

Discovery Reports Q1 2023 Financial Results and Update

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TORONTO, May 08, 2023 - [Discovery Silver Corp.](#) (TSX: DSV, OTCQX: DSVSF) ("Discovery" or the "Company") is pleased to announce its financial results for the first quarter ("Q1 2023") ended March 31, 2023, and to provide a summary of key events for the quarter and subsequent to quarter-end. All figures are stated in Canadian dollars ("C\$") unless otherwise noted. Discovery's flagship project is the 100%-owned Cordero silver project ("Cordero" or the "Project") located in Chihuahua State, Mexico.

HIGHLIGHTS FROM Q1 2023 & SUBSEQUENT EVENTS:

- Completion of our PFS on Cordero that outlined an 18-year mine life with average annual production of 33 Moz AgEq at an average AISC of \$12.80/oz AgEq in Years 1 to 12. The after-tax NPV5% was US\$1.2 B and the IRR was 28% at base case metal prices of Ag - US\$22.00/oz, Au - US\$1,600/oz, Pb - US\$1.00/lb and Zn - US\$1.20/lb.
- The appointment of Tony Makuch as the Chief Executive Officer; Mr. Makuch has more than 35 years of development, operational and leadership experience. Most recently he was CEO of [Kirkland Lake Gold Ltd.](#) where, under his five-year tenure, annual gold production grew from 315,000 oz to over 1,400,000 oz and Kirkland Lake's share price increased over 500%.
- Completion of a "marketed" public offering for aggregate gross proceeds of approximately C\$51.75 million putting the Company in a strong position to deliver on key de-risking milestones as well as the Feasibility Study on Cordero.
- The graduation to the main board of the Toronto Stock Exchange reflecting the Company's maturity and growth with Cordero now having advanced to the feasibility study stage.
- As of March 31, 2023, we had a cash and cash equivalents balance of \$37 million.

LOOKING AHEAD:

The Company is currently focused on advancing its Feasibility Study ("FS" or "the Study") with the objective of delivering the Study in the first half of 2024. Feasibility Study drilling, consisting of engineering drilling, resource upgrade drilling, and reserve expansion drilling, is progressing well with initial drill results highlighting the potential to further grow reserves within and on the margins of the open pit. The sample selection for the metallurgical testwork program is now finalized. This program will target the potential reduction of reagent costs and improved metallurgical performance through further variability testwork. Work on optimizing bench heights and mine equipment sizing with the objective of reducing mining costs will also get underway shortly. We also remain committed to the growth potential of Cordero with 9,000 m of drilling planned this year on property-wide targets. This drilling follows on from significant target generation work the Company has completed in recent years including extensive mapping and sampling work and multiple geophysical surveys.

In parallel to the FS work, the Company plans to advance the construction permitting process for Cordero. The submission of the Environmental Impact Statement ("Manifiesto de Impacto Ambiental" or "MIA") to the Mexican Federal Environmental Department ("SEMARNAT") is currently planned for later this quarter. Assuming a 12 to 24 month permitting timeline, this would position the Company to make a potential construction decision toward the end of 2024. Of note, on Saturday April 29, 2023, the Mexican government approved a bill amending several laws relating to mining and water concessions. The Company is awaiting further details on these amendments, including publication of the approved laws in the Official Gazette, to determine the impact, if any, on the Company's operations.

The Company's Environment, Social and Governance ("ESG") program continues to be an important area of focus. The 2022 ESG report is scheduled for issuance in 2Q 2023, and key government and international accreditation certifications are planned for completion in the second half of 2023.

Our balance sheet remains exceptionally strong with a current cash balance of over \$80 million and no debt.

This puts the Company in a strong position to complete the FS as well as other key derisking milestones required to advance Cordero to a construction decision.

SUMMARY OF Q1 2023 & SUBSEQUENT EVENTS:

Public Offering:

The Company announced on April 19, 2023, that it closed its previously announced "marketed" public offering of common shares of the Company for aggregate gross proceeds of approximately C\$51.75 million (the "Offering"). The Offering was conducted by a syndicate of agents co-led by Clarus Securities Inc. and Cormark Securities Inc., and including BMO Nesbitt Burns Inc., Eight Capital, and PI Financial Corp. (collectively, the "Agents"), and consisted of the sale of 43,125,000 common shares of the Company which included the full exercise of the Agents' option at a price of C\$1.20 per Share.

The Company intends to use the net proceeds from the Offering to fund the continued advancement and de-risking of the Cordero Project and for working capital and general corporate purposes.

Further details can be found in the news releases dated April 12, 2023, and April 19, 2023.

Projects:

Preliminary Feasibility Study (PFS)

On January 24, 2023, we announced the results from the PFS on Cordero. Highlights from the study include:

- Excellent project economics: Base Case after-tax NPV5% of US\$1.2 Billion (C\$1.5 Billion) and IRR of 28% (Ag - US\$22.00/oz, Au - US\$1,600/oz, Pb - US\$1.00/lb and Zn - US\$1.20/lb).
- Extended mine life & higher production: 18-year mine life with average annual production of 33 Moz AgEq
- High margins & low capital intensity maintained: average AISC of US\$12.80/oz AgEq in Years 1 to 12 with an initial development capex of US\$455 M resulting in an attractive NPV-to-capex ratio of 2.5x.
- Significantly de-risked Reserve base: new Reserves declared of Ag - 266 Moz, Au - 790 koz, Pb - 2,970 Mlb and Zn - 4,650 Mlb; more than 70% of mill feed in Years 1 to 5 classified as Proven.
- Exceptional silver price leverage: PFS mine plan assumes only 42% of Measured & Indicated Resource tonnes are processed; clear potential to significantly extend mine life at higher silver prices.
- ESG/economic contribution: total estimated taxes payable of US\$1.2 Billion, a peak estimated local workforce of over 1,000 employees and over \$4 Billion of expected goods and services purchased locally within Mexico over the life of the mine.

The PFS was released in conjunction with an updated Mineral Resource Estimate ("MRE"). Further details on the PFS and MRE results can be found in our news release dated January 24, 2023, and in the supporting technical report filed on SEDAR and on the Company's website.

Feasibility Study drilling

Feasibility Study drilling commenced in Q3 2022 and is expected to be ongoing throughout 2023. The program is anticipated to consist of approximately 50,000 m of drilling related to engineering drilling, reserve expansion drilling and resource upgrade drilling. To date, the Company has released 45 drill holes consisting of 20,000 m of drilling. These initial drill holes were focused on two key areas: 1) expansion of reserves within and beneath the Pre-Feasibility Study open pit and 2) upgrading and expansion of the resource in the far northeast of the deposit.

Reserve Expansion Drilling - highlight intercepts from this drilling include:

- 77 m averaging 46 g/t Ag, 0.08 g/t Au, 0.7% Pb and 1.4% Zn from 218 m and 22 m averaging 83 g/t Ag, 0.10 g/t Au, 1.8% Pb and 3.2% Zn from 374 m within the PFS pit in areas modelled as low to medium grade in hole C22-656.
- 96 m averaging 33 g/t Ag, 0.03 g/t Au, 0.7% Pb and 1.8% Zn from 464 m on the margins of the PFS pit in hole C22-654.
 - 32 m averaging 77 g/t Ag, 0.16 g/t Au, 0.7% Pb and 1.3% Zn from 108 m and 39 m averaging 124 g/t Ag, 0.09 g/t Au, 1.2% Pb and 1.9% Zn from 185 m within the reserves pit in the South Corridor in hole C22-677.
 - 36 m averaging 35 g/t Ag, 0.06 g/t Au, 0.7% Pb and 1.7% Zn from 481 m and 27 m averaging 25 g/t Ag, 0.06 g/t Au, 0.6% Pb and 2.2% Zn from 555 m in hole C22-687; these intervals were toward the bottom and beneath the reserves pit in an area previously modelled as waste.

These positive drill results demonstrate the potential to expand reserves through the conversion of waste to ore within the reserves pit and through the expansion at depth of the reserves pit.

For further details on the drill results noted above refer to our news release dated March 22, 2023. Supporting Technical Disclosure for drill results can be found at the end of this release.

SELECTED FINANCIAL DATA:

The following selected financial data is summarized from the Company's consolidated financial statements and related notes thereto (the "Financial Statements") for the quarter ended March 31, 2023, and the Management's Discussion and Analysis ("MD&A") for the quarter ended March 31, 2023.

A copy of the Financial Statements and MD&A is available at www.discoverysilver.com or on SEDAR at www.sedar.com.

	Q1 2023	Q1 2022
Net loss		
(a) Total	\$ (3,999,718)	\$ (13,147,429)
(b) basic and diluted per share	\$ (0.01)	\$ (0.04)
Net loss & total comprehensive loss	\$ (3,344,648)	\$ (13,402,257)
Total weighted average shares outstanding	352,071,321	332,025,353

	March 31, 2023	December 31, 2022
Cash, cash equivalents & short-term investments	\$ 37,272,498	\$ 46,220,938
Total assets	\$ 89,256,576	\$ 91,583,326
Total current liabilities	\$ 1,783,522	\$ 1,964,868
Working capital ⁽¹⁾	\$ 43,933,240	\$ 53,081,932
Total Shareholders' equity	\$ 87,036,587	\$ 89,158,070

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

About Discovery

Discovery's flagship project is its 100%-owned Cordero project, one of the world's largest silver deposits. The PFS completed in January 2023 demonstrates that Cordero has the potential to be developed into a highly capital efficient mine that offers the combination of margin, size and scalability. Cordero is located close to infrastructure in a prolific mining belt in Chihuahua State, Mexico.

On Behalf of the Board of Directors,
Tony Makuch, P.Eng
CEO & Director

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TECHNICAL NOTES & REFERENCES:

Drill results: all drill results in this news release are rounded. Assays are uncut and undiluted. Widths are drilled widths, not true widths, as a full interpretation of the actual orientation of mineralization is not complete. As a guideline, intervals with disseminated mineralization were chosen based on a 25 g/t AgEq cutoff with no more than 10 m of dilution. AgEq calculations are used as the basis for total metal content calculations given Ag is the dominant metal constituent as a percentage of AgEq value in approximately 70% of the Company's mineralized intercepts. AgEq calculations for cutoff calculations are based on USD \$22.00/oz Ag, \$1,600/oz Au, \$1.00/lb Pb, \$1.20/lb Zn and assume 100% metallurgical recovery and are indicative of gross in-situ metal value at the indicated metal prices.

Sample analysis and QA/QC Program

The true width of the veins is estimated to be approximately 70% of the drilled width. Assays are uncut except where indicated. All core assays are from HQ drill core unless stated otherwise. Drill core is logged and sampled in a secure core storage facility located at the project site 40km north of the city of Parral. Core samples from the program are cut in half, using a diamond cutting saw, and are sent to ALS Geochemistry-Mexico for preparation in Chihuahua City, Mexico, and subsequently pulps are sent to ALS Vancouver, Canada, which is an accredited mineral analysis laboratory, for analysis. All samples are prepared using a method whereby the entire sample is crushed to 70% passing -2mm, a split of 250g is taken and pulverized to better than 85% passing 75 microns. Samples are analyzed for gold using standard Fire Assay-AAS techniques (Au-AA24) from a 50g pulp. Over limits are analyzed by fire assay and gravimetric finish. Samples are also analyzed using thirty three-element inductively coupled plasma method ("ME-ICP61"). Over limit sample values are re-assayed for: (1) values of zinc > 1%; (2) values of lead > 1%; and (3) values of silver > 100 g/t. Samples are re-assayed using the ME-OG62 (high-grade material ICP-AES) analytical package. For values of silver greater than 1,500 g/t, samples are re-assayed using the Ag-CON01 analytical method, a standard 30 g fire assay with gravimetric finish. Certified standards and blanks are routinely inserted into all sample shipments to ensure integrity of the assay process. Selected samples are chosen for duplicate assay from the coarse reject and pulps of the original sample. No QAQC issues were noted with the results reported herein.

Qualified Person

Gernot Wober, P.Geo, VP Exploration, [Discovery Silver Corp.](#), is the Company's designated Qualified Person for this news release within the meaning of National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") and has reviewed and validated that the information contained in this news release is accurate.

The most recent technical report for the Cordero Project is the 2023 Preliminary Feasibility Study for the Company's Cordero project. The report was completed by Ausenco with support from AGP, Knight Piésold and Hard Rock and is available on Discovery's website and on SEDAR under [Discovery Silver Corp.](#) The PFS assumed average life-of-mine recovery assumptions of 87% for Ag, 22% for Au, 86% for Pb and 85% for Zn.

FORWARD-LOOKING STATEMENTS:

Neither TSX Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Exchange) accepts responsibility for the adequacy or accuracy of this release.

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Cautionary Note Regarding Forward-Looking Statements

This news release may include forward-looking statements that are subject to inherent risks and uncertainties. All statements within this news release, other than statements of historical fact, are to be considered forward looking. Although Discovery believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those described in forward-looking statements. Statements regarding the results of the pre-feasibility study and the anticipated capital and operating costs, sustaining costs, net present value, internal rate of return, payback period, process capacity, average annual metal production, average process recoveries, concession renewal, permitting of the Project, anticipated mining and processing methods, proposed pre-feasibility study production schedule and metal production profile, anticipated construction period, anticipated mine life, expected recoveries and grades, anticipated production rates, infrastructure, social and environmental impact studies, availability of labour, tax rates and commodity prices that would support development of the Project. Information concerning mineral resource/reserve estimates and the economic analysis thereof contained in the results of the pre-feasibility study are also forward-looking statements in that they reflect a prediction of the mineralization that would be encountered, and the results of mining, if a mineral deposit were developed and mined. Forward-looking statements are statements that are not historical facts which address events, results, outcomes or developments that the Company expects to occur. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made and they involve a number of risks and uncertainties. Factors that could cause actual results to differ materially from those described in forward-looking statements include fluctuations in market prices, including metal prices, continued availability of capital and financing, and general economic, market or business conditions. There can be no assurances that such statements will prove accurate and, therefore, readers are advised to rely on their own evaluation of such uncertainties. Discovery does not assume any obligation to update any forward-looking statements except as required under applicable laws. The risks and uncertainties that may affect forward-looking statements, or the material factors or assumptions used to develop such forward-looking information, are described under the heading "Risks Factors" in the Company's Annual Information Form dated March 29, 2023, which is available under the Company's issuer profile on SEDAR at www.sedar.com.

NON-GAAP MEASURES:

The Company has included certain non-GAAP performance measures as detailed below. In the mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers and the non-GAAP measures do not have any standardized meaning. 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.

CASH COSTS PER OUNCE

The Company calculated total cash costs per ounce by dividing the sum of operating costs, royalty costs, production taxes, refining and shipping costs, by payable silver-equivalent 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 ("AISC")

The Company has provided an AISC performance measure that reflects all the expenditures that are required to produce an ounce of payable metal. 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 guidance dated June 27, 2013. Subsequent amendments to the guidance have not materially affected the figures presented.

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.

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