	\$	(804,124)

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

Leased assets	Total
At January 1, 2022	\$ 38,275
Additions	557,900
Depreciation	(47,981)
At December 31, 2022	\$ 548,194
Depreciation	(25,357)
<b>At March 31, 2023</b>	<b>\$ 522,837</b>

## 11. MINERAL PROPERTIES

At January 1, 2022	\$ 32,633,848
Write-off of mineral properties <sup>(1)</sup>	(1,124,398)
Currency translation adjustment	1,357,574
At December 31, 2022	\$ 32,867,024
<b>Currency translation adjustment</b>	<b>785,286</b>
<b>Additions to mineral properties<sup>(2)</sup></b>	<b>6,221,476</b>
<b>At March 31, 2023</b>	<b>\$ 39,873,786</b>

<sup>(1)</sup> During the year ended December 31, 2022, the option agreements associated with the Minerva, and La Kika properties expired, and were not renewed. In addition, due to the Company's continued focus on the Cordero Project and no planned expenditures on the Puerto Rico property during 2023, it was decided to cancel the option agreement.

<sup>(2)</sup> Due to the completion of the pre-feasibility study in January 2023, the Company began capitalizing eligible exploration and evaluation expenditures in accordance with the accounting policy set out in note 3(f) of the audited annual financial statements. The capitalization of exploration and evaluation expenditures requires judgment of whether the costs are likely to be recoverable by future exploration and development, which may be based on assumptions about future events and circumstances. The Company has included this in its critical accounting judgments note 5(a)(ii) of the audited annual financial statements. Additions to Cordero Mineral Properties:

	Three Months Ended March 31, 2023
Permitting	\$ 122,827
Mining duties	402,954
Surface access	157,080
Drilling	2,578,794
Mapping, sampling, and assays	711,097
Salaries and benefits	1,519,730
Travel	47,427
Project evaluation	681,566
<b>Total</b>	<b>\$ 6,221,476</b>

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
For the Three Months Ended March 31, 2023 and 2022

The carrying value of each of the Company's mineral properties is as follows:

	March 31, 2023	December 31, 2022
Cordero	\$ 38,745,838	\$ 32,524,362
Cumulative Translation Adjustment	1,127,948	342,662
	<b>\$ 39,873,786</b>	<b>\$ 32,867,024</b>

## 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2023	December 31, 2022
Trade and other payables <sup>(1)</sup>	\$ 1,244,555	\$ 573,452
Salaries and benefits payable	69,002	1,139,886
Accrued liabilities	375,681	162,119
	<b>\$ 1,689,238</b>	<b>\$ 1,875,457</b>

<sup>(1)</sup> At March 31, 2023, trade and other payables were comprised primarily of amounts payable for contract drilling and related services.

## 13. LEASE LIABILITIES

	March 31, 2023	December 31, 2022
Lease liabilities	\$ 530,751	\$ 549,799
Less: current portion	94,284	89,411
Non-current portion	<b>\$ 436,467</b>	<b>\$ 460,388</b>

<sup>(1)</sup> During 2022, the Company renewed the corporate office lease for an additional five-year term at an incremental borrowing rate of 3.95%.

## 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

	Note	Common Shares	Amount
At December 31, 2022		351,941,580	\$ 166,732,378
Shares issued on exercise of options	14c	408,650	287,236
<b>At March 31, 2023</b>		<b>352,350,230</b>	<b>\$ 167,019,614</b>

Refer to Note 23 for details of the equity impact from the Marketed Public Offering closed subsequent to quarter end.

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
 Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
 For the Three Months Ended March 31, 2023 and 2022

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**c) Stock Options**

The Company has adopted a rolling 10% stock option plan (the “Option 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. This 10% limit is in aggregate and is shared with the Company’s RSU and DSU plans (note 14d)). The Board in its sole discretion may determine any vesting provisions for options. The exercise price shall be determined by the directors of the Company at the time of grant in accordance with the provisions of the Plan. The expiry date for an option shall not be more than ten years from the grant date.

There were 1,600,000 stock options granted during the three months ended March 31, 2023, with a weighted average exercise price of \$1.42 and a five-year term to expiry (three months ended March 31, 2022 – 7,950,000 options granted with a weighted-average exercise price of \$2.03 and five-year term to expiry). The options granted vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023. The Options will expire on January 26, 2028, five years after the grant date.

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

	<b>Outstanding</b>	<b>Weighted Average Exercise Price</b>
At January 1, 2022	18,178,975	\$ 1.01
Options granted	8,450,000	2.01
Options exercised	(4,598,333)	0.51
Options forfeited	(1,565,625)	1.98
At December 31, 2022	20,465,017	\$ 1.46
<b>Options granted</b>	<b>1,600,000</b>	<b>1.42</b>
<b>Options exercised</b>	<b>(408,650)</b>	<b>0.48</b>
<b>Options forfeited</b>	<b>(9,375)</b>	<b>2.05</b>
<b>At March 31, 2023</b>	<b>21,646,992</b>	<b>\$ 1.47</b>

The non-cash share-based compensation expense for the three months ended March 31, 2023, was \$1,028,070 (three months ended March 31, 2022 - \$4,322,305).

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
 Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
 For the Three Months Ended March 31, 2023 and 2022

At March 31, 2023, the options outstanding and exercisable are as follows:

Exercise Price	Options Outstanding			Options Exercisable		
	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average remaining life	Weighted average exercise price
\$0.48	2,588,450	1.38	\$0.48	2,588,450	1.38	\$0.48
\$0.65	360,000	1.77	\$0.65	360,000	1.77	\$0.65
\$0.47	3,620,000	2.08	\$0.47	3,620,000	2.08	\$0.47
\$1.84	200,000	2.55	\$1.84	200,000	2.55	\$1.84
\$1.89	4,796,875	2.79	\$1.89	4,042,708	2.79	\$1.89
\$1.85	206,667	2.84	\$1.85	123,334	2.84	\$1.85
\$2.08	300,000	2.95	\$2.08	300,000	2.95	\$2.08
\$2.06	200,000	3.29	\$2.06	133,333	3.29	\$2.06
\$1.77	200,000	3.59	\$1.77	133,333	3.59	\$1.77
\$2.05	6,075,000	3.77	\$2.05	2,467,708	3.77	\$2.05
\$1.93	1,000,000	3.96	\$1.93	-	3.96	\$1.93
\$1.76	400,000	4.03	\$1.76	200,000	4.03	\$1.76
\$1.38	100,000	4.16	\$1.38	33,333	4.16	\$1.38
\$1.42	1,600,000	4.83	\$1.42	-	4.83	\$1.42
	<b>21,646,992</b>	<b>1.95</b>	<b>\$1.47</b>	<b>14,202,200</b>	<b>1.87</b>	<b>\$1.27</b>

The fair value of the option grants issued during the three months ended March 31, 2023, have been estimated using the Black-Scholes option-pricing model with the following assumptions:

Grant date	January 26, 2023
Number granted	1,600,000
Exercise price	\$ 1.42
Share price	\$ 1.42
Expected life (years)	4.23
Risk free interest rate	3.50%
Expected volatility	87.0%
Expected forfeiture rate	5.3%
Dividend yield	-
Fair Value	\$ 0.75

Black-Scholes pricing models require the input of highly subjective assumptions. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant.

**d) Deferred Share Units and Restricted Share Units**

The Company has adopted rolling 10% DSU and RSU Plans, that share the 10% threshold with the 10% rolling Option Plan. The combined aggregate total Options, DSUs, and RSUs granted cannot exceed 10% of the issued and outstanding common shares of the Company.

The DSU Plan provides that the Board of Directors (the "Board") of the Company may grant DSUs to non-executive directors of the Company, to be settled in cash or common shares of the Company, at the discretion of the Board. The RSU Plan provides that the Board may grant RSUs to eligible officers,



**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
 Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
 For the Three Months Ended March 31, 2023 and 2022

and employees, to be settled in cash or common shares of the Company, at the discretion of the Board. The Board in its sole discretion may determine any vesting provisions for DSUs and RSUs.

Pursuant to the Company's restricted share unit plan, an aggregate total of 2,864,965 RSUs were granted to certain officers and employees during the three months ended March 31, 2023. The RSUs, each redeemable for one common share of the Company, vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023.

Pursuant to the Company's deferred share unit plan, an aggregate total of 1,080,025 DSUs were granted to non-executive directors during the three months ended March 31, 2023. The DSUs vest on the first anniversary of the grant date of January 26, 2023, but may only be redeemed on the termination date of a director, in accordance with the DSU plan. There were no RSU's or DSU's granted during the three months ended March 31, 2022.

The following tables reflect the continuity of RSU's and DSU's granted and redeemed during the three months ended March 31, 2023, and 2022.

	Number of RSU's	Weighted average grant date fair value \$
At January 1, 2022	-	-
RSU's granted	250,000	-
RSU's redeemed	(125,000)	1.92
At December 31, 2022	125,000	-
<b>RSU's granted</b>	<b>2,864,965</b>	-
<b>RSU's redeemed</b>	<b>-</b>	<b>-</b>
<b>At March 31, 2023</b>	<b>2,989,965</b>	<b>-</b>

  

	Number of DSU's	Weighted average exercise price \$
At January 1, 2023		-
<b>DSU's granted</b>	<b>1,080,025</b>	-
<b>At March 31, 2023</b>	<b>1,080,025</b>	<b>-</b>

**e) Warrants**

The Company had issued warrants as part of certain subscription agreements and finders' fees for certain non-brokered private placements that closed during 2017, 2019 and 2020. The warrants were exchangeable for Common Shares of the Company at a ratio and an exercise price determined at the time of the individual private placement. Warrants are classified as equity, separately from common shares and are valued at their fair value on grant date using the Black-Scholes pricing model. There were no warrants issued during the three months ended March 31, 2023, and no warrants outstanding as at March 31, 2023.

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
For the Three Months Ended March 31, 2023 and 2022

**15. EXPLORATION AND PROJECT EVALUATION**

Three Months Ended March 31, 2023							
	Puerto Rico	La Kika	Minerva	Monclova	Surface Exploration Targets	Other	Total
Permitting	\$ -	\$ -	\$ -	\$ -	\$ 12,424	\$ -	\$ 12,424
Mining duties	40,758	-	-	-	-	-	40,758
Surface access	-	-	-	-	15,888	-	15,888
Site access	-	-	-	-	-	-	-
Drilling	-	-	-	-	260,838	-	260,838
Mapping, Sampling & Assays	-	-	-	-	71,925	-	71,925
Geophysics	-	-	-	-	-	-	-
Salaries and benefits	-	-	-	-	118,729	-	118,729
Travel	-	-	-	-	4,797	-	4,797
Administrative and other	-	-	-	-	59,584	-	59,584
Project Evaluation	-	-	-	-	68,939	-	68,939
<b>Total</b>	<b>\$ 40,758</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 653,881</b>	<b>\$ -</b>	<b>\$ 653,881</b>

Three Months Ended March 31, 2022							
	Puerto Rico	La Kika	Minerva	Monclova	Cordero	Other	Total
Permitting	\$ -	\$ -	\$ -	\$ -	\$ 385,979	\$ -	\$ 385,979
Mining duties	34,266	5,464	9,439	22,259	275,740	859	348,027
Surface access	-	-	-	-	26,192	-	26,192
Site access	-	-	-	-	5,674	-	5,674
Drilling	-	-	-	-	3,735,455	-	3,735,455
Mapping, Sampling & Assays	-	-	-	-	1,099,154	-	1,099,154
Geophysics	-	-	-	-	51,713	-	51,713
Salaries and benefits	3,235	-	3,235	3,235	788,045	-	797,751
Travel	2,392	-	-	-	160,590	-	162,982
Administrative and other	4,117	-	43,866	-	53,266	-	101,248
Project Evaluation	-	-	-	-	415,477	-	415,477
<b>Total</b>	<b>\$ 44,010</b>	<b>\$ 5,464</b>	<b>\$ 56,540</b>	<b>\$ 25,494</b>	<b>\$ 6,997,285</b>	<b>\$ 859</b>	<b>\$ 7,129,653</b>

**16. GENERAL OFFICE AND OTHER EXPENSES**

	Three Months Ended March 31,	
	2023	2022
Travel	\$ 106,372	\$ 33,673
Salaries and benefits	678,257	584,374
Shareholder communication and investor relations	124,800	69,774
Filing and transfer agent fees <sup>(1)</sup>	326,095	92,828
Rent	19,118	19,843
Depreciation	28,839	17,489
General office and other	372,645	316,198
	<b>\$ 1,656,126</b>	<b>\$ 1,134,179</b>

(1) Filing and transfer agent fees include costs related to the graduation from the TSXV to the TSX in February 2023.

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
For the Three Months Ended March 31, 2023 and 2022

**17. PROFESSIONAL FEES**

	Three Months Ended	
	March 31,	
	2023	2022
Legal	\$ 194,846	\$ 82,582
Audit, tax and accounting	102,661	48,867
Consulting and other	253,395	105,989
	<b>\$ 550,902</b>	<b>\$ 237,438</b>

**18. 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, 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, 2023, 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, 2023.

**19. 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 in marketable securities 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.

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
For the Three Months Ended March 31, 2023 and 2022

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

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

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

## **20. FINANCIAL RISK MANAGEMENT**

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

### **a) Liquidity risk**

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

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

### **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.

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
 Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
 For the Three Months Ended March 31, 2023 and 2022

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.

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

**c) Market Risks**

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

i. Interest rate risk

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

ii. Foreign currency risk

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

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

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
 Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
 For the Three Months Ended March 31, 2023 and 2022

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

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

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

iii. Price risk

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

## 21. 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 is involved in the exploration and development of polymetallic mineral deposits. All of the Company's mineral properties are located in Mexico.

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 condensed interim consolidated financial statements.

**Discovery Silver Corp.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
 Unaudited - (Expressed in Canadian dollars, except where otherwise noted)  
 For the Three Months Ended March 31, 2023 and 2022

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

	Three Months Ended	
	2023	March 31, 2022
Canada	\$ (2,631,449)	\$ (4,985,690)
Mexico	(713,199)	(8,416,567)
<b>Net loss and total comprehensive loss</b>	<b>\$ (3,344,648)</b>	<b>\$ (13,402,257)</b>

## 22. RELATED PARTY TRANSACTIONS

### a) Key management personnel

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

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

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

## 23. EVENTS AFTER THE REPORTING PERIOD

### a) Closing of \$51,750,000 Marketed Public Offering

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