Discoverysilver

(Formerly Discovery Metals Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2021 and 2020

Dated November 24, 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") of Discovery Silver Corp. (referred to as the "Company" or "Discovery Silver"), contains information that management believes is relevant for an assessment and understanding of the Company's consolidated financial position, and results of its consolidated operations for the three and nine months ended September 30, 2021 ("Q3 2021" and "Q3 2021 YTD"). This MD&A, and the discussion of performance, financial condition and future prospects contained herein, should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2020 and accompanying notes (the "consolidated financial statements"), prepared in accordance with International Financial Reporting Standards ("IFRS") and accompanying MD&A for the year ended December 31, 2020, the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2021 (the "interim financial statements"), prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34") and the Company's Annual Information Form ("AIF") for the year ended December 31, 2019. The information provided herein supplements, but does not form part of, the interim financial statements and includes financial and operational information from the Company's subsidiaries. This discussion also covers the three and nine months ended September 30, 2020 ("Q3 2020" and "Q3 2020 YTD") and the subsequent period up to the date of this MD&A. The Company's common shares (the "common shares") are listed and traded on the TSX Venture Exchange (the "TSX-V") under the symbol "DSV", and on the OTCQX under the symbol "DSVSF".

All dollar amounts are presented in Canadian dollars ("CAD"), the Company's reporting currency, except where otherwise noted. References to United States dollars are denoted as ("USD"). Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

The Company's certifying officers, based on their knowledge and having exercised reasonable diligence, are also responsible to ensure that this MD&A and related interim financial statements do not contain any untrue statement of material fact and do not omit any required statement of material fact with respect to the periods reported. The interim financial statements, together with the other financial information included in this MD&A present fairly in all material respects the financial condition, results of operations and cash flows of the Company, at the date of and for the periods presented in this MD&A. This MD&A contains forward looking information that is subject to risk factors set out in the cautionary note herein.

The Company's Board of Directors' (the "Board") review is accomplished principally through the Company's Audit Committee, which meets periodically to review all financial reports, prior to filing. The Board has approved the interim financial statements and this MD&A, as well as ensured that the Company's management ("Management") has discharged its financial responsibilities. Information in this MD&A is prepared as at November 24, 2021.

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 is listed on the TSX Venture Exchange (the "Exchange" or "TSXV") under the symbol "DSV" and the OTCQX Market® under the symbol "DSVSF". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

Discovery is a Canadian based exploration and development company that is currently focused on advancing its 100%-owned flagship Cordero silver project in Chihuahua ("Cordero" or "the Project"), Mexico towards an eventual construction decision. Cordero is one of the few silver projects globally that offers margin, size and scaleability. Cordero is located close to infrastructure in a prolific mining belt in Chihuahua State, Mexico.

COVID-19 – DISCOVERY SILVER'S RESPONSE AND CONTINUITY PLANS

The Company continues to be proactive in mitigating health and safety risks regarding COVID-19 and continually monitors employees and contractors. The Company remains committed to being engaged with our local stakeholders during this uncertain time and will continue to closely monitor the directives of all levels of government in both Mexico and Canada as well as the relevant health authorities. Despite the increased risk that the Delta variant poses to future exploration at the Project, all of the drilling required to complete the updated resource was completed during the quarter, and the Company remains on-track to deliver the updated Preliminary Economic Assessment ("PEA") in Q4 2021. To-date, health and safety protocols and the efforts of employees and contractors to manage COVID-19 have been effective and the Company continues drilling with four diamond core rigs.

Q3 2021 HIGHLIGHTS

PROJECTS

During Q3 2021, the Company issued several news releases announcing results from exploration activities at the Cordero Project, in addition to corporate development initiatives.

Cordero

On August 25, 2021, the Company announced results from the final drill holes that were used to support the new resource estimate on its Cordero Project, released on October 20, 2021, to be followed by an updated PEA in Q4 2021.

Highlight intercepts include:

- **217.3 m averaging 194 g/t AgEq** from 39.3 m (75 g/t Ag, 0.45 g/t Au, 1.1% Pb and 1.0% Zn) in hole C21-481 including:
    - **81.9 m averaging 254 g/t AgEq** (99 g/t Ag, 0.54 g/t Au, 1.5% Pb and 1.4% Zn)
- **25.5 m averaging 404 g/t AgEq** from 147.2 m (236 g/t Ag, 0.55 g/t Au, 1.2% Pb and 1.9% Zn) in hole C21-482 including:
    - **1.5 m averaging 3,763 g/t AgEq** (2,552 g/t Ag, 2.33 g/t Au, 13.3% Pb & 13.3% Zn)
- **56.8 m averaging 139 g/t AgEq** from 358.7 m (40 g/t Ag, 0.05 g/t Au, 0.7% Pb and 1.7% Zn) in hole C21-442
    - **52.5 m averaging 128 g/t AgEq** from 214.8 m (42 g/t Ag, 0.08 g/t Au, 0.7% Pb and 1.3% Zn) and **54.9 m averaging 133 g/t AgEq** from 392.8 m (39 g/t Ag, 0.06 g/t Au, 0.9% Pb and 1.3% Zn) in hole C21-493

The final drill holes for the updated resource estimate were from multiple zones in both the North and South Corridors. Drilling in the South Corridor along the Josefina vein trend continues to intercept high-grade veins within broader zones of disseminated mineralization. Infill drilling within the central part of the South Corridor was also successful in confirming continuity of mineralization within the higher-grade bulk-tonnage domain. This new drilling, which will be complemented by the Company's reinterpretation of the geological and structural controls of the deposit, provides a strong platform on which the upcoming PEA was based.

Refer to the Press Release dated August 25, 2021, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

On September 30, 2021, the Company announced results from the first 13 holes from its Phase 2 drill program on its Cordero silver project. This current set of holes was focused on upgrading resources for inclusion in a prefeasibility study planned for 2022.

Highlight intercepts include:

- **73.1 m averaging 241 g/t AgEq** from 75.0 m (104 g/t Ag, 0.06 g/t Au, 0.8% Pb and 2.5% Zn) in hole C21-510
- **133.8 m averaging 103 g/t AgEq** from 69.0 m (39 g/t Ag, 0.07 g/t Au, 0.8% Pb and 0.7% Zn) in hole C21-523
- **28.6 m averaging 300 g/t AgEq** from 265.5 m (101 g/t Ag, 0.12 g/t Au, 1.6% Pb and 3.2% Zn) including **9.4 m averaging 759 g/t** AgEq (257 g/t Ag, 0.26 g/t Au, 4.1% Pb & 8.1% Zn) in hole C21-519
    - **22.6 m averaging 298 g/t AgEq** from 409.8 m (94 g/t Ag, 0.11 g/t Au, 1.7% Pb and 3.3% Zn) in hole C21-537

Highlight intercepts from this release are from both the North and South Corridors and demonstrate the potential to expand the higher-grade resource as the Company continues to tighten up the drill spacing across the deposit through the Phase 2 drill program.

DRILL PROGRAM UPDATE:

The Company has now completed 22,000 m (44 holes) as part of its Phase 2 drill program (excluding drill metres used to support the updated resource). Assays from 32 holes are pending. Phase 2 drilling will continue through the remainder of the year and will be focused on three key areas: (1) upgrading inferred resources for inclusion in a prefeasibility study planned for 2022; (2) resource expansion of bulk-tonnage mineralization; and (3) testing of the width, grade and continuity of the extensive high-grade vein systems that transect the deposit.

There are currently four drill rigs operating on site. Despite the increased risk that the Delta variant poses to future exploration at the Project, Phase 2 drilling is progressing as planned.

Refer to the Press Release dated September 30, 2021, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

On September 7, 2021, the Company announced results from its metallurgical test program on representative samples from the Cordero deposit.

The results from this metallurgical test work program represent a major de-risking step for Cordero. All major rock types hosting sulphide ore returned excellent recoveries via conventional flotation processes to generate clean, highly saleable concentrates. In addition, there were two new positive developments that also emerged from the test work. Firstly, the highest recoveries were achieved at coarse grind sizes of 175-200 microns, which should help reduce capital and operating costs for the project. Secondly, mineralized oxide and mixed oxide-sulphide (transition) "pre-strip" material that sits at surface above the large sulphide ore body responded very well to cyanidation introducing the potential to heap leach this material at the start of the mine life. Both developments should have a positive impact on the overall project economics in the upcoming PEA.

Refer to the Press Release dated September 7, 2021, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

On September 27, 2021, the Company announced that it entered into an arm's length assignment and assumption agreement (the "Agreement") with Monumental Gold Ltd. ("Monumental") (TSX-V: MGLD) dated September 22, 2021, whereby Discovery has agreed to transfer and assign its rights and obligations under the option agreement on the Jemi Rare Earth Property (the "Property" and the "Jemi Option Agreement"), located in Coahuila, Mexico, to Monumental.

Under the terms of the Agreement, Monumental will assume the Jemi Option Agreement and in return will issue to Discovery that number of common shares of Monumental that would result in Discovery holding 9.9% of the issued and outstanding common shares of Monumental ("Payment Shares") on a non-diluted basis. The Payment Shares are subject to a statutory hold period of four months and a day from the date of issuance and a 12-month voluntary hold period from the date of issuance. In addition, subject to the exercise of the option to acquire the Property pursuant to the Agreement, Discovery would retain a 1.5% net smelter returns royalty payable upon the commercial production of the Property in accordance with the terms set out in the Agreement and pursuant to a separate royalty agreement between Discovery and Monumental's Mexican subsidiaries.

Approval for the transfer of the Jemi Option Agreement was received from the TSX Venture exchange on November 2, 2021.

Refer to the Press Release dated September 27, 2021, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

RECENT DEVELOPMENTS

PROJECTS

Cordero

On October 20, 2021, the Company announced an updated Mineral Resource Estimate ("Resource") on the Cordero silver project. The Resource is pit-constrained with an estimated waste-to-ore ratio of 1.1 and is supported by 224,000 m of drilling in 517 holes and reinterpreted structural and geological models of the deposit. 87% of the contained metal is in the Measured and Indicated category. The Resource will be used to support an updated PEA scheduled for completion in Q4 2021. The size of the Resource positions Cordero as one of the largest development-stage silver projects globally. Highlights include:

SULPHIDE RESOURCE *(assumed to be processed via mill/flotation)*

- **Measured & Indicated Resource of 837 Moz AgEq at an average grade of 48 g/t AgEq** (541 Mt grading 20 g/t Ag, 0.06 g/t Au, 0.29% Pb and 0.51% Zn)

(Expressed in Canadian dollars, except where otherwise noted)

- **Inferred Resource of 119 Moz AgEq at an average grade of 34 g/t AgEq** (108 Mt grading 14 g/t Ag, 0.03 g/t Au, 0.19% Pb and 0.38% Zn)
- **High-grade subset** – at a $25/t NSR cut-off a Measured & Indicated Resource of 509 Moz AgEq at an average grade of 101 g/t AgEq (42 g/t Ag, 0.11 g/t Au, 0.64% Pb and 1.04% Zn)

OXIDE/TRANSITION RESOURCE *(assumed to be processed by heap leaching)*

- **Measured & Indicated resource of 74 Moz AgEq at an average grade of 23 g/t AgEq** (98 Mt grading 19 g/t Ag and 0.05 g/t Au)
- **Inferred Resource of 22 Moz AgEq at an average grade of 20 g/t AgEq** (35Mt grading 16 g/t Ag and 0.04 g/t Au)
- **High-grade subset** – at a $15/t NSR cut-off, a Measured & Indicated Resource of 26 Moz AgEq at an average grade of 60 g/t AgEq (52 g/t Ag and 0.09 g/t Au)

SULPHIDE RESOURCE:

Sulphide mineralization is categorized as all mineralization that sits beneath the oxide/transition boundary and is assumed to be processed via standard flotation processing. Sulphide mineralization extends to depths of more than 800 m below surface. The estimates in the below table sit within a pit shell that extends to a maximum depth of approximately 600 m.

The Sulphide Resource as outlined in the table below assumed a $7.25/t Net Smelter Return ("NSR") cut-off (see Resource Estimate Summary section below).

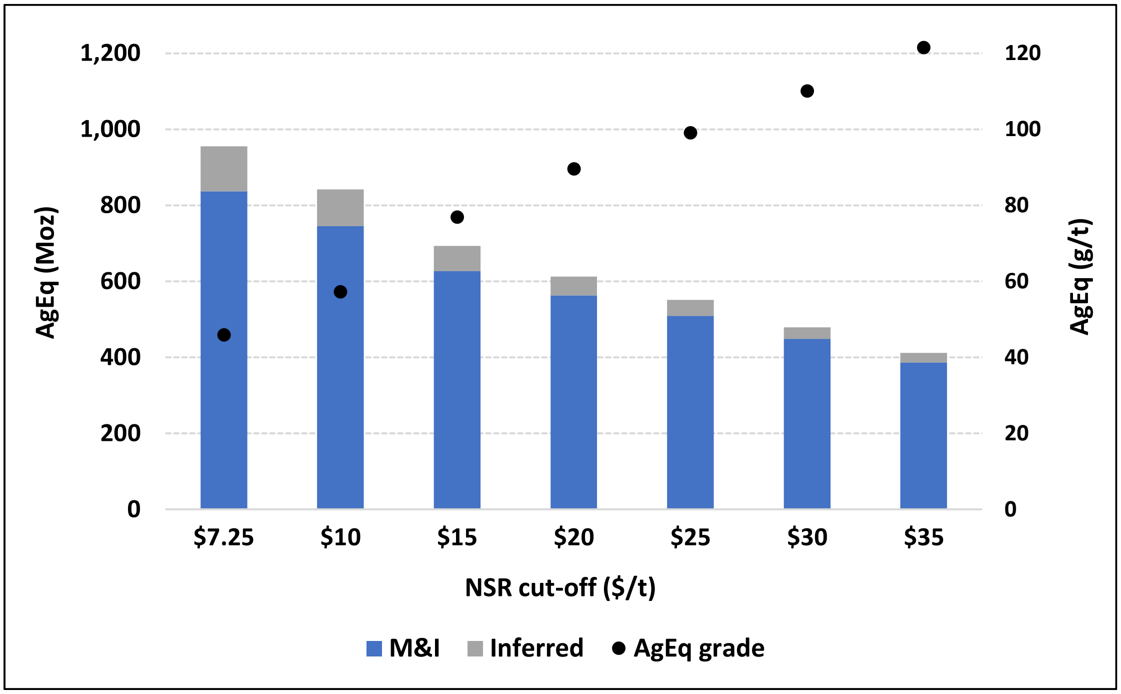
NSR $/t cut-off	Class	Tonnes	Grade					Contained Metal				
			Ag	Au	Pb	Zn	AgEq	Ag	Au	Pb	Zn	AgEq
		(Mt)	*(g/t)*	*(g/t)*	*(%)*	*(%)*	*(g/t)*	*(Moz)*	*(koz)*	*(Mlb)*	*(Mlb)*	*(Moz)*
$7.25/t	Measured	128	22	0.08	0.31	0.52	**52**	89	328	881	1,470	**212**
	Indicated	413	19	0.05	0.28	0.51	**47**	255	707	2,543	4,663	**625**
	M&I	**541**	**20**	**0.06**	**0.29**	**0.51**	**48**	**344**	**1,035**	**3,424**	**6,132**	**837**
	Inferred	**108**	**14**	**0.03**	**0.19**	**0.38**	**34**	**49**	**99**	**451**	**909**	**119**

1. *Please refer to the Supporting Technical Disclosure section for cautionary statements and underlying assumptions for the Resource included in the Company's Press Release on October 20, 2021 available on the Company's website.*

(Expressed in Canadian dollars, except where otherwise noted)

Sulphide Resource Estimate – NSR Cut-off Sensitivity

A significant portion of the Sulphide Resource persists at higher NSR cut-offs as highlighted in the graph below. At an NSR cut-off $25/oz, the Measured & Indicated Resource is 509 Moz AgEq[1] at an average grade of 101 g/t AgEq[1] representing over 60% of the total Measured and Indicated Sulphide Resource.



OXIDE/TRANSITION RESOURCE:

Oxide/transition mineralization is categorised as all mineralization that is at or close to surface that is weathered (oxide) or partially weathered (transition). Oxide/transition mineralization is assumed to be processed via heap leaching. Lead and zinc are not incorporated in the Oxide/Transition Resource given these metals are not recoverable through heap leaching. The depth of the oxide/transition zone varies across the deposit from approximately 20 m in the Pozo de Plata zone to depths of up to 100 m in certain areas in the South Corridor and in the far north-east of the deposit.

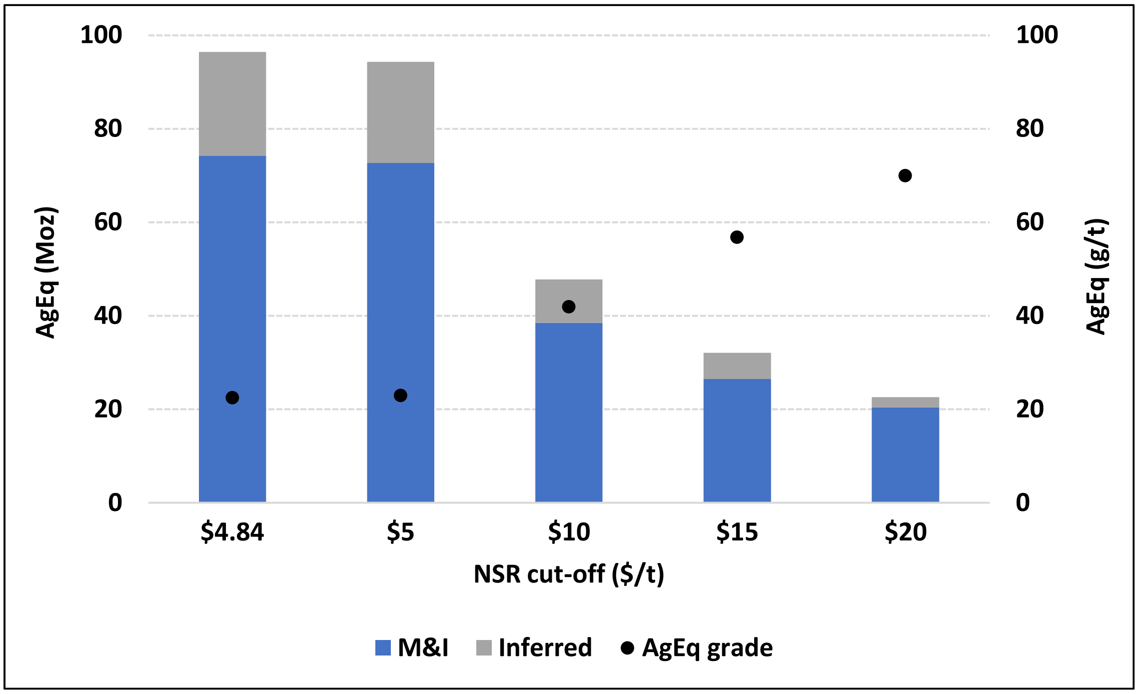
The Oxide/Transition Resource as outlined in the table below assumed a $4.78/t NSR cut-off (see Resource Estimate Summary section below).

NSR $/t cut-off	Class	Tonnes	Grade			Contained Metal			% Oxide / % Trans
			Ag	Au	AgEq	Ag	Au	AgEq	
		(Mt)	*(g/t)*	*(g/t)*	*(g/t)*	*(Moz)*	*(koz)*	*(Moz)*	
$4.78/t	Measured	23	20	0.06	25	15	43	19	92% / 8%
	Indicated	75	19	0.05	23	45	125	56	87% / 13%
	M&I	**98**	**19**	**0.05**	**23**	**60**	**168**	**74**	**88% / 12%**
	Inferred	**35**	**16**	**0.04**	**20**	**18**	**44**	**22**	**63% / 37%**

1. *Please refer to the Supporting Technical Disclosure section for cautionary statements and underlying assumptions for the Resource included in the Company's Press Release on October 20, 2021 available on the Company's website.*

Oxide/Transition Resource Estimate – NSR Cut-off Sensitivity

A graph showing sensitivities to the NSR cut-off is also provided below. At a $15 NSR cut-off the Oxide/Transition Measured & Indicated Resource is 26 Moz AgEq[1] averaging 60 g/t AgEq[1] highlighting the excellent potential to generate meaningful cash flow via heap leaching in the early years of the mine life.



Refer to the Press Release dated October 20, 2021, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

CORPORATE

Inaugural Environmental, Social and Governance ("ESG") Report

On November 2, 2021, the Company announced the release of its first ESG report, setting out the Company's current practices and priorities going forward. The report covers the Company's performance from January 1, 2020, to December 31, 2020, and focuses on the material issues within our four ESG pillars of action. The Company recognizes that social and environmental stewardship combined with ethical, transparent governance drives performance. The publishing of this inaugural ESG report is a major milestone as the Company's bold mission is to be a leader in sustainable value creation among its peers and within the mining industry as a whole. The Company believes that sustainable projects create long term value for all stakeholders.

Highlights of the Report (all $ amounts in Canadian dollars)*:

- Over $1.7 million in goods and services purchased from local Mexican businesses;
- Over $1.3 million in salaries and benefits paid to local employees;
- Total workforce of 124 includes 58 employees and 66 contractors;
  - Employees: 89% Mexican nationals, 11% Canadian
  - Contractors: 98% Mexican nationals, 2% Canadian
- Total GHG emissions of 167 tonnes of CO_2 equivalent;
- Total water withdrawal of 36,017 m^3 and total water discharged of 36,007 m^3; and
- Zero fatalities and only 5 first-aid incidents

**Data based on 2020 calendar year*

Refer to the Press Release dated November 2, 2021, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

2021 OUTLOOK

We are looking forward to releasing our PEA, a landmark milestone for the Company, later this quarter. The overarching objective is to deliver a technically robust study that outlines one of the largest producing primary silver operations in the industry with manageable upfront development capex and operating costs in the bottom half of the industry cost curve. The study will incorporate staged expansions to reduce initial capex and an elevated cut-off grade strategy and effective use of stockpiling to accelerate the payback period. The study will be vetted by industry leading consultants and supported by our recently released Mineral Resource Estimate and three rounds of metallurgical testwork.

Our drill planning for next year is currently being finalized. our ongoing Phase 2 drill program focused on reserve definition for an expected pre-feasibility study on the project for 2022. Alongside this infill drilling we will remain focused on potential resource expansion of bulk-tonnage mineralization as well as ongoing testing of the grade and continuity of the high-grade veins that transect the deposit. Our property wide mapping and sampling program also continues to progress well with targets expected to be finalized through the remainder of the year ahead of initial drill testing early next year. We also look forward to advancing and expanding our ESF efforts following the recent publication of our inaugural ESG report.

The Company's planned work program at Cordero in 2021 is budgeted at $26 million. Expenditures for the year reflect an accelerated approach to de-risking the Project while still allocating growth capital to resource expansion and property-wide exploration. The Company's cash balance is significantly greater than the anticipated 2021 budget spend that will allow for expansion of the work program, if feasible within COVID-19 constraints, as well as to rapidly advance the Project to a construction decision beyond 2021.

KEY ECONOMIC TRENDS

The prices of silver, lead, zinc and gold impact the economic viability of the Company's mineral and exploration projects. The future gold and silver price is expected to continue to be impacted by the uncertainty surrounding expectations of the US Federal Reserve Bank's tapering of quantitative easing which has injected unprecedented levels of liquidity into capital markets over the last year and a half. During the second half of 2021, inflation has risen to its highest levels in over 30 years, interest rates remain at historic lows, which has maintained real interest rates as negative. These factors have contributed to precious metals prices remaining higher Q3 YTD 2021 vs Q3 YTD 2020 as precious metals continue to be a popular investment for investors looking to hedge against inflation. During Q3 2021 the silver price declined 16% due to the strengthening of the US dollar and the increase in bond yields. However, inflation has continued to remain high and has accelerated slightly, which could push the demand for precious metals and the price of silver higher.

During Q3 YTD 2021, the average price of silver was $25.32 per ounce, with silver trading between $21.52 and $29.59 per ounce based on the London Fix silver price. This compares to an average of $20.54 per ounce for Q3 YTD 2021 with a low of $12.01 and a high of $28.85 per ounce.

The Company's operations are affected by Canadian Dollar exchange rates. Discovery's largest exposures are to the Canadian Dollar/US Dollar exchange rate and the Canadian Dollar/Mexican Peso exchange rate which impacts the operating and administrative costs in Mexico incurred in Canadian Dollars, US Dollars and Mexican Peso. As at September 30, 2021, the Canadian Dollar /Mexican Peso exchange rate was 16.09 (December 31, 2020: 15.60) and the Canadian Dollar/US Dollar exchange rate was 1.27 (December 31, 2020: 1.28).

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Summary of Quarterly Results

		Q3 2021		Q2 2021		Q1 2021		Q4 2020
Net loss								
(a) Total	**$**	**(8,752,766)**	$	(8,709,519)	$	(10,965,302)	$	(6,125,457)
(b) basic and diluted per share	**$**	**(0.03)**	$	(0.03)	$	(0.03)	$	(0.02)
Net loss and total comprehensive loss	**$**	**(8,739,307)**	$	(8,736,684)	$	(11,058,575)	$	(5,455,362)
Cash and cash equivalents	**$**	**57,637,485**	$	72,955,295	$	79,742,626	$	67,547,897
Total assets	**$**	**109,227,233**	$	116,923,661	$	123,667,380	$	111,564,881
Total current liabilities	**$**	**1,753,280**	$	1,825,301	$	1,604,846	$	982,260
Working capital	**$**	**71,594,510**	$	86,871,096	$	94,000,414	$	82,435,046
Total weighted average shares outstanding		**325,155,725**		324,892,666		317,429,574		302,368,222

(Expressed in Canadian dollars, except where otherwise noted)

		Q3 2020		Q2 2020		Q1 2020		Q4 2019
Net loss								
(a) Total	$	(5,127,665)	$	(1,747,677)	$	(4,826,135)	$	(4,178,391)
(b) basic and diluted per share	$	(0.02)	$	(0.01)	$	(0.02)	$	(0.02)
Net loss and total comprehensive loss	$	(4,914,927)	$	(1,936,075)	$	(5,827,330)	$	(3,959,211)
Cash and cash equivalents	$	69,210,491	$	26,913,163	$	20,018,474	$	23,950,737
Total assets	$	112,664,894	$	70,357,450	$	47,966,857	$	53,518,599
Total current liabilities	$	1,825,541	$	520,234	$	767,213	$	716,596
Working capital	$	83,077,744	$	42,167,158	$	19,455,449	$	23,860,648
Total weighted average shares outstanding		282,624,020		226,123,223		211,423,805		193,526,170

Q3 2021 Compared To Q3 2020

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $8,739,307 during Q3 2021, compared to a net and total comprehensive loss of $4,914,927 for Q3 2020. The net and total comprehensive loss for Q3 2021 includes a non-cash currency translation adjustment ("CTA") gain of $13,459 as a result of the translation of Discovery Silver's Mexican subsidiaries MXP currency financial statements to the Company's reporting currency of CAD on consolidation (Q3 2020 – CTA gain of $212,738). This CTA gain is the result of the appreciation of the MXP to CAD during Q3 2021 which primarily impact the mineral property balances.

The overall increase in net loss during Q3 2021 when compared to Q3 2020 is primarily the result of increased exploration expenditures related to 24,946 metres drilled during Q3 2021 compared to just 12,020 metres drilled during Q3 2020. Fewer metres were drilled in Q3 2020 due to the suspension of exploration activities as a result of the COVID-19 pandemic as the Company wasn't able to ramp back up to four drill rigs until mid-August 2020. Additional costs were also incurred during Q3 2021 related to increased general and administrative expenses, professional fees, and share-based compensation expense, partially offset by an increase in other income due to reversal of a portion of the provision for IVA receivables.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $1,122,332 during Q3 2021, compared to $232,528 during Q3 2020. The increase was due to the issuance of stock options to directors, officers, employees during 2021 having a significantly higher fair value than the stock options granted during 2020 due to the appreciation in the Company's share price over the last year. Based on the vesting schedules, share-based compensation expense will naturally decrease over the last quarter of 2021.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $7,203,426 during Q3 2021 compared to $3,696,378 in Q3 2020, as a total of 24,946 metres were drilled during Q3 2021 vs just 12,020 metres drilled during Q3 2020. The Company's exploration activities were operating at a reduced level for half of Q3 2020 as a result of the COVID-19 pandemic. During Q3 2021, the Company continued to deliver on its 2021 drilling program objectives, completing Phase 1 drilling of 91,000 metres, and 22,000 metres of Phase 2 drilling on the Cordero silver project. The extensive Phase 1 drill campaign resulted in better definition of high-grade zones and 90% of the contained metal in the recently released Resource estimate being included in the Measured and Indicated category. Phase 2 drilling is focused on upgrading inferred resources for inclusion in a prefeasibility study; resource expansion of bulk-tonnage mineralization; and testing of the width, grade and continuity of the extensive high-grade vein systems that transect the Cordero deposit. A total of $7,140,886 was spent on Cordero during Q3 2021 comprised primarily of $5,895,164 in drilling costs including the final drill holes included in the updated Resource estimate from multiple zones in both the North and South Corridors. Infill drilling within the South Corridor was successful in confirming continuity of mineralization within higher-grade bulk tonnage and providing confidence in the continuation of the high-grade Josefina vein trend within broader zones of disseminated mineralization. Drilling in the North Corridor confirmed the excellent potential of a starter pit within the Pozo de Plata zone that sits spatially within a higher-grade breccia unit more than 150m wide. Drilling in the NE extension successfully extended the strike length of high-grade mineralization by approximately 100m, while drilling in the SW Extension zone increased confidence in confirming continuity of mineralization within the high-grade bulk tonnage domain areas where gaps existed in previous drilling. Finally, during the quarter, results from 13 diamond drill holes drilled along the Josefina high-grade vein trend increased confidence that the vein system has a total strike extent of more than 2.5km and established the presence of bulk-tonnage style mineralization adjacent to the Josefina veins that suggests the majority of the vein trend could fall within the open pit.

General office and other expenses

During Q3 2021, the Company incurred general office and other expenses of $740,507 compared to $641,502 during Q3 2020. The increase quarter over quarter was related to the addition of key management positions in Mexico to bolster the Human Resources, Safety, and ESG functions. Additionally, higher general office and other costs were incurred as a result of the increased exploration and expansion activities required to support the exploration objectives in Mexico.

Professional fees

During Q3 2021, the Company incurred professional fees of $202,912 compared to $143,572 during Q3 2020 which related to legal, accounting, and other consulting fees. Higher consulting fees incurred mainly related to support in completing the Company's inaugural ESG report, recruitment fees paid for employee hirings, and additional technical consultants supporting various areas of work performed on the Cordero project.

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 paid is recoverable but is subject to review and assessment by the Mexican tax authorities (the "Tax Authorities"). The Company and its advisors have determined that the supporting documentation included with the IVA filings are in accordance with the Tax Authorities' requirements. In addition, the Company is in regular contact with the Tax Authorities with respect to these filings and believes the full amount of its IVA receivables balance will ultimately recovered. The filing process is complex and the timing of collection of IVA receivables is uncertain. As such, for each reporting period, the Company assesses all information available combined with its updated filing and collection history to determine a best estimate of the collectability and timing of these IVA refunds. Changes in the assumptions and estimates regarding collectability and the timing of collection could impact the valuation and classification of IVA receivables.

The Company has been successful during 2020 and 2021 in recovering amounts owed to it from several IVA returns from prior periods for both of its Mexican subsidiaries with the refunds being recorded against the provision on the Condensed Interim Consolidated Statement of Loss and Total Comprehensive Loss. Due to the increased confidence in collectability, the Company has reversed $2,476,294 of the provision related to the returns filed with the Tax Authorities and recorded the reversal as a non-current asset on the Condensed Interim Consolidated Statement of Financial Position. The Company continues to provide a 100% provision for the IVA receivable amounts incurred during a reporting period and will continue to reassess the estimate.

Interest income

The Company earned interest income of $182,191 during Q3 2021 compared to $122,601 during Q3 2020. The increase over the prior year's quarter primarily relates to the receipt of interest on the Company's short-term investments in redeemable GICs as a result of excess cash on hand from the two non-brokered private placements that closed during 2020.

Foreign exchange gain

The company incurred a foreign exchange loss of $209,493 during Q3 2021 compared to a gain of $55,962 during Q3 2020.

<u>Q3 YTD 2021 Compared To Q3 YTD 2020</u>

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $28,474,567 during Q3 YTD 2021, compared to a net and total comprehensive loss of $12,678,331 for Q3 YTD 2020. The net and total comprehensive loss for Q3 YTD 2021 includes a non-cash currency translation adjustment ("CTA") loss of $106,980 as a result of the translation of Discovery Silver's Mexican subsidiaries MXP currency financial statements to the Company's reporting currency of CAD on consolidation (Q3 YTD 2020 – CTA loss of $976,853). This CTA loss is the result of the depreciation of the MXP to CAD which primarily impact the mineral property balances.

The overall increase in net loss during Q3 YTD 2021 when compared to Q3 YTD 2020 is primarily the result of increased exploration expenditures related to 69,615 metres being drilled during Q3 YTD 2021 compared to just 36,187 metres drilled during Q3 YTD 2020 due to the suspension of exploration activities as a result of the COVID-19 pandemic during the majority of Q2 2020, and part of Q3 2020. Additional costs were also incurred during Q3 YTD 2021 related to increased general and administrative expenses, non-cash share-based compensation expense, and the provision for IVA receivables recorded during Q3 YTD 2021. This was partially offset by a partial reversal of the provision for IVA receivables resulting in a reduction of the accumulated provision for value-added tax receivables.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $5,665,442 during Q3 YTD 2021, compared to $989,582 during Q3 YTD 2020. This increase is a direct result of the issuance of 6,250,000 stock options during Q3 YTD 2020 compared to 5,235,000 stock options being issued during Q3 YTD 2020. The stock options issued during Q3 YTD 2021 had a much higher fair value and weighted average exercise price than the options granted during Q3 YTD 2020. Additionally, a higher number of options granted during Q3 YTD 2021 vested immediately, compared to the options granted during Q3 YTD 2020, which accelerated the share-based compensation incurred earlier in the life of the option, but will decrease next quarter. 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.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $19,286,934 during Q3 YTD 2021 compared to $8,442,825 during Q3 YTD 2020. This increase is primarily the result of increased exploration expenditures related to 69,615 metres being drilled during Q3 YTD 2021 compared to 36,187 metres drilled during Q3 YTD 2020. Fewer metres were drilled during Q3 2020 YTD due to the suspension of exploration activities as a result of the COVID-19 pandemic during the majority of Q2 2020, and part of Q3 2020. A total of $19,079,164 was spent on Cordero during Q3 YTD 2021 comprised primarily of $13,601,526 in drilling costs related to follow-up vein drilling on the Todos Santos and Parcionera veins; infill drilling at the North and South Corridors; step-out and infill drilling in the NE extension and SW Extension; and additional infill drilling within the high-grade bulk tonnage domain areas where gaps existed in previous drilling. 22,000 metres of Phase 2 drilling were also completed during Q3 YTD 2021 aimed at converting inferred resources for inclusion in the PFS anticipated for 2022; and drilling to test the width, grade and continuity of the extensive high-grade vein systems that transect the Cordero deposit. Additionally, $359,761 was spent on mining duties, $821,712 in mapping, sampling and assays, $1,853,692 on salaries and benefits, $344,895 was spent on metallurgical testing, pit optimization studies, and various other project evaluation expenditures related to the anticipated PEA to be released during Q4 2021; with the remainder having been spent on general project expenses.

General office and other expenses

During Q3 YTD 2021, the Company incurred general office and other expenses of $2,373,460 compared to $1,698,353 during Q3 YTD 2020. The increase in costs incurred during Q3 YTD 2021 vs Q3 YTD 2020 was due to the addition of new members of the management team and board of directors, higher investor relations costs, and higher general office and other costs from the addition of key management positions in Mexico to bolster the Human Resources, Safety, and ESG functions. Additionally, higher general office and other costs were incurred as a result of the increased exploration and expansion activities required to support the exploration objectives in Mexico.

Professional fees

During Q3 YTD 2021, the Company incurred professional fees of $411,082 compared to $384,332 during Q3 YTD 2020. Higher consulting fees incurred mainly related to support in completing the Company's inaugural ESG report, recruitment fees paid for employee hirings, and additional technical consultants supporting various areas of work performed on the Cordero project.

Provision for IVA receivable

The Company has been successful during 2020 and 2021 in recovering amounts owed to it from several IVA returns from prior periods for both of its Mexican subsidiaries with the refunds being recorded against the provision on the Condensed Interim Consolidated Statement of Loss and Total Comprehensive Loss. Due to the increased confidence in collectability, the Company has reversed $2,476,294 of the provision related to the returns filed with the Tax Authorities and recorded the reversal as a non-current asset on the Condensed Interim Consolidated Statement of Financial Position. The Company continues to provide a 100% provision for the IVA receivable amounts incurred during a reporting period and will continue to reassess the estimate.

Interest income

The Company earned interest income of $640,975 during Q3 YTD 2021 compared to $320,663 during Q3 YTD 2020. The increase over prior year primarily relates to the receipt of interest receivable on the Company's short-term investments in GICs as a result of excess cash on hand arising from the two non-brokered private placements that closed during 2020.

Other income

The Company realized other income of $99,595 during Q3 YTD 2021 compared to $574,597 during Q3 YTD 2020, and the other income realized during Q3 YTD 2021 resulted from IVA refunds received during Q2 2021. Other income realized during Q3 YTD 2020 resulted from IVA refunds received of $392,041 being recognized as a reversal of the provision for IVA receivables, as well as a gain of $182,556 realized on the sale of investments.

Foreign exchange (gain) loss

The company incurred a foreign exchange loss of $118,540 during Q3 YTD 2021 compared to a loss of $3,465 during Q3 YTD 2020.

CASH FLOW

Q3 YTD 2021 Compared To Q3 YTD 2020

The Company had net cash used in operating activities of $24,139,490 for Q3 YTD 2021 compared to net cash used in operating activities of $9,437,433 for the same period in 2020. This increase is the direct result of the Phase 1 and Phase 2 Drill Programs at Cordero and related exploration activities at the Project during Q3 YTD 2021 being substantially higher than Q3 YTD 2020 due to the COVID-19 related temporary suspension of operations in the comparative period, as well as the timing of payments for contract drilling related exploration expenditures.

The Company had net cash used in investing activities of $5,730,223 for Q3 YTD 2021 compared to net cash used in investing activities of $14,913,246 for the same period in 2020. This mainly relates to the acquisition and cancellation of a 2% net smelter royalty previously held on the Cordero project for $5,298,138, as well as capital expenditures incurred during Q3 YTD 2021 for the purchase of IT infrastructure, vehicles, and equipment in Mexico. During Q3 YTD 2020, the Company purchased $15,000,000 of short-term investments, and spent $141,637 on capital expenditures, which was partially offset by $228,391 received from the sale of investments.

(Expressed in Canadian dollars, except where otherwise noted)

The Company had net cash provided by financing activities of $19,701,862 during Q3 YTD 2021 compared to cash provided by financing activities of $69,727,450 during the same period in 2020. The net cash inflow during Q3 YTD 2021 is primarily the result of cash received of $19,185,246 from the exercise of warrants, while the Q3 YTD 2020 cash inflow mainly relates to the cash received from the non-brokered private placement which occurred during Q2 2020.

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 ensuring that the Company will be able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at September 30, 2021, aside from the long-term portion of the lease liability (refer to note 12 of the interim financial statements), the Company does not have any long-term debt outstanding and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the three and nine months ended September 30, 2021.

As at September 30, 2021, the Company had working capital (defined as current assets less current liabilities) of $71,594,510 (December 31, 2020 – $82,435,046), shareholders' equity of $107,469,179 (December 31, 2020 – $110,541,531) and an accumulated deficit of $84,409,151 (December 31, 2020 – $56,041,564). The Company is sufficiently capitalized to complete planned initial exploration programs on its properties, including the Phase 2 Drill Program at Cordero. If required, future funding may be obtained by means of an equity financing, debt financing or a combination of both and will be assessed by Management at that time. The current excess funds are invested in highly liquid, interest-bearing marketable securities with no restrictions on redemption.

SHARE CAPITAL

A summary of the common shares issued and outstanding at September 30, 2021 and impact of changes to share capital is as follows:

	Note	Common Shares		Amount
At December 31, 2020		305,012,554	$	125,570,547
Shares issued on exercise of options	**13c**	**1,021,458**		**849,554**
Shares issued on exercise of warrants	**13e**	**19,121,713**		**19,185,246**
At September 30, 2021		**325,155,725**	**$**	**145,605,347**

(Expressed in Canadian dollars, except where otherwise noted)

OUTSTANDING SHARE DATA

At November 24, 2021 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	330,948,433 Common Shares
Securities convertible or exercisable into voting or equity securities-stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 18,982,100 Common Shares
Securities convertible or exercisable into voting or equity securities-warrants[1][2][3]	Warrants to acquire 71,881,773 Common Shares	Warrants to acquire 28,373,403 Common Shares

(1) All 1,414,168 replacement warrants issued on acquisition of Levon Resources Ltd. on August 2, 2019 expired unexercised on February 13, 2020.

(2) 22,727,267 share purchase warrants were issued in the $25 million non-brokered private placement at an exercise price of $0.77 and an expiry date of May 29 or June 8, 2022 and 804,545 share purchase warrants were issued to certain finders at an exercise price of $0.55 and an expiry date of May 29 or June 8, 2022.

(3) 12,963,000 share purchase warrants were issued on August 7, 2020 in the $35 million non-brokered private placement at an exercise price of $1.75 and an expiry date of August 7, 2022.

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

Related party transactions for the three and nine months ended September 30, 2021 and 2020 are as follows:

		Three Months Ended September 30,	
Transaction Type	**Nature of Relationship**	**2021**	2020
Non-cash share-based payments	Directors and officers	**$ 660,000**	$ 165,141
Salaries and benefits	Officers	**217,500**	175,707
Director's fees	Directors	**91,250**	87,500
		$ 968,750	$ 428,348

		Nine Months Ended September 30,	
Transaction Type	**Nature of Relationship**	**2021**	2020
Non-cash share-based payments	Directors and officers	**$ 4,442,456**	$ 689,567
Salaries and benefits	Officers	**652,500**	527,047
Consulting fees	Director	**-**	25,000
Director's fees	Directors	**273,750**	214,236
		$ 5,368,706	$ 1,455,850

A summary of amounts due to related parties:

Transaction Type	Nature of Relationship	September 30, 2021	December 31, 2020
Salaries and benefits payable	Directors, officers, and employees	$ -	$ 598,000
		$ -	$ 598,000

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 September 30, 2021 the Company had no financial instruments classified as Level 2 or 3.

Financial Risk Factors

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

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2021, the Company had a cash and cash equivalents balance of $57,637,485 (December 31, 2020 – $67,547,897) to settle current liabilities of $1,753,290 (December 31, 2020 – $982,260). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(Expressed in Canadian dollars, except where otherwise noted)

At September 30, 2021, the Company has no sources of revenue to fund its operating expenditures. Since inception the Company has relied solely on private placements to fund its operations. Since the change of business transaction in August 2017, such private placements include gross proceeds of $103,624,720 received through multiple non-brokered private placements – of which $60,001,450 was during the year ended December 31, 2020.

Management believes these financings will fund the Company's initial exploration work on the properties in both Coahuila and Chihuahua, Mexico as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of issuing share capital, or debt financing. At September 30, 2021, the Company is currently exposed to a low level of liquidity risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, 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 highly rated Canadian financial institutions. Management deems the credit risk associated with other receivables and deposits to be at an acceptable level.

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

	September 30, 2021	December 31, 2020
Cash and cash equivalents	**$ 57,637,485**	$ 67,547,897
Short-term investments	**15,000,000**	15,000,000
Other receivables	**159,649**	300,545
Deposits	**90,940**	65,683
	$ 72,888,073	**$** 82,914,125

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. Management has determined interest rate risk to be low.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At September 30, 2021, 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 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 in order to reduce its currency risk related to the CAD, the Company has converted a portion of its CAD cash balances into USD.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP. At September 30, 2021 and December 31, 2020, the Company had the following foreign currency denominated trade payables:

		September 30, 2021		December 31, 2020
United States dollar	**$**	**145,603**	$	149,806
Mexican Peso		**1,084,585**		109,853
	$	**1,230,188**	$	259,659

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss at September 30, 2021 by approximately $122,557 (December 31, 2020: $25,467)

At September 30, 2021, management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

iii. Price risk

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

At September 30, 2021, Management has determined the Company's exposure to price risk to be at an acceptable level.

OTHER RISKS AND UNCERTAINTIES

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

For a detailed discussion of risks refer to the Company's MD&A for the year ended December 31, 2020 available on the Company's website at www.discoverysilver.com or on SEDAR at www.sedar.com.

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".

Impact of COVID-19 and other health epidemics on Health and Safety

The Company faces risks related to health epidemics and other outbreaks of communicable diseases, which could significantly disrupt its operations and may materially and adversely affect its business and financial conditions.

In particular, the continued spread of the coronavirus globally could materially and adversely impact the Company's operating activities including but not limited to: employee health; workforce productivity; increased insurance premiums; limitations on travel; the availability of industry experts and personnel; restrictions to its drill program and/or the timing to process drill and other metallurgical testing; and other factors that will depend on future developments beyond the Company's control, which may have a material and adverse effect on the its business, financial condition and results of operations.

There can be no assurance that the Company's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs / insurance premiums as a result of these health risks.

In addition, a significant outbreak of coronavirus could result in a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the demand for precious metals and the Company's future prospects.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There have been no material changes to the Company's commitments and contractual obligations during Q3 2021 and to the date of this MD&A.

SIGNIFICANT ACCOUNTING POLICIES

The Company's interim financial statements were prepared using the same accounting policies and methods of application as those disclosed in note 3 of the consolidated financial statements.

CHANGES IN ACCOUNTING POLICIES

There were no changes to accounting policies during Q3 2021.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS 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; determination of useful lives; 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.

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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results could differ materially from any estimates, forecasts, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

These forward-looking statements may include but are not limited to statements concerning:

- The Company's success at completing future financings;
- The Company's strategies and objectives;
- The Company's receipt of permits;
- The timeline for the execution and completion of drill programs;
- The timeline and anticipated results to be included in a Resource update
- The timeline and anticipated results to be included in a Preliminary Economic Analysis
- The availability of qualified employees for business operations;
- General business and economic conditions;
- General political climate;
- The Company's ability to meet its financial obligations as they become due; and
- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity.

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied, by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

ADDITIONAL INFORMATION

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