Discoverysilver

(Formerly Discovery Metals Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2021 and 2020

Dated April 27, 2022

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 twelve months ended December 31, 2021 ("Q4 2021" and "2021", respectively). 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, 2021 and accompanying notes (the "consolidated financial statements"), prepared in accordance with International Financial Reporting Standards ("IFRS") and the Company's Annual Information Form ("AIF") for the year ended December 31, 2021. 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 discussion also covers the three and twelve months ended December 31, 2020 ("Q4 2020" and "2020", respectively) 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 consolidated 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 consolidated 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 consolidated 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 April 26, 2022.

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's flagship asset is the 100%-owned Cordero silver project ("Cordero" or the "Project") located in Chihuahua State, Mexico. The completion of a Preliminary Economic Assessment ("PEA") in 2021 confirmed

Cordero's potential for large scale, low cost production with massive leverage to silver prices. The Company's focus in 2022 is on the delivery of a Pre-Feasibility Study ("PFS") on the Project in the fourth quarter of this year.

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

The Company continues to be proactive in attempting to mitigate the health and safety risks resulting from the COVID-19 pandemic. The Company's top priority remains the health and safety of its employees, contractors, vendors, and consultants. Close attention to and monitoring the directives of the governments and health authorities in Mexico and Canada remains constant, to ensure the best interests of all stakeholders are addressed. Despite the challenges that COVID-19 has brought upon the Company and the Cordero Project, 2021 drilling and other works were completed successfully, and the Company was able to deliver the updated Preliminary Economic Assessment ("PEA") in December 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 with the Phase 2 drilling safely assisted by the use of four diamond core rigs.

Q4 2021 HIGHLIGHTS

PROJECTS

During Q4 2021, the Company issued several news releases announcing results from exploration activities at the Cordero Project, in addition to corporate development initiatives.

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 was used to support the updated PEA released during 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)
- **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)

(Expressed in Canadian dollars, except where otherwise noted)

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.

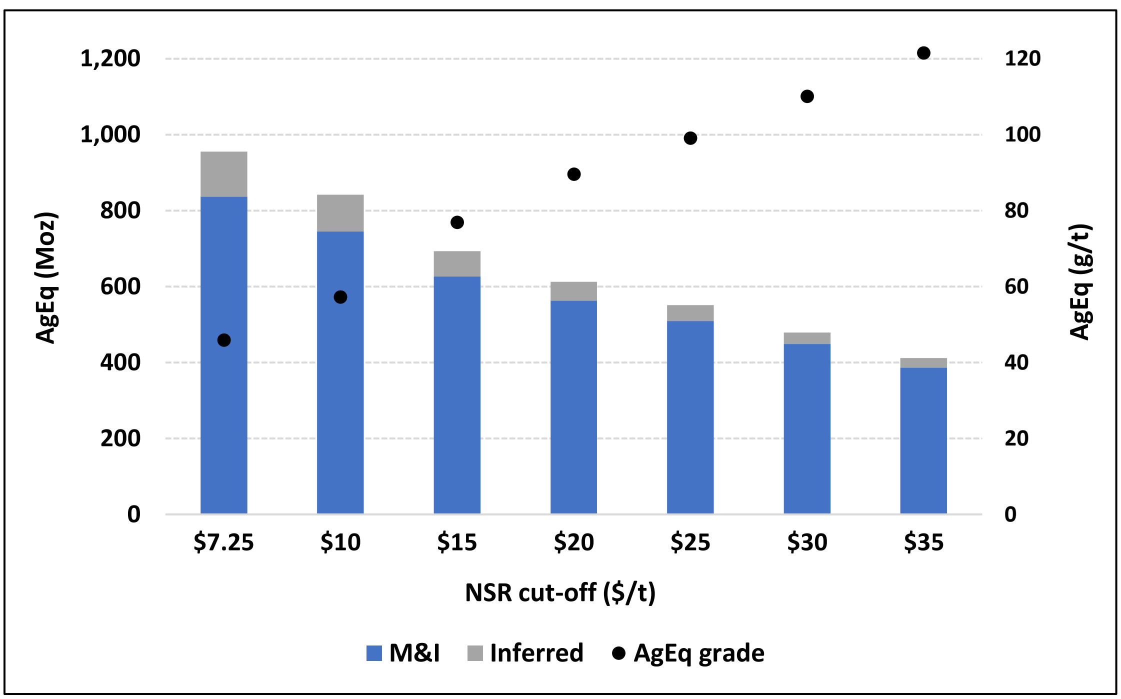
The Sulphide Resource as outlined in the table below assumed a \$7.25/t Net Smelter Return ("NSR") cut-off (see Resource Estimate Summary section below).

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.*

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.



(Expressed in Canadian dollars, except where otherwise noted)

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.

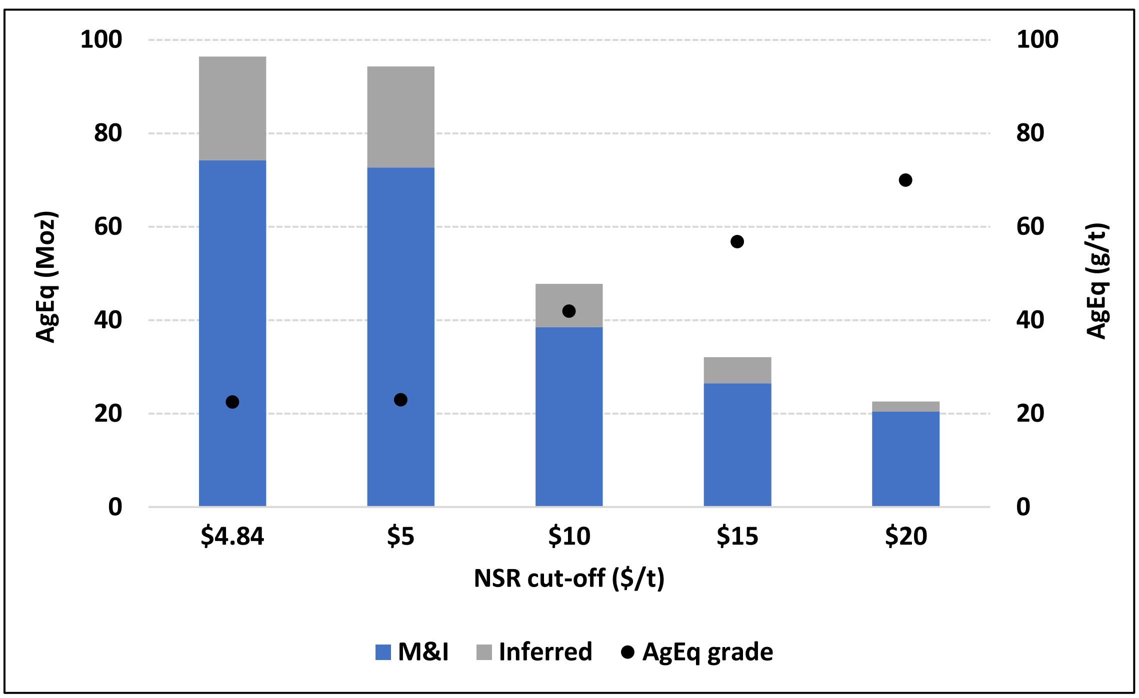
The Oxide/Transition Resource as outlined in the table below assumed a $4.78/t NSR cut-off (see Resource Estimate Summary section below).

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 Releases dated October 20 and December 6 2021, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

Preliminary Economic Assessment ("PEA")

On November 30, 2021, the Company announced results from its Preliminary Economic Assessment on the Cordero silver project.

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

- **Excellent project economics:** Base Case after-tax NPV5% of $1.2 B (C$1.5 B) and IRR of 38% (Ag - $22.00/oz, Au - $1,600/oz, Pb - $1.00/lb and Zn - $1.20/lb).
- **Exceptional silver price leverage:** Upside Case after-tax NPV5% of $1.9 B (C$2.4 B) and IRR of 55% (Ag - $27.50/oz, Au - $1,880/oz, Pb - $1.10/lb and Zn - $1.45/lb based on one-year trailing 90th percentile prices).
- **Large-scale, high-margin, long mine life asset:** 16-year mine life with average annual production of 26 Moz AgEq at an AISC of $12.35/oz AgEq.
- **Low capital intensity:** initial development capex of $368 M; attractive NPV-to-capex ratio of 3.2x.
- **Rapid payback:** post-tax payback of 2.0 years for Base Case and 1.4 years for Upside Case.
- **Technically robust study:** 99% of tonnes processed in the PEA mine plan are in the Measured & Indicated category; process design and metallurgical recovery estimates are based on the Company's comprehensive 2021 metallurgical testwork program.
- **Silver-dominant revenues:** silver represents +60% of the net smelter return in the first five years of the mine life and +50% of the net smelter return over the life of mine, in-line with the senior/mid-tier silver producer group.

Project Economics:

Sensitivity of the Project's expected after-tax NPV, IRR and payback at different commodity price assumptions is outlined in the table below:

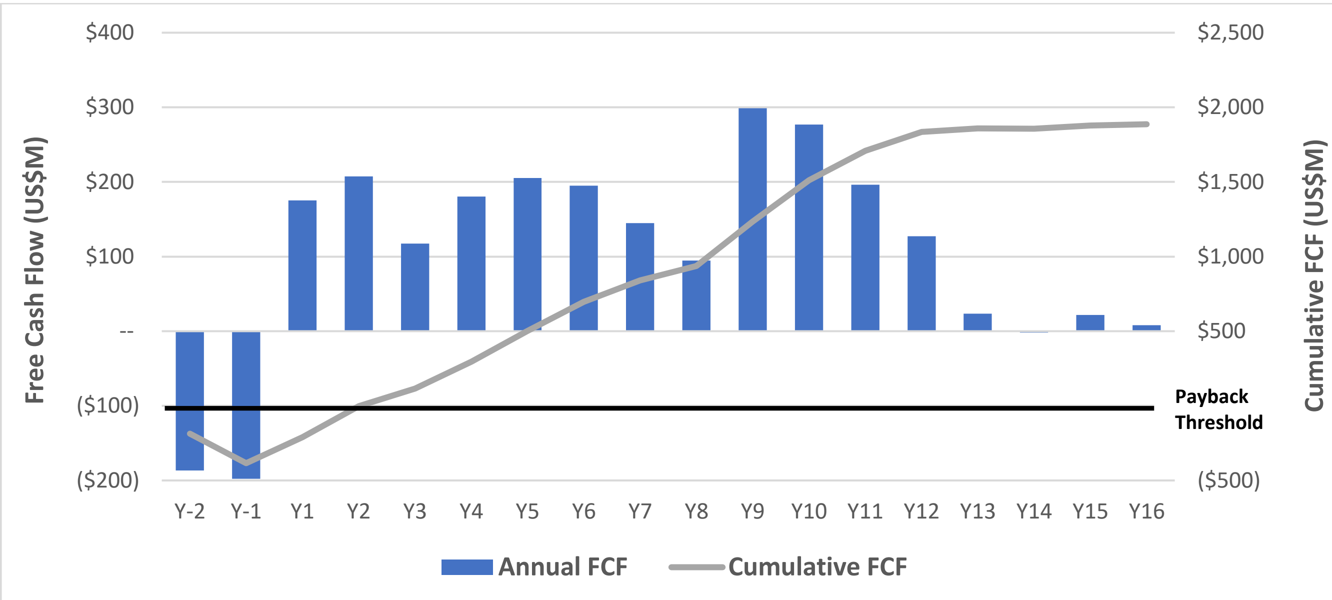
	Units	Base Case	Upside Case	Base Case +15%	Base Case -15%
After-Tax NPV (5% discount rate)	(US$ M)	$1,160	$1,889	$1,692	$622
Internal Rate of Return	(%)	38.2%	54.6%	49.9%	25.2%
Payback	(yrs)	2.0	1.4	1.6	3.5

- Base Case price assumptions: Ag = $22.00/oz, Au = $1,600/oz, Pb = $1.00/lb, Zn = $1.20/lb
- Upside Case price assumptions: Ag = $27.50/oz, Au = $1,880/oz, Pb = $1.10/lb, Zn = $1.45/lb based on one-year trailing 90th percentile prices

(Expressed in Canadian dollars, except where otherwise noted)

After-Tax Free Cash Flow:

A chart summarizing the expected annual and cumulative after-tax free cash flow ("FCF") over the life-of-mine ("LOM") is provided below:



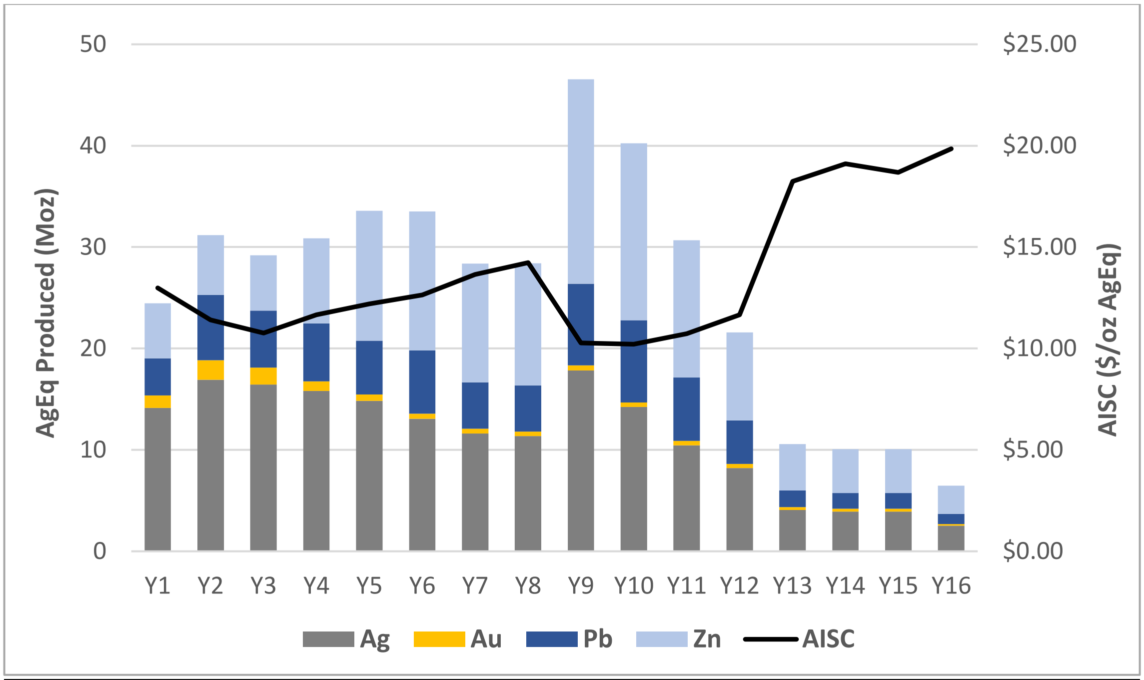
Production & Costs:

Annual production over the LOM is expected to average 26 Moz AgEq with production averaging over 33 Moz AgEq when fully ramped up (Years 5 – 12); this positions Cordero as one of the largest silver mines globally.

	Units	Year 1 – 4	Year 5 - 12	Year 13 -16	LOM
AgEq Produced - Average	(Moz)	29	33	9	26
AgEq Payable - Average	(Moz)	26	29	8	23
AgEq Produced - Total	(Moz)	117	265	37	426
AgEq Payable - Total	(Moz)	104	230	32	372
All-In Sustaining Cost (AISC)	(US$/AgEq	$11.64	$11.77	$18.88	$12.35

Note – LOM production/payable totals include production from Year -1. AgEq Produced is metal recovered in doré/concentrate. AgEq Payable is metal payable from doré/concentrate and incorporates metal payment terms outlined in the Concentrate Terms section. See Technical Disclosure section for AgEq and AISC calculation methodology.

LOM Production & AISC:



Note – Au/Pb/Zn production is shown on an AgEq basis based on: Ag = $22/oz, Au = $1,600/oz, Pb = $1.00/lb and Zn = $1.20/lb

Refer to the Press Releases dated November 30, 2021, and January 13, 2022 available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

DRILL PROGRAM UPDATE:

The Company has now completed 59,000 m (176 holes) as part of its Phase 2 drill program (excluding drill metres used to support the 2021 Mineral Resource Estimate). Phase 2 drilling will continue through the remainder of 2022 and will be focused on three key areas: (1) Pre-Feasibility Study drilling consisting of reserve definition and engineering drilling; (2) resource expansion in the northeast of the deposit and at depth; and (3) initial drill testing of five property-wide targets on the Company's extensive land package.

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: 1) Operating with excellence and integrity; 2) providing a safe, healthy and respectful workplace and environment; 3) providing long-term socio-economic benefits to the communities in which we operate; 4) protecting the environment. The Company recognizes that social and environmental stewardship combined with ethical, transparent governance drives performance. The publishing of this inaugural ESG report was 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. The Company anticipates issuing its 2021 ESG Report in late Q2 2022.

Highlights of the Inaugural ESG 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.

Sale of non-core exploration property

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 assumed the Jemi Option Agreement and in return issued 2,308,810 common shares to Discovery that resulted in Discovery holding approximately 9.9% of the issued and outstanding common shares of Monumental ("Payment Shares") on a non-diluted basis upon receiving approval from the TSX, received on November 2, 2021.

The shares received on November 2, 2021 had a fair value of $1,223,669 at the transaction date which was recorded in 'investments' on the Consolidated Statement of Financial Position with a corresponding gain on sale of non-core exploration property recorded in the Consolidated Statement of Loss and Total Comprehensive Loss.

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 retained a 1.5% net smelter return royalty payable upon the achievement of 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.

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

Cordero – Phase 2 infill drilling

On February 10, 2022, the Company announced results from 23 holes from its Phase 2 drill program on the Cordero silver project in Chihuahua State, Mexico. These drill results are focused on upgrading resources for the Pre-Feasibility Study ("PFS") planned for release during the second half of 2022.

Highlight intercepts include:

- **49.9 m averaging 247 g/t AgEq** from 124.5 m (99 g/t Ag, 0.26 g/t Au, 1.9% Pb and 1.8% Zn) including **21.4 m averaging 446 g/t AgEq** (185 g/t Ag, 0.46 g/t Au, 3.5% Pb & 3.2% Zn) in hole C21-533
- **46.8 m averaging 288 g/t AgEq** from 366.5 m (61 g/t Ag, 0.07 g/t Au, 1.4% Pb and 4.8% Zn) in hole C21-556
- **113.6 m averaging 101 g/t AgEq** from 160.9 m (28 g/t Ag, 0.09 g/t Au, 0.2% Pb and 1.6% Zn) in hole C21-555
    - **165.0 m averaging 92 g/t AgEq** from 399.8 m (33 g/t Ag, 0.06 g/t Au, 0.7% Pb and 0.9% Zn) including **31.3 m averaging 141 g/t AgEq** (58 g/t Ag, 0.07 g/t Au, 1.1% Pb & 1.2% Zn) in hole C21-545

Initial Phase 2 drill holes have been focused on upgrade drilling within the very large open pit outlined in the PEA. These drill results intercepted broad zones of higher-grade mineralization within the pit outline and will enhance the resource definition for the PFS anticipated to be delivered during the second half of 2022. These drill holes focused on upgrading resources in both the North and South Corridors for inclusion in the PFS mine plan. In the South Corridor hole C21-555 drilled in the northeast part of the corridor, confirmed the potential for expansion downdip of the higher-grade zone in this part of the deposit. The North Corridor drilling was predominantly focused on the NE extension zone and all four holes drilled in this zone intercepted broad zones of mineralization relatively close to surface, and within the open pit outline.

Refer to the Press Release dated February 10, 2022 available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

Cordero – Phase 2 pit expansion drilling

On March 31, 2022, the Company announced results from 17 holes from its Phase 2 drill program on the Cordero silver project in Chihuahua State, Mexico. These drill holes were predominantly targeting the expansion of the open pit and the resource in the northeast of the deposit.

Highlight intercepts include:

- C21-575 intercepted a high-grade zone outside the current resource that returned **45.6 m averaging 328 g/t AgEq** from 327.0 m (125 g/t Ag, 0.54 g/t Au, 2.0% Pb and 2.7% Zn) **including 17.4 m averaging 674 g/t AgEq (**254 g/t Ag, 0.94 g/t Au, 4.0% Pb & 6.1% Zn)
- C21-573 intercepted **38.6 m averaging 189 g/t** AgEq from 191.8 m (91 g/t Ag, 0.11 g/t Au, 1.3% Pb and 1.3% Zn) beneath the PEA pit
- C21-538 intercepted near-surface mineralization on the margins of the PEA pit that returned **32.3 m averaging 142 g/t AgEq** from 28.5 m (70 g/t Ag, 0.12 g/t Au, 0.8% Pb and 1.0% Zn)

This set of Phase 2 drill holes was focused on the expansion of the open pit and the resource in the northeast of the Cordero project, an area of the deposit that has seen significantly less drilling. Hole C21-575 was drilled beneath the resource pit outline in the northeast of the North Corridor to target potential resource expansion at depth. Drilling intercepted a broad zone of stockwork and vein mineralization approximately 100 m below the resource pit that returned 45.6 m of 328 g/t AgEq. Hole C21-573, drilled 100 m along strike of this hole to the southwest, returned 38.6m of 189 g/t AgEq from 191.8 m, representing the potential extension of the high-grade zone encountered in C21-575. The Company's first deep drilling in the northeast of the deposit encountered green skarn alteration with sulphides. This new style of alteration was intercepted well below the existing resource, starting at a vertical depth of approximately 600 m, and across a strike length of at least 450m.

Refer to the Press Release dated March 31, 2022 available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

CORPORATE

Stock Option Grant

On January 5, 2022, the Company announced that it had granted to certain officers, directors, employees and/or consultants of the Company an aggregate of 6,950,000 options to acquire common shares of the Company ("Options"). The Options have an exercise price of $2.05 per share, have a five-year term from the date of grant (expiration date of January 5, 2027), and vest according to the following schedules:

- Management and employees: annually in equal thirds beginning on the date of grant;
- Directors: annually in equal halves beginning on the date of grant; and
- Consultants: quarterly in equal eighths beginning three months after the date of grant.

Any common shares issuable upon exercises of Options will, in accordance with applicable securities laws, be subject to a hold period expiring four months and one day from the date of grant.

Refer to the Press Release dated January 5, 2022, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

Appointment of Chief Operating Officer

On March 14, 2022, the Company announced the appointment of Tony Esplin as Chief Operating Officer.

The Company granted Mr. Esplin 1,000,000 incentive stock options ("Options") on March 11, 2022, the date of Mr. Esplin's engagement by the Company, at an exercise price of C$1.93 per share. The Options have a five-year expiry and will vest annually in three equal tranches, with the first tranche exercisable on the first anniversary of the grant date. Mr. Esplin will commence working for the Company on April 4, 2022.

The Company has also agreed to grant Mr. Esplin 250,000 restricted share units ("RSUs"), each of which are redeemable for one Discovery common share. One-half of the RSUs will be redeemable on the issue date, April 4, 2022, and the remaining one-half will be redeemable on the first anniversary of the issue date.

Refer to the Press Release dated March 14, 2022, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

Appointment of Board Member

On April 12, 2022, the Company announced the appointment of Tony Makuch to the Company's Board of Directors.

Pursuant to the Company's stock option plan, Mr. Makuch has been granted 400,000 stock options ("Options"). The Options, each exercisable for one common share of the Company at an exercise price of $1.76 per share, vest annually in two equal tranches beginning on the date of the grant of April 11, 2022. The Options will expire on April 11, 2027, five years after the date of grant. Any common shares issuable upon exercises of Options will, in accordance with applicable securities laws, be subject to a hold period expiring four months from the date of grant.

Refer to the Press Release dated April 12, 2022, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

2022 OUTLOOK

During 2021, the Company, along with its employees and contractors, faced challenging circumstances due to the continued presence of the COVID-19 pandemic. The Company is very proud of the significant accomplishments completed during the year, and the exceptional results realized through the completion of an updated Resource Estimate and PEA published during Q4 2021. Since acquiring Cordero in mid-2019, the Company has been aggressive, yet disciplined, in how capital has been deployed, and the recently released PEA clearly positions Cordero as a Tier 1 silver asset. The outstanding metrics demonstrated in the PEA are supported by a mine plan with more than 99% of tonnes in the Measured and Indicated category, and a simple and conventional process design based on a detailed metallurgical testwork program. This provides the Company with a strong basis and considerable head start on the work required ahead during 2022 in order to deliver a PFS on Cordero during the second half of 2022, which will advance Cordero towards a construction decision.

(Expressed in Canadian dollars, except where otherwise noted)

The Company's exploration work program for 2022 is mainly focused on: PFS definition drilling to upgrade resources for the PFS mine plan, metallurgical, hydrogeology and condemnation drilling related to PFS engineering; resource growth exploration drilling to the northeast of the current pit outline, and at depth, below the current pit outline, as well as testing vein extensions. The Company also remains committed to the growth potential of Cordero, with more than 30,000 m of drilling planned on resource expansion targets, including the first ever drilling of five highly prospective property targets within 10 km of Cordero. Working in parallel alongside the 2022 works plans includes our ESG program which continues to be an important area of focus for the Company, with key governmental and international accreditation certifications planned for completion during 2022.

Work on the PFS is advancing well, and the Company remains on schedule to deliver the study during the fourth quarter of 2022. The metallurgical testwork on the sulphides is already half complete and is focused on reagent optimization, and the testing of high-grade samples ranging from 100 – 200 g/t AgEq, in order to confirm the grade versus recovery variability. The reserve definition drilling will wrap up during the end of Q2 and the engineering drilling will commence shortly. The PFS will continue to incorporate staged expansions of the processing facility and will look to optimize the mining rates early in the mine life, as well as the timing and size of the oxides/heap leach project to maximize capital efficiency.

The Company ended 2021 with a cash and short term investments balance of approximately $70 million and no debt. The planned work program at Cordero in 2022 is budgeted at $25 million, and these expenditures reflect a two-pronged approach, with capital allocated to further de-risking the Project with the delivery of a PFS, as well as an allocation to growth capital for resource expansion and property-wide exploration. Looking beyond the PFS, the Company anticipates that it has sufficient cash and liquidity in order to advance the Project to a construction decision through the completion of a Definitive Feasibility Study in the second half of 2023.

2022 DRILL PLANS

Details on the allocation of the 55,000 metre 2022 drill program are provided below.

Item	Details	Drill Metres
Pre-Feasibility Study (PFS)	Reserve definition – upgrade resource for PFS mine plan	17,000 m
	PFS engineering drilling – metallurgy, geotechnical, hydrogeology & condemnation	8,000 m
Resource Growth	Target resource growth to the northeast, at depth & testing of vein extensions	14,000 m
Property-wide Targets	Initial drill testing of five property-wide targets	16,000 m
Total		55,000 m

PRE-FEASIBILITY STUDY ("PFS")

The Company expects to complete the PFS on Cordero in the fourth quarter of 2022. The Study is expected to utilize a similar approach to the 2021 PEA including staged expansions of the processing facility and the effective use of stockpiling to accelerate the payback period. The PFS will look to optimize the mining rates early in the mine life as well as the timing and size of the oxides/heap leach project in order to maximize capital efficiency. The PFS will also incorporate results from a trade-off study comparing the use of dry-stacked versus conventional tailings. Further details on additional technical work supporting the Study include:

- **Reserve definition** – 17,000 m of drilling is planned in and around the PEA pit for upgrading resources for inclusion in the PFS mine plan. This drilling will largely be focused on oxide and sulphide mineralization processed in the early years of the mine schedule.
- **Metallurgical testwork**
  - Oxides: additional column leach testwork to supplement the column leach tests completed in 2021.
  - Sulphides: additional comminution and flotation testwork to supplement the detailed metallurgical test program completed in 2021. The testwork will be predominantly focused on testing high grade samples ranging from 100 – 200 g/t AgEq to confirm grade versus recovery variability.
- **Geotechnical** – three additional geotechnical drill holes are planned for pit slope evaluation. This drilling supplements the two holes completed last year and will cover all five sectors of the open pit.
- **Hydrogeology** – four holes are planned within the PEA open pit for installation of piezometers to perform well pumping tests. This will allow for an assessment of pit dewatering requirements and will form part of an updated site water balance. A site wide hydrogeological investigation for the local aquifer will also be carried out through a subsurface resistivity-conductivity survey.

RESOURCE GROWTH

The highest priority target for resource growth is La Ceniza, in the northeast of the Cordero deposit. Historic drilling at La Ceniza demonstrated mineralization continues northeast of the Mega Fault and outlined low to medium-grade resources in this area in the Company's 2021 updated Mineral Resource Estimate. Mineralization consists of skarn and replacement styles associated with a rhyodacite intrusion as well as high-grade veins as evidenced by a number of historic underground workings in the area. 14,000 m of drilling are planned at La Ceniza to test mineralized extensions at depth and further to the northeast as well as the potential extensions of the Josefina and Todos Santos vein trends to the northeast of the Mega Fault.

PROPERTY-WIDE EXPLORATION

During 2021, the Company advanced five property-wide targets in order to prepare them for drilling, through a systematic mapping and sampling program alongside a detailed review of previously completed geophysical surveys. The Company plans on drilling 16,000 m across the five targets through the course of the year. This drill program may be expanded depending on the results received from this initial drilling.

Key highlights of the five targets include:

- **Sanson** – large, strong magnetic high located on the Cordero belt directly northeast of the Cordero resource area. Breccias and igneous rocks mapped at surface are coincident with intense silica alteration, jasperoid veining and high-grade silver from rock sampling.

- **Dos Mil Diez** – mapped intrusives, veining and alteration directly to the southwest of the Cordero resource area and within a large alteration footprint.
- **Molina de Viento** – high-grade silver from rock sampling within a very large alteration footprint and a high chargeability / low resistivity anomaly.
- **Porfido Norte** – prominent silver-in-soil anomaly and surface alteration coincident with a possible intrusion based on a chargeability high and surface morphology consisting of annular features.
- **La Perla** – chargeability high with an alteration footprint, historic underground workings and silver rock geochemistry.

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 prices are 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 2021 vs 2020 as precious metals continue to be a popular investment for investors looking to hedge against inflation. During Q4 2021 the silver price declined slightly due to the strengthening of the US dollar and an increase in bond yields. However, as inflation has continued to remain high and has accelerated slightly, the increase in interest rates initiated during the first quarter of 2022 hasn't affected the prices of precious metals which remain strong. Additionally, the geopolitical fears fueled by the Russia-Ukraine conflict continue to maintain the strong demand for precious metals and could continue to push the price of silver higher.

During 2021, the average price of silver was $25.17 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 $20.53 per ounce for 2020 with a low of $12.01 and a high of $28.89 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 December 31, 2021, the Canadian Dollar /Mexican Peso exchange rate was 16.11 (December 31, 2020: 15.60) and the Canadian Dollar/US Dollar exchange rate was 1.27 (December 31, 2020: 1.28).

(Expressed in Canadian dollars, except where otherwise noted)

SUMMARIZED FINANCIAL RESULTS

Summary of Consolidated Annual Financial Results

				Years Ended December 31,
		2021		2020
Net loss:				
(a) Total	$	**(35,466,515)**	$	(17,755,694)
(b) basic and diluted loss per share	$	**(0.11)**	$	(0.07)
Net loss and total comprehensive loss	$	**(35,504,787)**	$	(18,064,675)
Cash and cash equivalents	$	**54,748,652**	$	67,547,897
Short-term investments	$	**15,000,000**		15,000,000
Total assets	$	**107,790,755**	$	111,564,881
Total current liabilities	$	**1,704,530**	$	982,260
Working capital	$	**69,611,661**	$	82,435,046
Total weighted average shares outstanding		**324,466,655**		255,839,116

Full year 2021 Compared To Full year 2020

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $35,504,787 for the full year of 2021, compared to a net and total comprehensive loss of $18,064,675 for the same period in 2020. The net and total comprehensive loss for 2021 includes a non-cash currency translation adjustment ("CTA") loss of $38,272 as a result of the translation of Discovery Silver's Mexican subsidiaries Mexican Peso ("MXP") currency financial statements to the Company's reporting currency of CAD on consolidation (2020 – CTA loss of $308,981). 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 2021 when compared to 2020 is primarily the result of increased exploration expenditures related to 86,155 metres being drilled during 2021 compared to just 48,850 metres drilled during 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 2021 related to increased general and administrative expenses, non-cash share-based compensation expense, and the provision for IVA receivables recorded during 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, and a non-cash realized gain on the sale of non-core properties.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $6,786,606 during 2021, compared to $1,295,508 during 2020. This increase is a direct result of the issuance of 6,450,000 stock options during Q4 2021 to directors, officers, employees and consultants compared to 5,435,000 stock options being issued during 2020. The stock options issued during 2021 had a much higher fair value and weighted average exercise price than the options granted during 2020. Additionally, a higher number of options granted during 2021 vested immediately, compared to the options granted during 2020.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 $25,155,757 during 2021 compared to $12,063,064 during 2020. This increase is primarily the result of increased exploration expenditures related to 86,155 metres being drilled during 2021 compared to 48,850 metres drilled during 2020. Fewer metres were drilled during 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.

A total of $24,918,066 was spent on Cordero during 2021 comprised primarily of $17,234,067 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. 47,600 metres of Phase 2 drilling were also completed during 2021 aimed at upgrading resources in the North and South Corridors for inclusion in the PFS mine plan; and drilling to test the width, grade and continuity of the extensive high-grade vein systems that transect the Cordero deposit. Additionally, $660,276 was spent on mining duties, $1,073,284 in mapping, sampling and assays, $2,662,762 on salaries and benefits, $449,135 was spent on metallurgical testing, pit optimization studies, and various other project evaluation expenditures related to the PEA released during Q4 2021, with the remainder having been spent on general project expenses.

General office and other expenses

During 2021, the Company incurred general office and other expenses of $3,810,985 compared to $2,869,317 during 2020. The increase in costs incurred during 2021 compared to 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 formalizing the Human Resources, Health and 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. Also, higher short-term incentive amounts for executive management and employees were incurred during 2021 compared to the same period in 2020 due to a combination of several key performance indicators being achieved during 2021 and more employees on payroll than in prior year.

Professional fees

During 2021, the Company incurred professional fees of $647,492 compared to $637,010 during 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 offset by decreases in legal fees as there were no private placements issued during 2021.

Provision for 100% of 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 Consolidated Statement of Loss and Total Comprehensive Loss. Due to the increased confidence in collectability, the Company has reversed $2,879,866 of the provision related to the returns filed with the Tax Authorities and recorded the reversal as a non-current asset on the Consolidated Statement of Financial Position. The Company continues to provide a 100% provision for the IVA receivable amounts incurred during each reporting period and will continue to reassess the estimate.

(Expressed in Canadian dollars, except where otherwise noted)

Interest income

The Company earned interest income of $834,904 during 2021 compared to $521,448 during 2020. The increase over prior year primarily relates to the receipt of interest receivable on the Company's short-term investments in GICs purchased with the 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 2021 from IVA refunds received compared to $574,597 during 2020, from a combination of 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

The company incurred a foreign exchange gain of $233,432 during 2021 compared to a gain of $22,388 during 2020.

Summary of Consolidated Quarterly Financial Results

		Q4 2021		Q3 2021		Q2 2021		Q1 2021
Net loss								
(a) Total	**$**	**(7,098,928)**	$	(8,752,766)	$	(8,709,519)	$	(10,965,302)
(b) basic and diluted per share	**$**	**(0.02)**	$	(0.03)	$	(0.03)	$	(0.03)
Net loss and total comprehensive loss	**$**	**(7,030,220)**	$	(8,739,307)	$	(8,736,684)	$	(11,058,575)
Cash and cash equivalents	**$**	**54,748,652**	$	57,637,485	$	72,955,295	$	79,742,626
Total assets	**$**	**107,790,755**	$	109,227,233	$	116,923,661	$	123,667,380
Total current liabilities	**$**	**1,704,530**	$	1,753,280	$	1,825,301	$	1,604,846
Working capital	**$**	**69,611,661**	$	71,594,510	$	86,871,096	$	94,000,414
Total weighted average shares outstanding		**329,898,229**		325,155,725		324,892,666		317,429,574

(Expressed in Canadian dollars, except where otherwise noted)

	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Net loss				
(a) Total	$ (6,125,457)	$ (5,127,665)	$ (1,747,677)	$ (4,826,135)
(b) basic and diluted per share	$ (0.02)	$ (0.02)	$ (0.01)	$ (0.02)
Net loss and total comprehensive loss	$ (5,455,362)	$ (4,914,927)	$ (1,936,075)	$ (5,827,330)
Cash and cash equivalents	$ 67,547,897	$ 69,210,491	$ 26,913,163	$ 20,018,474
Total assets	$ 111,564,881	$ 112,664,894	$ 70,357,450	$ 47,966,857
Total current liabilities	$ 982,260	$ 1,825,541	$ 520,234	$ 767,213
Working capital	$ 82,435,046	$ 83,077,744	$ 42,167,158	$ 19,455,449
Total weighted average shares outstanding	302,368,222	282,624,020	226,123,223	211,423,805

Q4 2021 Compared to Q4 2020

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $7,030,220 during Q4 2021, compared to a net and total comprehensive loss of $5,455,362 for Q4 2020. The net and total comprehensive loss for Q4 2021 includes a non-cash currency translation adjustment ("CTA") gain of $68,708 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 (Q4 2020 – CTA gain of $667,872). This CTA gain is the result of the appreciation of the MXP to CAD during Q4 2021 which primarily impact the mineral property balances.

The overall increase in net loss during Q4 2021 when compared to Q4 2020 is primarily the result of increased exploration expenditures related to 16,240 metres drilled during Q4 2021 compared to just 12,618 metres drilled during Q4 2020. Additional costs were also incurred during Q4 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, and a non-cash realized gain on the sale of non-core properties.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $1,121,164 during Q4 2021, compared to $305,925 during Q4 2020. The increase was due to an increased number of stock options issued to directors, officers, employees and consultants during 2021 also 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 time.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $5,868,822 during Q4 2021 compared to $3,620,240 in Q4 2020, as a total of 16,240 metres were drilled during Q4 2021 vs just 12,618 metres drilled during Q4 2020. During Q4 2021, the Company continued to deliver on its 2021 drilling program objectives, completing 12,000 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 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.

During Q4 2021, $3,632,541 of drilling costs were spent at Cordero focused mainly on upgrade drilling within the very large open pit outlined in the PEA. These drill results intercepted broad zones of higher-grade mineralization within the pit outline and will enhance the resource definition for the PFS anticipated to be delivered during the second half of 2022. These drill holes focused on upgrading resources in both the North and South Corridors for inclusion in the PFS mine plan. In the South Corridor hole C21-555 drilled in the northeast part of the corridor, confirmed the potential for expansion downdip of the higher-grade zone in this part of the deposit. The North Corridor drilling was predominantly focused on the North-East extension zone and all four holes drilled in this zone intercepted broad zones of mineralization relatively close to surface, and within the open pit outline.

General office and other expenses

During Q4 2021, the Company incurred general office and other expenses of $1,437,525 compared to $1,170,965 during Q4 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. Also, higher short-term incentive amounts for executive management and employees were incurred during 2021 compared to the same period in 2020 resulting from several key performance indicators being achieved during 2021.

Professional fees

During Q4 2021, the Company incurred professional fees of $236,410 compared to $252,678 during Q4 2020 which related to legal, accounting, and other consulting fees. Higher consulting fees incurred during Q4 2020 mainly related to 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 Consolidated Statement of Loss and Total Comprehensive Loss. Due to the increased confidence in collectability, the Company has reversed $1,010,120 of the provision related to the returns filed with the Tax Authorities and recorded the reversal as a non-current asset on the Consolidated Statement of Financial Position. Additionally, the Company recorded a provision against the IVA receivable amount of $871,651 incurred during Q4 2021. The Company continues to provide a 100% provision for the IVA receivable amounts incurred during each reporting period and will continue to reassess the estimate.

Interest income

The Company earned interest income of $193,929 during Q4 2021 compared to $200,785 during Q4 2020. The interest income primarily relates to the receipt of interest on the Company's short-term investments in GICs purchased with excess cash on hand from the two non-brokered private placements that closed during 2020.

Foreign exchange gain

The company incurred a foreign exchange gain of $351,973 during Q4 2021 compared to a gain of $25,854 during Q4 2020.

CASH FLOW

Full Year 2021 Compared To Full Year 2020

The Company had net cash used in operating activities of $31,432,760 for 2021 compared to net cash used in operating activities of $15,893,163 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 2021 being substantially higher than 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 $5,886,054 for 2021 compared to net cash used in investing activities of $15,063,389 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 $587,916 of capital expenditures incurred during 2021 for the purchase of IT infrastructure, vehicles, and equipment in Mexico. During 2020, the Company purchased $15,000,000 of short-term investments, and spent $291,780 on capital expenditures, which was partially offset by $228,391 received from the sale of investments.

The Company had net cash provided by financing activities of $24,216,094 during 2021 compared to cash provided by financing activities of $74,551,594 during the same period in 2020. The net cash inflow during 2021 is primarily the result of cash received of $23,226,913 from the exercise of warrants, and $1,035,961 received from the exercise of stock options. The 2020 cash inflow mainly related to the $57,066,444 of cash received from the non-brokered private placement which occurred during Q2 2020, as well as $15,014,059 received from the exercise of warrants during 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.

(Expressed in Canadian dollars, except where otherwise noted)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at December 31, 2021, the Company does not have any long-term debt outstanding, and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the year ended December 31, 2021.

As at December 31, 2021, the Company had working capital (defined as current assets less current liabilities) of $69,611,661 (December 31, 2020 – $82,435,046), shareholders' equity of $106,086,225 (December 31, 2020 – $110,541,531) and an accumulated deficit of $91,508,079 (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. The Company has not yet determined whether the properties on which it has options contain mineral reserves that are economically recoverable. The continued operations of the Company are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

SHARE CAPITAL

A summary of the common shares issued and outstanding at December 31, 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**	**1,830,833**	**1,694,919**
Shares issued on exercise of warrants	**13e**	**24,505,046**	**23,226,913**
At December 31, 2021		**331,348,433**	**$ 150,492,379**

OUTSTANDING SHARE DATA

At April 26, 2022 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	333,125,616 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 25,583,767 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 27,391,428 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.

(Expressed in Canadian dollars, except where otherwise noted)

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 years ended December 31, 2021 and 2020 are as follows:

		Years Ended December 31,	
Transaction Type	**Nature of Relationship**	**2021**	2020
Non-cash share-based payments	Directors and officers	**$ 4,704,460**	$ 837,020
Salaries and benefits	Officers	**1,658,000**	1,048,024
Consulting fees	Director	**-**	25,000
Director's fees	Directors	**357,042**	301,736
		$ 6,719,502	$ 2,211,780

A summary of amounts due to related parties:

Transaction Type	**Nature of Relationship**	**December 31, 2021**	December 31, 2020
Salaries and benefits payable	Directors, officers, and employees	**$ 826,163**	$ 598,000
		$ 826,163	$ 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 December 31, 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 December 31, 2021, the Company had a cash and cash equivalents balance of $54,748,652 (December 31, 2020 – $67,547,897) to settle current liabilities of $1,704,530 (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.

At December 31, 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 an equity debt or financing. At December 31, 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 consolidated statements of financial position.

		December 31, 2021		December 31, 2020
Cash and cash equivalents	**$**	**54,748,652**	$	67,547,897
Short-term investments		**15,000,000**		15,000,000
Other receivables		**174,511**		300,545
Deposits		**112,364**		65,683
	$	**70,035,527**	**$**	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 December 31, 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 December 31, 2021 and December 31, 2020, the Company had the following foreign currency denominated trade payables:

		December 31, 2021		December 31, 2020
United States dollar	**$**	**165,803**	$	149,806
Mexican Peso		**226,833**		109,853
	$	**392,636**	$	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 December 31, 2021 by approximately $38,778 (December 31, 2020: $25,467)

At December 31, 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 December 31, 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.

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.

Due to COVID-19, government offices are working on reduced schedules that 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 2022, however any future applications could be adversely impacted by COVID-19.

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 of is further increased by the recent COVID-19 pandemic which has impacted health and safety measures and therefore accessibility to key personnel who are no longer working under normal conditions as a result of social-distancing measures and the temporary closure of non-essential services implemented by both Canadian and Mexican governments. 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, the loss, temporary or otherwise, could have a material adverse effect on the Company's operation. The Company does screen personnel for COVID-19 prior to allowing access to the Project. There has been some slow-down of activities due to the lack of support personnel, but no adverse effects have occurred related to the Project.

Limited Financial Resources

The existing financial resources of the Company are sufficient to complete the Phase 1 Drilling program at Cordero in addition to exploration work on its other properties, however they are not sufficient to bring any of its projects 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 which has 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 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 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.

As a result of COVID-19, the global political environment is a continually changing landscape as countries implement measures to contain the spread of the virus. This has resulted in border closures and temporary suspension of non-essential services, among other measures. Should there be a continued increase in the number of identified cases and deaths, border closures and suspension of activities could be extended thereby having a material adverse impact on the Company's operations.

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.

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 24.8% of the Common Shares are held by a large shareholder, the liquidity of the Company's securities may be negatively impacted should the shareholder's position 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, 2021 and to the date of this MD&A.

SIGNIFICANT ACCOUNTING POLICIES

For a full description of the Company's significant accounting policies, please see note 3 of the consolidated financial statements for the year ended December 31, 2021.

CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Standards

There were no new standards, or amendments to standards and interpretations that were adopted effective January 1, 2021.

Future Accounting Standards and Interpretations

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

The IASB has published *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)* which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place "at the end of the reporting period";
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. Earlier application is permitted. The extent of the impact of adoption of this amendment on the Company's financial statements is not expected to be material.

Property, Plant and Equipment- Proceeds Before Intended Use (Amendments to IAS 16)

The International Accounting Standards Board (IASB) has published *'Property, plant and equipment 'Proceeds Before Intended Use (Amendments to IAS 16)'* regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. Amendment to IAS 16 amends the standard to prohibit deducting from cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. Amendment to IAS 16 is effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The extent of the impact of adoption of this amendment on the Company's financial statements is not expected to be material.

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.

a) Critical accounting judgments

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

i. Functional currency

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

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

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

b) Critical accounting estimates

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

i. Determination of useful lives

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

ii. Impairment charges

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

Management periodically reviews the carrying values of its exploration and evaluation assets with internal and external mining related 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.

iii. 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.

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. As a result of the Company's limited operating history, management cannot reasonably estimate collectability of IVA balances in Mexico as it is possible that the refund requests may be delayed, reduced, or denied by the taxation authorities. Management assesses collectability and classification of the asset at each reporting period and currently includes a 100% provision for this balance until there is an expectation of recovery at which point that specific amount is recognized as a long-term receivable and the related provision reversed

iv. Share-based payments

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

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

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.