Discoverysilver

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2023, and 2022

Dated March 28, 2024

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

This document contains forward-looking statements and forward-looking information. Refer to the cautionary language under the section entitled "Cautionary Statement on Forward-Looking Statements" in this MD&A. All dollar ($) amounts are expressed in Canadian dollars ("CAD"), the Company's reporting currency, except where otherwise noted. References to United States dollars are denoted as ("USD"). All information contained in this MD&A is current and has been reviewed by management and approved by the Board of Directors ("Board") of the Company as of March 28, 2024, unless otherwise stated.

DESCRIPTION OF BUSINESS

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. On April 14, 2021, the Company's name was changed to Discovery Silver Corp. The Company's Common Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "DSV", on the OTCQX under the symbol "DSVSF", and on the Frankfurt Stock Exchange under the symbol "1CU0".

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

NON-GAAP PERFORMANCE MEASURES

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

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

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

Q4 2023 HIGHLIGHTS

PROJECTS

During Q4 2023, the Company announced results from its feasibility study metallurgical test program, in addition to corporate updates.

Cordero

Metallurgical Test Program

On October 26, 2023, the Company announced results from its Cordero Feasibility Study metallurgical test program.

Highlights include:

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

The Company's two previous metallurgical test programs were primarily focused on variability testwork. Results from these programs established excellent recoveries for all major rock types, rock type blends, different mining phases, variable grade profiles and for oxide-sulphide blending of up to 10% oxides. The FS metallurgical test program was focused on optimizing metallurgical performance for a run-of-mine composite with process variables such as reagent dosage and type, grind size and the testing of oxide-sulphide blends with oxides above 10%.

In total 12 locked cycles test were completed. Optimization testwork was completed on a master composite representing a blend of rock types consistent with the life-of-mine average and an oxide-sulphide blend of 10% oxides and 90% sulphides. The grade of this composite was approximately 35 g/t Ag, 0.5% Pb and 0.7% Zn. Local treated water and well water were also used in select locked cycle tests to confirm that local water quality would not impact metal recoveries.

CORPORATE

Key Management Changes

On November 29, 2023, the Company announced the departure of Tony Esplin as Chief Operating Officer.

RECENT DEVELOPMENTS

Cordero

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

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

- **Large-scale, long-life production:** 19-year mine life with average annual production of 37 Moz AgEq in Year 1 to Year 12.
- **Low costs, high margins:** average AISC of less than $12.50 over the first eight years of the mine life placing Cordero in the bottom half of the cost curve.
- **Low capital intensity:** initial development capex of $606 million resulting in an attractive after-tax NPV-to-capex ratio of 2.0.
- **Attractive project economics:** Base Case after-tax NPV5% ("NPV") of $1.2 billion and IRR of 22% with NPV expanding to $2.2 billion in Year 4.
- **Tier 1 reserve base:** Reserves of Ag - 302 Moz, Au - 840 koz, Pb – 3.0 Blb and Zn – 5.2 Blb, positioning Cordero as one of the largest undeveloped silver deposits globally.
- **Clear upside potential:** 240Mt of Measured & Indicated Resource sit outside the FS pit highlighting the potential to materially extend the mine life at modestly higher silver prices.
- **Substantial socio-economic contribution:** an initial investment of over $600 million, 2,500 jobs created during construction, $4 billion of goods and services purchased and estimated tax contributions of over $1.4 billion within Mexico.
- **Environmental standards:** third-party reviews of proposed environmental practices to ensure adherence to both Mexican regulatory standards and Equator Principles 4. The Study also incorporates investment in infrastructure and technology to recycle wastewater from local communities with discharged water representing the primary source of water for mine operations.

Project Economics

The economics for the FS were based on the following metal prices: Ag - $22.00/oz, Au - $1,600/oz, Pb - $1.00/lb and Zn - $1.20/lb. A 10% increase in metal prices results in a 40% increase in the Project NPV to over $1.6 billion. The payback is 5.2 years due to the expansion of the processing plant from 26,000 tpd to 51,000 tpd in Year 3 at a capital cost of $291 million. This expansion is expected to be funded from operating cash flow.

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

Resource Update

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

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

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

CORPORATE

2024 Workplan

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

OUTLOOK

Following release of the Cordero Feasibility Study, the Company is executing an extensive work program in 2024 aimed at further advancing and de-risking the Project. The program includes extensive engineering and design work, additional permitting, the acquisition or lease of additional surface rights where appropriate and the continued exploration of key target areas. We will also continue our ESG work, including our community outreach program as we work through the permitting process. The Company's target for Cordero is to reach a construction decision early in 2025.

Further details about the 2024 work program are provided below.

Engineering

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

Permitting

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

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

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

Project De-Risking

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

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

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

Exploration

Exploration work in 2024 is expected to include mapping and sampling of new target areas along with 2,500 m of drilling. Key target areas include La Perla (10 km south of Cordero), Dos Mil Diez (immediately southwest of Cordero) and Porfido Norte (10 km north of Cordero).

- La Perla – work will focus on a zone of anomalous silver from rock sampling within a very large alteration footprint and high chargeability / low resistivity anomalies defined by the geophysics program completed in 2022. Historical mine workings are also present within a northeast trending structural corridor (parallel to the orientation of the main mineralized trends at Cordero).

(Expressed in Canadian dollars, except where otherwise noted)

- Dos Mil Diez – further mapping and sampling is planned to support the evaluation of chargeability anomalies identified during an IP survey completed in 2022. Dos Mil Diez is located in an area of mapped intrusives, veining and alteration, directly to the southwest of Cordero.
- Porfido Norte – additional mapping and sampling is planned to define targets within a northeast trending structural corridor in this area.

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

The Company is well positioned to finance the 2024 work program with a cash position of approximately $52 million as at March 28, 2024, and no debt.

SUMMARIZED FINANCIAL RESULTS

Summary of Consolidated Annual Financial Results

				Years Ended
				December 31,
		2023		2022
Net loss	**$**	**(15,752,515)**	**$**	(41,095,770)
Basic and diluted loss per share	**$**	**(0.04)**	**$**	(0.12)
Total comprehensive loss	**$**	**(14,403,320)**	**$**	(40,657,751)
Cash and cash equivalents	**$**	**58,944,459**	**$**	46,220,938
Total assets	**$**	**146,065,998**	**$**	91,583,326
Total current liabilities	**$**	**12,168,225**	**$**	1,964,868
Working capital[(1)]	**$**	**49,691,371**	**$**	53,081,932
Total weighted average shares outstanding		**382,703,062**		342,905,448

(1) Non-GAAP measure defined as current assets less current liabilities from the Company's Consolidated Financial Statements.

Full year 2023 Compared To Full year 2022

Net Loss and Total Comprehensive Loss

The Company had a total comprehensive loss of $14,403,320 for the full year of 2023, compared to a total comprehensive loss of $40,657,751 for the same period in 2022. The total comprehensive loss for 2023 includes a non-cash currency translation adjustment ("CTA") gain of $1,349,195 resulting from the translation of Discovery Silver's Mexican subsidiaries from their Mexican Peso ("MXP") denominated financial statements to the Company's reporting currency of CAD on consolidation (2022 – CTA gain of $438,019). This CTA gain is the result of the appreciation of the MXP to CAD that primarily impacts the mineral property balances.

The overall decrease in net loss during 2023 when compared to 2022 is primarily the result of the capitalization of $22,662,858 in exploration expenditures directly related to the Cordero Project during 2023 as a result of the release of the PFS which demonstrated its economic viability. All exploration expenditures were previously expensed.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $5,673,104 during 2023, compared to $9,205,218 during 2022. This decrease is a direct result of the issuance of only 1,600,000 stock options during 2023 compared to 8,450,000 stock options granted during 2022 as the Company moves towards RSUs as the primary form of long-term incentives. In addition, the stock options issued during 2023 had a lower fair value and weighted average exercise price than the options granted during 2022. Share-based compensation expense reflects the natural vesting of stock options granted which results in a higher expense in the earlier stage of a stock option's life and a lower expense in each subsequent period towards the option's expiry.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $3,743,940 during 2023 compared to $30,347,844 during 2022. Prior to 2023, all costs were expensed; however, beginning in 2023 subsequent to the release of the PFS, exploration costs directly associated with the Cordero Project were capitalized. Any costs not directly attributable to the Cordero Project continue to be expensed and include expenditures for the property-wide exploration program. Of the total spent during 2023, $1,166,601 related to exploration drilling (approximately 6,200 metres) outside of the resource pit area, $949,744 in project evaluation, in mining duties, surface access and permitting, $827,658 for salaries and benefits, $709,576 in administrative and other expenses and $322,827 in mapping and sampling.

General office and other expenses

During 2023, the Company incurred general office and other expenses of $8,653,089 compared to $5,431,363 during 2022. The increase was primarily due to an increase in the workforce in Canada and Mexico, in particular through the hiring of Tony Makuch as full-time CEO and other key positions. As the Company continues to grow, it is building an experienced management team with experience in the areas of HR, ESG, Finance and technical areas. Additionally, higher travel costs were incurred due to the elimination of most COVID-19 travel restrictions, and higher insurance premiums related to the Company increasing the size and scope of its operations also contributed to higher G&A costs. The Company incurred higher listing and filing fees as a result of the upgraded listing to the TSX at the beginning of 2023.

Professional fees

During 2023, the Company incurred professional fees of $1,547,300 compared to $1,089,225 during 2022. This increase primarily relates to consulting fees related to work on the feasibility study and higher legal fees associated with corporate items including the marketed public offering in April 2023 and listing on the TSX in January 2023.

Provision for IVA receivable

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

At December 31, 2022, the majority of the accumulated provision was reversed due to the Company filing all the outstanding IVA returns relating to prior years that were previously included in the provision. During the three months ended December 31, 2023, the Company completed an in-person audit with SAT and received a net refund of $8.0 million, including interest and inflationary adjustments less legal fees. This refund was for a cumulative five-year return filed with SAT in 2022, for months beginning August 2017 through May 2022 (the "Cumulative Refund"). The favourable assessment provided the Company with greater confidence on future IVA collection. All prior provisions recorded against the IVA receivable balance were reversed at Q3 2023.

Since the receipt of the cumulative refund, SAT has since forcibly closed all outstanding receivable balances prior to 2017 resulting in a net write off of $1,293,744 in IVA receivables during the fourth quarter.

Interest income

The Company earned interest income of $3,095,468 during 2023 compared to $1,243,369 during 2022. The increase relates to a combination of higher interest rates during 2023 with higher average cash balance during 2023 as a result of the $52 million marketed public offering. Interest was generated on high-interest savings and short-term guaranteed investment certificates purchased during the year.

Foreign exchange gain

The company realized a foreign exchange gain of $2,398,649 during 2023 compared to a gain of $3,304,546 during 2022. This foreign exchange gain was primarily due to the appreciation of the US Dollar against the Canadian Dollar that resulted in the Company's US Dollar cash balances receiving a foreign exchange gain on translation into the Company's Canadian Dollar reporting currency.

(Expressed in Canadian dollars, except where otherwise noted)

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Summary of Quarterly Results

		Q4 2023		Q3 2023		Q2 2023		Q1 2023
Net loss		**(5,665,597)**	$	(2,207,479)	$	(3,879,721)	$	(3,999,718)
Basic and diluted loss per share	**$**	**(0.01)**	$	(0.01)	$	(0.01)	$	(0.01)
Total comprehensive loss	**$**	**(4,539,860)**	$	(3,059,766)	$	(3,459,046)	$	(3,344,648)
Cash and cash equivalents	**$**	**58,944,459**	$	59,931,068	$	68,168,006	$	37,272,498
Total assets	**$**	**146,065,998**	$	150,770,808	$	149,199,876	$	89,256,576
Total current liabilities	**$**	**12,168,225**	$	13,327,861	$	11,057,495	$	1,783,522
Working capital[(1)]	**$**	**49,691,371**	$	59,402,439	$	65,661,086	$	43,933,240
Total weighted average shares outstanding		**395,747,953**		395,720,230		386,471,109		352,071,321

		Q4 2022		Q3 2022		Q2 2022		Q1 2022
Net loss		(10,411,846)	$	(5,550,164)	$	(11,986,331)	$	(13,147,429)
Basic and diluted loss per share	$	(0.02)	$	(0.02)	$	(0.04)	$	(0.04)
Total comprehensive loss	$	(10,206,433)	$	(4,993,977)	$	(12,055,084)	$	(13,402,257)
Cash and cash equivalents	$	46,220,938	$	55,552,791	$	63,610,036	$	46,229,095
Total assets	$	91,583,326	$	101,208,131	$	101,782,302	$	99,464,516
Total current liabilities	$	1,964,868	$	3,380,384	$	2,536,304	$	1,410,165
Working capital[(1)]	$	53,081,932	$	60,764,790	$	62,521,439	$	61,667,325
Total weighted average shares outstanding		351,012,880		349,402,721		338,750,309		332,025,353

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

Q4 2023 Compared to Q4 2022

Net loss and total comprehensive loss

The Company had a total comprehensive loss of $4,539,860 during Q4 2023, compared to a total comprehensive loss of $10,206,433 for Q4 2022. The total comprehensive loss for Q4 2023 includes a non-cash currency translation adjustment ("CTA") gain of $1,125,737 from the translation of Discovery Silver's Mexican subsidiaries Mexican Peso ("MXP") functional currency financial statements to the Company's reporting currency of CAD on consolidation (Q4 2022 – CTA gain of $205,413). The CTA gain resulted from the appreciation of the MXP compared to the CAD during Q4 2022, primarily impacting the mineral property balances.

The decrease in net loss during Q4 2023 compared to Q4 2022 resulted from the capitalization of exploration expenditures to the Cordero Project. During Q4 2022, all exploration expenditures were expensed.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $1,058,450 during Q4 2023, compared to $1,442,195 during Q4 2022. The decrease was due to a higher number of stock options issued to directors, employees, and consultants during 2022 with higher fair values than the options granted during the current 2023. Additionally, the Company issued 250,000 RSU's during 2022, of which 125,000 vested immediately and therefore incurred the full fair value share-based compensation of the RSU's vested during the quarter while the RSUs granted during 2023 vested in three equal tranches beginning one year after the grant date resulting in the associated expense spread over several years.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $839,071 during Q4 2023 compared to $6,138,623 in Q4 2022 primarily due to a decrease in metres drilled. A total of 219 metres were drilled during Q4 2023 compared to 10,289 metres were drilled during Q4 2022.

General office and other expenses

During Q4 2023, the Company incurred general office and other expenses of $3,473,924 compared to $1,513,490 during Q4 2022. The increase quarter over quarter was related to an increase in the workforce in Canada and Mexico, in particular through the hiring of key positions. As the Company continues to grow, it is building an experienced management team with experience in the areas of HR, ESG, Finance and technical areas.

Professional fees

During Q4 2023, the Company incurred professional fees of $300,971 compared to $182,256 during Q4 2022 relating to legal, accounting, and other consulting fees. The increase in professional fees in Q4 2023 compared to Q4 2022 is primarily due to amounts paid to third-parties for advisory services related to the feasibility study released in Q1 2024.

Provision for IVA receivable

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

At December 31, 2022, the majority of the accumulated provision was reversed due to the Company filing all the outstanding IVA returns relating to prior years that were previously included in the provision. During the three months ended December 31, 2023, the Company completed an in-person audit with SAT and received a net refund of $8.0 million, including interest and inflationary adjustments less legal fees. This refund was for a cumulative five-year return filed with SAT in 2022, for months beginning August 2017 through May 2022 (the "Cumulative Refund"). The favourable assessment provided the Company with greater confidence on future IVA collection. All prior provisions recorded against the IVA receivable balance were reversed at Q3 2023.

Since the receipt of the cumulative refund, SAT has since forcibly closed all outstanding receivable balances prior to 2017 resulting in a net write off of $1,293,744 in IVA receivables during the fourth quarter.

Interest income

The Company earned interest income of $1,219,104 during Q4 2023 compared to $724,576 during Q4 2022. The increase is due to higher cash balance generating interest income from high-interest savings and short term guaranteed investment certificates purchased during the quarter.

Foreign exchange gain

The company realized a foreign exchange gain of $2,163,173 during Q4 2022 compared to a gain of $370,695 during Q4 2022. This foreign exchange gain was due to the appreciation of the US Dollar against the Canadian Dollar that resulted in the Company's US Dollar cash balances receiving a foreign exchange gain on translation into the Company's Canadian Dollar reporting currency.

CASH FLOW

The Company had net cash used in operating activities of $1,525,554 for the full year 2023 compared to net cash used in operating activities of $39,105,895 for 2022. This decrease is primarily due to the capitalization of exploration costs to the Cordero Project in mineral properties during 2023 while all exploration expenditures were expensed during 2022 and included in operating activities.

The Company had net cash from investing activities of $33,757,735 for 2023, compared to net cash used in investing activities of $14,951,427 during 2022 mainly related to the capitalization of exploration expenditures to the Cordero Project during 2023 while the investing activities in 2022 primarily reflect the maturing of a long-term investment.

The Company had net cash provided by financing activities of $48,853,867 during 2023 compared to cash provided by financing activities of $14,475,188 during 2022. The net cash inflow during 2023 was the result of net cash received of $48,741,556 from the marketed public offering.

CAPITAL MANAGEMENT AND LIQUIDITY

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

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

At December 31, 2023, the Company had working capital (defined as current assets less current liabilities) of $49,691,371 (December 31, 2022 – $53,081,932). The Company is sufficiently capitalized to complete planned exploration programs on its properties, including the FS Drill Program at Cordero.

(Expressed in Canadian dollars, except where otherwise noted)

SHARE CAPITAL

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

	Common Shares		Amount
At December 31, 2022	351,941,580	$	166,732,378
Shares issued for marketed public offering	**43,125,000**		**51,750,000**
Finders' fees incurred for marketed public offering	**-**		**(3,008,444)**
Shares issued on exercise of options	**528,650**		**374,642**
Shares issued on exercise of RSU's	**267,019**		**345,587**
At December 31, 2023	**395,862,249**	**$**	**216,194,163**

OUTSTANDING SHARE DATA

At March 28, 2024 the Company had the following equity securities and convertible securities outstanding:

	Authorized	Number and Type Outstanding
Voting or Equity Securities Issued and Outstanding	Unlimited Common Shares	396,639,715 Common Shares
Securities convertible or exercisable into voting or equity securities-stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 19,320,325 Common Shares
Securities convertible or exercisable into voting or equity securities-RSU's & DSU's	RSU's and DSU's to acquire up to 10% of outstanding Common Shares	RSU's and DSU's to acquire 8,169,162 Common Shares

RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as well as those personnel with responsibility for the oversight of the Company's activities.

The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

(Expressed in Canadian dollars, except where otherwise noted)

Related party transactions for the years ended December 31, 2023 and 2022 are as follows:

		Years Ended December 31,	
Transaction Type	**Nature of Relationship**	**2023**	2022
Non-cash share-based payments	Directors and officers	**$ 4,643,393**	$ 6,490,981
Salaries and benefits	Officers	**3,602,335**	2,190,000
Director fees	Directors	**302,596**	325,000
		$ 8,548,324	$ 9,005,981

A summary of amounts due to related parties:

		Years Ended December 31,	
Transaction Type	**Nature of Relationship**	**2023**	2022
Salaries and benefits payable	Directors, officers, and employees	**$ 1,103,245**	$ 1,138,517
		$ 1,103,245	$ 1,138,517

Salaries and benefits payable include certain salaries and benefits or fees earned by directors, officers and employees during 2023 and short-term non-equity incentives earned by officers and employees during 2023 and paid in 2024.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

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

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

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

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

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

(Expressed in Canadian dollars, except where otherwise noted)

Financial Risk Factors

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

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2023, the Company had a cash and cash equivalents balance of $58,944,459 (December 31, 2022 – $46,220,938) to settle current liabilities of $12,168,225 (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 December 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 cash balance at December 31, 2023 is sufficient to fund the 2024 work program as well as 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.

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, 2023	December 31, 2022
Cash and cash equivalents	**$ 58,944,459**	$ 46,220,938
Other receivables	**237,086**	343,346
Deposits	**130,504**	126,270
	$ 59,312,049	**$** 46,690,554

c) Market Risks

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

i. Interest rate risk

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

ii. Foreign currency risk

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

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

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

		December 31, 2023		December 31, 2022
United States dollar	**$**	**6,991,862**	$	102,028
Mexican Peso		**806,771**		360,325
	$	**7,798,633**	$	462,353

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Peso against the Canadian Dollar would affect net loss at December 31, 2023 by approximately $779,844 (December 31, 2022: $45,735).

iii. Price risk

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

OTHER RISKS AND UNCERTAINTIES

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

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

Nature of Mineral Exploration and Mining

At the present time the Company does not hold any interest in a producing mining property. The Company's viability and potential success is based on its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involve significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incident to exploration and development of mineral properties, any of which could result in damage to life and property, the environment and possible legal liability for any and all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of the operations in which the Company has interests. Hazards, such as unusual or unexpected geological structures, rock bursts, pressure, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required in carrying out the activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

Administrative changes in government offices could result in delays in processing applications and issuing any licenses and permits. The Company currently has all necessary drill permits to complete planned work in 2024, however any future applications could be adversely impacted by various factors including the impact of COVID-19, its variants or any other pandemic on government offices and processing timelines.

Competition

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties, the acquisition of mining equipment and related supplies and the attraction and retention of qualified personnel. The ability of the Company to acquire properties, purchase required equipment, and hire qualified personnel in the future will depend not only on its ability to develop its present properties, but also on its ability to identify, arrange, negotiate, select or acquire suitable properties or prospects for mineral exploration, source suitable equipment and hire qualified people. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects, sourcing equipment or hiring people.

Environmental and Climate Change Regulation

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments.

Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. Such impacts may have an adverse effect on the capital and operating cost of the Company's operations or those of its future customers that may materially affect future operations.

Estimates of Mineral Resources May Not Be Realized

The mineral resource estimates that may be published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geological, metallurgical or engineering work, and work interruptions, among other things.

Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

Dependence on Key Personnel

The Company is dependent on the services of its senior management and a small number of skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on the Company's operations.

This risk was further increased by the recent COVID-19 and could be increased by any future pandemic which could impact health and safety measures and therefore accessibility to key personnel who may not be working under normal conditions as a result of protocols implemented. This risk is partially mitigated by the availability of additional communication tools implemented by the Company. Although the Company has no identified cases of COVID-19 at site or at its corporate office, should any key personnel contract the virus or any other illness, the loss, temporary or otherwise, could have a material adverse effect on the Company's operation. Despite the removal of most government mandated health and safety protocols, the Company continues to screen personnel for COVID-19 prior to allowing access to the Project if they exhibit symptoms. No adverse effects have occurred related to the Project as a result of COVID-19.

Limited Financial Resources

The existing financial resources of the Company are sufficient to complete the 2024 work program at Cordero, however they are not sufficient to bring Cordero into commercial production. The Company will need to obtain additional financing from external sources in order to fund the development of its properties and/or to engage in other strategic business opportunities. There is no assurance that the Company will be able to obtain such financing on favourable terms, or at all.

This risk of financial resources is further amplified by the recent COVID-19 pandemic, the ongoing Ukraine/Russia conflict, the Israel/Palestine conflict and other events which have had significant impact on global economies and financial markets. Should depressed market conditions continue in the medium to long-term, it may be more difficult for the Company to obtain required financing to complete its long-term objectives. Failure to obtain financing could result in delay or indefinite postponement of further exploration and development of the Company's properties.

Political Environment

The Company's mineral exploration activities are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local and indigenous people and other matters. No assurance can be given that new rules and regulations will not be enacted by current or future governments, or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a material adverse impact on the operations and financial position of the Company. In addition, as governments continue to struggle with deficits and concerns over the effects of depressed economies, the mining and metals sector has been targeted to raise revenue. Governments are continually assessing the fiscal terms of the economic rent for a mining company to exploit resources in their countries. The occurrence of election cycles and subsequent changeover of governments and personnel in addition to mining regime changes adds uncertainties that cannot be accurately predicted and any future adverse changes in government policies or legislation in the jurisdictions in which the Company operates that affect foreign ownership, mineral exploration, development or mining activities, may affect the Company's viability and profitability.

Liquidity Risk

The Company has in the past and may in the future seek to acquire additional funding by the sale of common shares, the sale of assets or through the assumption of additional debt. Movements in the price of the common shares have been volatile in the past and may be volatile in the future. Furthermore, since approximately 35% of the Common Shares are held by two shareholders, the liquidity of the Company's securities may be negatively impacted should the shareholders' positions held change.

Community Relations

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company, its operations or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk. Further, damage to the Company's reputation can be the result of the perceived or actual occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not. While the Company strives to uphold and maintain a positive image and reputation, the Company does not ultimately have control over how it is perceived by others. Reputation loss may lead to increased challenges in developing, maintaining community relations and advancing its projects and decreased investor confidence, all of which may have a material adverse impact on the financial performance and growth of the Company.

Information Technology

The Company is reliant on the continuous and uninterrupted operations of its information technology ("IT") systems. User access and security of all IT systems are critical elements to the operations of the Company. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, terrorism, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any IT failure pertaining to availability, access or system security could result in disruption for personnel and could adversely affect the reputation, operations or financial performance of the Company.

The Company's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions by the Company's employees or vendors. A cyber security incident resulting in a security breach or failure to identify a security threat, could disrupt business and could result in the loss of business sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs.

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

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

MATERIAL ACCOUNTING POLICIES

For a full description of the Company's material accounting policies, please see note 3 of the consolidated financial statements for the year ended December 31, 2023.

CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Standards

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

Disclosure of Accounting Policies (Amendments to IAS 1)

The International Accounting Standards Board ("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 Company revised disclosure of accounting policies in the consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

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

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

Future Accounting Standards and Interpretations

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

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

This amendment is effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined by management.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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 time 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. 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.

Management periodically reviews the carrying values of its exploration and evaluation assets with internal and external mining professionals. A decision to abandon, reduce or expand a specific project is based upon many factors including general and specific assessments of resources, forecast future metal prices, forecast future costs of exploring, and the general likelihood that the Company will continue exploration. The Company does not set a predetermined holding period for properties with unproven reserves. However, properties which have not demonstrated suitable mineral concentrations at the conclusion of each phase of an exploration program are re-evaluated to determine if future exploration is warranted and their carrying values are recoverable.

ii. Sales tax recoverability

The Company incurs significant expenditures for the purchase of goods and services on which sales tax is paid ("GST/HST" in Canada and "IVA" in Mexico). The net amount paid is recoverable but is subject to review and assessment by the relevant tax authorities (Canada Revenue Agency ("CRA") in Canada and the Servicio de Administración Tributaria ("SAT") in Mexico). The Company files GST/HST returns on a quarterly basis with the CRA and regularly files the required IVA returns and all supporting documentation with SAT.

Management applies significant judgment in assessing the recoverability of the IVA including: i) collections of previous claims made with the tax authority received during and in prior years; ii) communications with tax authorities and iii) review of the appropriateness of the supporting information.

The Company is in regular contact with SAT in respect of its IVA filings and believes the full amount of its IVA receivables will ultimately be received; however, the timing of recovery of these amounts and the nature and extent of any adjustments to the Company's IVA receivables remains uncertain. Management assesses collectability and classification of the asset between current and non-current at each reporting period. If there is uncertainty surrounding collectability of a specific amount, the Company records a provision. Once there is an expectation of recovery, that specific amount is recognized as a long-term receivable and the related provision reversed.

iii. Share-based payments

The fair value of the estimated number of stock options, RSUs and DSUs 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 stock options, RSUs and DSUs 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 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 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.

OFF-BALANCE SHEET ARRANGEMENTS

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

QUALIFIED PERSON

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

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Canadian Securities Administrators have issued National Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings (“NI 52-109”) which requires public companies in Canada to submit annual and interim certificates relating to the design and effectiveness of the disclosure controls and procedures that are in use at the Company. The Company’s disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including the Company’s Chief Executive Officer and Chief Financial Officer, to enable this information to be reviewed and discussed so that appropriate decisions can be made regarding the timely public disclosure of the information. Management has evaluated the effectiveness of the Company’s disclosure controls and procedures and has concluded that they were effective as at December 31, 2023.

Internal Control over Financial Reporting

NI 52-109 also requires public companies in Canada to submit interim and annual certificates relating to the design of internal control over financial reporting (“ICFR”) and an annual certificate that includes evaluating the operating effectiveness of ICFR. The Company’s ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. Management is responsible for establishing and maintaining ICFR. The Company used the 2013 Commission of Sponsoring Organizations of the Treadway Commission (“COSO”) framework as the basis for designing its ICFR. Due to its inherent limitations, ICFR may not prevent or detect misstatements on a timely basis as such systems can only be designed to provide reasonable as opposed to absolute assurance. Also, projections of any evaluation of the effectiveness of ICFR to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. There have been no significant changes in the Company’s internal controls during the three months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, ICFR. The individuals performing the duties of the Company’s Chief Executive Officer and the Chief Financial Officer have each evaluated the operating effectiveness of the Company’s ICFR as at December 31, 2023 and have concluded that the ICFR are effective.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact, information contained, or incorporated by reference, herein constitutes "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "planned", "expect", "project", "predict", "potential", "targeting", "intends", "believe", and similar expressions, or describes a "goal", or variation of such words and phrases or states that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved. Statements relating to mineral resources are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described exist in the quantities predicted or estimated or that it will be commercially viable to produce any portion of such resources. Forward-looking statements in this MD&A include, but may not be limited to, statements and expectations regarding: outlooks for the Cordero Project pertaining to production rates, mining and processing rates, total cash costs, all-in sustaining costs, capital spending, cash flow, operational performance, mine life, value of operations and decreases to costs resulting from the intended mill expansion; intended infrastructure investments in, method of funding for, and timing of completion of the development and construction of the Cordero Project, planned continuation of negotiation of formal agreements with land owners and Mexican authorities with respect to the Cordero Project, as well as other statements and information as to strategy, plans or future financial and operating performance, such as project timelines, production plans, expected sustainable impact improvements, expected exploration programs, costs and budgets, forecasted cash shortfalls and the ability to fund them and other statements that express management's expectations or estimates of future plans and performance. Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made, including among other things, the future prices of gold, silver, lead, zinc, and other metals, the price of other commodities such as coal, fuel and electricity, currency exchange rates and interest rates; favourable operating conditions, political stability, timely receipt of governmental approvals, licenses, and permits (and renewals thereof); access to necessary financing; stability of labour markets and in market conditions in general; availability of equipment; the accuracy of mineral resource estimates, and of any metallurgical testing completed to date; estimates of costs and expenditures to complete our programs and goals; the speculative nature of mineral exploration and development in general; there being no significant disruptions affecting the development and operation of the project, including due to the COVID-19 or other possible pandemic; exchange rate assumptions being approximately consistent with the assumptions in the report; the availability of certain consumables and services and the prices for power and other key supplies being approximately consistent with assumptions in the report; labour and materials costs being approximately consistent with assumptions in the report and assumptions made in mineral resource estimates, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological assumptions, capital and operating cost estimates, and general marketing, political, business and economic conditions. Many of these assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies, and other factors that are not within the control of Discovery Silver Corp. ("Discovery" or the "Company") and could thus cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information.

Forward-looking information and forward-looking statements herein includes, but is not limited to: risks associated with exploration, development, and operating risks, and risks associated with the early-stage status of the Company's mineral properties; the nature of exploration could have a negative effect on the Company's operations and valuation; risk related to the cyclical nature of the mining business; permitting and license risks; risks related to title to land and the potential acquisition of neighboring land packages and the timing thereof; risks related to requiring a significant supply of water for the Company's operations and being able to source it; the availability of adequate infrastructure for the Company's operations; risks related to community relations; environmental risks and hazards and the limitations that environmental regulation poses on the Company; market price volatility of the Company's common shares; uncertainties with respect to economic conditions; the Company's mineral exploration activities being subject to extensive laws and regulations and the risk of failing to comply with those laws or obtain required permits; risks and uncertainties related to operating in a foreign country, and specifically, risks arising from operating in Mexico; risks posed by health epidemics and other outbreaks, such as COVID-19; climate change risks; the risk that commodity prices decline; cybersecurity risks; risks of adverse publicity; potential dilution to the common shares; risks associated with contractual agreements and subsidiaries; the potential of future lack of funding; credit and liquidity risks; the Company's history of net losses and negative operating cash flow; the Company's reliance on a limited number of properties; uninsurable risks; costs of land reclamation; pandemic and global health risks on the Company's business, operations, and market for securities; the competitive nature of mineral exploration and in the mining industry generally; the Company's reliance on specialized skills and knowledge; risks associated with acquisitions and integrating new business; future sales of common shares by existing shareholders; risks associated with having multiple shareholders holding over 10% of the common shares; influence of third-party stakeholders; litigation risk; conflicts of interest; reliance on key executives; reliance on internal controls; risks stemming from international conflicts; global financial conditions; currency rate risks; potential enforcement under the Extractive Sector Transparency Measures Act (Canada); and the potential to pay future dividends. Such factors include, among others: the timing and possible outcome of regulatory and permitting matters; the ability to obtain, maintain or renew the underlying licenses and permits in Mexico in accordance with the requirements of applicable mining, environmental, and other laws in Mexico; satisfaction of requirements relating to the submissions and successful defence of Environmental Impact Assessment reports ("EIAs"); exploration, development, and operating risks, and risks associated with the early stage status of the Company's mineral properties and the nature of exploration; could have a negative effect on the Company's operations and valuation; discrepancies between actual and estimated mineral resources; possible variations of mineral grade or recovery rates; fluctuations in commodity prices and relative currency rates; volatility, changes, or disruptions in market conditions; government regulation of mining operations and changes in government legislation and regulation, including pursuant to the Canadian Extractive Sector Transparency Measures Act (Canada); foreign operations risks, political instability, hostilities, insurrection, or acts of war or terrorism (and the potential consequential capital and financial market reaction); reputational risks; potential dilution of Common Shares (as defined in the Company's Annual Information Form for the year ended December 31, 2023 (the "AIF"), voting power or earnings per share as a result of the exercise of warrants, RSUs, DSUs, or Options (all as defined in the AIF), future financings or future acquisitions financed by the issuance of equity; uncertainties associated with minority interests and joint venture operations; ability to satisfy contractual obligations and additional capital needs generally; reliance on a finite number of properties; contests over title to properties; availability of adequate infrastructure; costs and results derived from community relations activities; environmental risks and hazards; the cost, timing, and amount of estimated future capital, operating exploration, acquisition, development, and reclamation activities; limited operating history and no earnings; limits of insurance coverage and uninsurable risk; accidents, labour disputes, and other risks of the mining industry, including but not limited to environmental risks and hazards, pitwall failures, flooding, rock bursts, and other acts of God or natural disasters; unfavourable operating conditions; limitations on the use of community water sources; risks associated with the Company's indemnified liabilities; pandemics including COVID-19 or other pandemic (and the potential consequential governmental regulations and capital and financial market reaction); competitive conditions in the mineral exploration and mining businesses; the ability of the Company to retain its key management employees and the impact of shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; future sales of Common Shares by existing shareholders; influence of third party stakeholders; successful defence against existing, pending, or threatened litigation or other proceedings; conflicts of interest; the Company's designation as a "passive foreign investment company"; the adequacy of the Company's system of internal controls; credit and/or liquidity risks; cyber security risks; the interpretation and actual results of historic data associated with, and drill results from, those properties, and the reliance on technical information provided by third parties; changes in labour costs or other costs of exploration and development; failure of equipment or processes to operate as anticipated; completion of expenditure and other obligations under earn-in or option agreements to which the Company could be a party; judgement of management when exercising discretion in their use of proceeds from offerings of securities; those general business, economic, competitive, political, regulatory, and social uncertainties, disruptions or changes in the credit or securities markets and market fluctuations in prices for Discovery's securities that may occur outside of management's control; the Company's history of net losses and negative operating cash flow; the Company's major shareholder(s) having the ability to influence matters submitted to Discovery's shareholders for approval; and the risks involved in the exploration, development, and mining business in general.

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

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

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

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

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

FINANCIAL INFORMATION AND NON-GAAP MEASURES

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

The Company has included certain non-GAAP performance measures and ratios as detailed below. In the mining industry, these are common performance measures and ratios but may not be comparable to similar measures or ratios presented by other issuers and the non-GAAP measures and ratios do not have any standardized meaning. Accordingly, these measures and ratios are included to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS Accounting Standards. Total cash costs per ounce, all-in sustaining costs, and free cash flow, are all forward-looking non-GAAP financial measures or ratios. As the Cordero Project is not in production, these prospective non-GAAP financial measures or ratios may not be reconciled to the nearest comparable measure under IFRS Accounting Standards and there is no equivalent historical non-GAAP financial measure or ratio for these prospective non-GAAP financial measures or ratios. Each non-GAAP financial measure and ratio used herein is described in more detail below.

Total Cash Costs per Silver Equivalent Payable Ounce

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

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

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

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

Free Cash Flow

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

ADDITIONAL INFORMATION

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