Discoverysilver

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2022, and 2021

Dated November 23, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Discovery Silver Corp. ("Discovery Silver" or "the Company"), for the three and nine months ended September 30, 2022 ("Q3 2022" and "Q3 2022 YTD") and the related notes contained therein, which were prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34") of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information relating to the Company, including the most recent Annual Information Form ("AIF") for the year ended December 31, 2021, and the Company's audited consolidated financial statements for the year ended December 31, 2021, are available on SEDAR at www.sedar.com. The information provided herein supplements, but does not form part of, the interim financial statements and includes financial and operational information from the Company's subsidiaries. This discussion also covers the three and nine months ended September 30, 2021 ("Q3 2021" and "Q3 2021 YTD"). This document contains forward-looking statements and forward-looking information. Refer to the cautionary language under the section entitled "Cautionary Statement on Forward-Looking Statements" in this MD&A. All dollar ($) amounts are expressed in Canadian dollars ("CAD"), the Company's reporting currency, except where otherwise noted. References to United States dollars are denoted as ("USD").

The Company's certifying officers, based on their knowledge and having exercised reasonable diligence, are responsible to ensure that this MD&A and related condensed interim 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 condensed interim 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 condensed interim consolidated financial statements and this MD&A, as well as ensured that the Company's management ("Management") has discharged its financial responsibilities. The information included within this MD&A is prepared as at November 23, 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 to be developed into a highly capital efficient mine that offers the combination of margin, size, scalability, and strong leverage to the silver price. The Company's current focus is on the delivery of a Pre-Feasibility Study ("PFS") on the Project, expected to be released during the first quarter of 2023. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

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

The Company has successfully maintained drilling and other operations at the Cordero Project with measures in place to facilitate enhanced physical distancing to limit the potential spread of the COVID-19 virus. We are continuing to be proactive, closely monitoring the situation, while attempting to mitigate the health and safety risks resulting from the pandemic. The Company's priority remains the health and safety of its employees, contractors, vendors, and consultants. The Company continues to monitor the directives of the governments and health authorities in Mexico and Canada. 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 same focus and management for its Feasibility Study drill program.

Q3 2022 HIGHLIGHTS

PROJECTS

During Q3 2022, the Company issued several news releases announcing results from exploration activities at the Cordero Project, in addition to corporate development initiatives.

Cordero

Cordero – Phase 2 PFS resource expansion drilling

On July 13, 2022, the Company announced results from 22 holes from its Phase 2 drill program on the Cordero silver project in Chihuahua State, Mexico. These drill results were focused on the expansion of the open pit and the resource in the northeast of the deposit, to be incorporated in a resource update and PFS scheduled for completion in Q1 2023.

Highlight intercepts include:

- C22-610 intercepted **32.6 m averaging 388 g/t AgEq** (115 g/t Ag, 0.05 g/t Au, 3.7% Pb and 4.1% Zn) from 226.6 m, including **17.8 m averaging 660 g/t AgEq** (187 g/t Ag, 0.05 g/t Au, 6.5% Pb and 7.2% Zn); the intercept was more than 700 m outside the current resource and approximately 180 m below historic workings at surface
- C22-605 intercepted **38.6 m averaging 265 g/t AgEq** from 27.2 m (89 g/t Ag, 0.13 g/t Au, 1.8% Pb and 3.0% Zn) within an area previously modeled as low grade/waste
- C22-596 intercepted **60.3 m averaging 184 g/t AgEq** from 77.2 m (49 g/t Ag, 0.06 g/t Au, 1.2% Pb and 2.5% Zn) approximately 130 m outside the current resource
- C22-609, the furthest northeastern hole drilled by the Company, intercepted **33.1 m averaging 150 g/t AgEq** from 233.7 m (54 g/t Ag, 0.08 g/t Au, 0.5% Pb and 1.3% Zn) and **17.7 m averaging 115 g/t AgEq** (35 g/t Ag, 0.01 g/t Au, 0.9% Pb and 1.4% Zn) from 198.2 m

This current set of Phase 2 drill holes was focused on expansion of the open pit and the resource in the northeast of Cordero. The drilling in this part of the deposit is widely spaced with drill spacing typically ranging from approximately 50 m to 250 m. Follow-up step-out and infill drilling in this area will be planned once the resource model has been updated in 4Q 2022 with this new drill data. C22-610 intercepted a mineralized fracture system approximately 180 m below historic workings at surface that returned 32.6 m of 388 g/t AgEq[1] from 226.6 m. C22-609, collared approximately 300 m to the northwest of C22-610, confirmed the potential depth extensions of three parallel sets of historic workings at surface. These holes are the northeastern-most holes drilled by the Company and intercepted mineralization up to 500 m outside the current resource. Historic surface workings extend at least 200 m further to the northeast, highlighting the potential for resource growth in this part of the deposit.

Refer to the Press Release dated July 13, 2022, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

Pre-Feasibility Study Metallurgical Test Results

On August 29, 2022, the Company announced results from its Pre-Feasibility Study ("PFS") metallurgical test program at the Cordero Project. The comprehensive locked-cycle flotation test work was performed on representative samples, designed to supplement the detailed metallurgical test program completed in 2021 and included the Company's first ever testing of rock type blends, high grade samples, and oxide-sulphide blends. Test work was also focused on optimizing reagent usage. All test work was completed at a coarse grind size of ~210 micron.

Highlights from the locked-cycle flotation test work include:

- *Silver recoveries of 94-98%, lead recoveries of 89-97% and zinc recoveries of 92-96% on high grade samples of all major rock types.*
- *Silver recoveries of 83-92%, lead recoveries of 85-92% and zinc recoveries of 81-89% on medium grade samples of blended rock types.*
- *Oxide-sulphide blend testwork establish oxide-specific recoveries of ~60% for silver, ~40% for lead and ~85% for zinc via flotation; co-processing oxide mineralized material via flotation eliminates the need for heap leach processing at Cordero.*
- *Test work overall confirmed higher recoveries than what was assumed in the 2021 Preliminary Economic Assessment ("PEA").*
- *All tests were completed at a coarse grind size of p80 passing ~210 micron and demonstrated significantly lower reagent consumption than assumed in the PEA.*
- *Saleable concentrate grades confirmed and levels of penalty elements for concentrates were insignificant.*

These metallurgical test results demonstrate the exceptional metallurgical properties of the Cordero deposit. Recoveries typically ranged from 85-95% at an extremely coarse grind size of ~210 micron. On average, sulphide recoveries were higher than the recoveries included in the PEA, at a significantly lower reagent consumption, highlighting the potential for reduced processing costs. In addition, the flotation testwork of an oxide-sulphide blend returned very positive results with economic recoveries for oxide mineralization for silver, lead and zinc. These results allowed for the elimination of the planned heap leach circuit in the PFS, that will streamline the crushing/grinding circuit, potentially reduce upfront capital expenditures, and simplify the permitting process.

Refer to the Press Release dated August 29, 2022, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

Final Phase 2 Drill Holes at Cordero

On September 28, 2022, the Company announced results from the final 26 drill holes from its Phase 2 drill program on the Cordero silver project in Chihuahua State, Mexico. These drill holes consisted of upgrade and expansion drilling of the PEA pit and expansion drilling of the 2021 resource pit that will be used to support the PFS planned for early 2023.

Highlight intercepts from Phase 2 drilling include:

- 58 m averaging 208 g/t AgEq[1] (99 g/t Ag, 0.33 g/t Au, 1.6% Pb and 1.0% Zn) from 78 m and 48 m averaging 231 g/t AgEq[1] (100 g/t Ag, 0.63 g/t Au, 1.8% Pb and 0.8% Zn) from 148 m in hole C22-614. These intercepts were from upgrade drilling within the PEA starter pit.
- 125 m averaging 111 g/t AgEq[1] (37 g/t Ag, 0.04 g/t Au, 0.4% Pb and 1.6% Zn) from 265 m in hole C22-644. This intercept was directly below the 2021 resource pit in an area previously modeled as waste.
- 42 m averaging 201 g/t AgEq1 (76 g/t Ag, 0.06 g/t Au, 1.0% Pb and 2.4% Zn) from 453 m in hole C22-634. This interval is located approximately 20 m below the resource pit.
- 86 m averaging 120 g/t AgEq1 (32 g/t Ag, 0.02 g/t Au, 0.1% Pb and 2.2% Zn) from 716 m in hole C22-636, highlighting the mineralization potential at depth.

The recently completed Phase 2 drill program consisted of approximately 80,000m, in over 250 drill holes. The program consistently intercepted mineralization beneath, and to the northeast, of the open pit outlined in the PEA. Drilling returned several exceptional intercepts that further highlight the existing potential of the expansion of the open pit for inclusion in the upcoming PFS in 2023. Additionally, resource expansion drilling continued to demonstrate the continuity of mineralization beneath the resource constraining pit, indicating the potential to expand the resource at depth in the northeast part of the deposit. Drilling also continues to intercept broad zones of mineralization at significant depths that could correlate with the deep feeder structures of the mineralized system at Cordero.

Property Wide Exploration

Surface exploration work has been ongoing at Cordero since March 2021, with the five main surface exploration targets being, Sanson, Porfido Norte, Dos Mil Diez, Molino de Viento, and La Perla. Discovery so far has completed preliminary reconnaissance-style drilling at Sanson and Porfido Norte consisting of 10 drill holes totaling 4,500 m.

At Sanson, located two kilometres northeast of the main resource area, seven drill holes have been completed. Drill targeting was based on surface alteration, a magnetic anomaly indicating a proximal intrusive body, and surface mapping of intrusive rocks and breccias. Six of the holes intersected very strongly silicified and sericite-altered rhyodacite, breccias and sedimentary rocks with traces of quartz-molybdenite veining that returned anomalous levels of molybdenum (100 – 400 ppm) and silver (260 – 270 ppm) over 10's of metres.

At Porfido Norte, three drill holes were completed following surface mapping and rock sampling. Historic IP geophysics indicated the presence of an intrusive body at depth and mapping identified several intrusive sills at surface. Drilling intersected sparse, very narrow (<10cm) mineralized sulphide veins within the intrusive rocks that returned anomalous Ag, Au, and Zn values.

At Dos Mil Diez, at the southwest edge of the Cordero deposit, surface mapping and sampling has identified a number of rhyodacite intrusive sills and dikes hosted by calcareous sedimentary rocks similar to those present at Cordero. Surface sampling has returned anomalous values of Ag, Pb, and Zn within narrow sulphide veins, including a 10 cm galena vein that returned 2,530 g/t Ag.

At Molino de Viento, located ten km southwest of the main Cordero resource, surface mapping and sampling returned elevated Zn values that may coincide with an intrusive body at depth based on the 2019 Mag and EM survey. Drill targets are currently being finalized for this area and will incorporate a recently completed 15,200 m 2D IP survey that supplements the historic geophysical data.

The La Perla target is located approximately 10 km south of the Cordero deposit. Historic work includes an IP survey (16,500m) and a four-hole, 1,380 m drill program. The Company has also completed surface mapping and sampling across the target area. The IP geophysical survey identified weak chargeability anomalies at depth and historic drilling intersected sulphide veins with anomalous Ag, Pb, and Zn values as well as wider intervals of mineralized rhyolite in hole C12-247 that returned 12.0 m averaging 28 g/t Ag from surface and 174.2 m averaging 4 g/t Ag and 0.13% Zn from 38.0 m. Additional IP geophysics survey lines have recently been completed to assist with finalizing drill targets.

Refer to the Press Release dated September 28, 2022, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

CORPORATE

2021 Environmental, Social and Governance ("ESG") Report

On July 21, 2022, the Company released its 2021 Environmental, Social and Governance ("ESG") Report, summarizing the significant expansion of its ESG program during 2021, and establishing goals and objectives for 2022 and beyond.

The Company increased the size of its ESG team through hiring key personnel including: a Sustainability Manager, an Environmental Coordinator, and a Social Coordinator, all of whom are Mexican nationals. A Social Baseline Study was completed that included surveys and interviews with over 2,300 people across 25 stakeholder groups within the local municipalities surrounding the project. Significant progress continues to be made on several key government and international accreditations. The Company remains on track to complete the Safe Industry, and Clean Industry certifications by year end, both of which are issued by Mexican federal authorities.

Refer to the Press Release dated July 21, 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 its Phase 2 drill program that included all of the drill holes to be included in the upcoming PFS. This drill program along with all previous drilling is summarized in the table below. Feasibility study drilling has already commenced and will consist of engineering drilling, resource upgrade drilling and drilling targeting the expansion of the PFS open pit. The total metres to be drilled in the feasibility study drill program will be finalized following the completion of the PFS.

(Expressed in Canadian dollars, except where otherwise noted)

Drill Program	Period	Drill Metres	Drill Holes
Historic	2009 – 2017	123,000 m	253
Discovery Silver – Phase 1	2019 – 2021	92,000 m	225
Discovery Silver – Phase 2	2021 – 2022	78,000 m	257
TOTAL		**293,000 m**	**735**

RECENT DEVELOPMENTS

Final Phase 2 Drill Holes at Cordero

On November 21, 2022, the Company announced results from the first 15 Feasibility Study drill holes on the Cordero project. These holes consisted of upgrade and expansion drilling on the proposed open pit, that were drilled subsequent to the data cut-off date for the PFS.

Highlight intercepts from this set of drill holes include:

- 77 m averaging 126 g/t AgEq (46 g/t Ag, 0.08 g/t Au, 0.7% Pb and 1.4% Zn) from 218 m and 22 m averaging 265 g/t AgEq (83 g/t Ag, 0.10 g/t Au, 1.8% Pb and 3.2% Zn) from 374 m in hole C22-656.
- 96 m averaging 124 g/t AgEq (33 g/t Ag, 0.03 g/t Au, 0.7% Pb and 1.8% Zn) from 464 m including 36 m averaging 190 g/t AgEq (44 g/t Ag, 0.04 g/t Au, 0.9% Pb and 3.1% Zn) in hole C22-654.
- 43 m averaging 179 g/t AgEq (62 g/t Ag, 0.11 g/t Au, 1.4% Pb and 1.7% Zn) from 228 m in hole C22-648.
- 52 m averaging 139 g/t AgEq (49 g/t Ag, 0.07 g/t Au, 0.8% Pb and 1.7% Zn) from 224 m in hole C22-653.

In the South Corridor, hole C22-654 intercepted 95.7m of 124 g/t AgEq on the margins of the PEA pit at a vertical depth of approximately 450 m. In the North Corridor, hole C22-648 intercepted 27.4m of 86 g/t AgEq from 166.2 m and 42.6 m of 179 g/t AgEq from 228.3m, confirming the continuity of higher-grade mineralization within the core of the PEA pit. Hole C22-647, drilled to improve the data density on the western edge of the pit, returned 25.6 m of 99 g/t AgEq from 174.1 m and 18.7m of 147 g/t AgEq from 264.8 m. Both intervals were outside of the PEA pit limit demonstrating the potential to laterally expand future pit extents.

Refer to the Press Release dated November 21, 2022, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

CORPORATE

Update on 2022 Environmental, Social and Governance ("ESG") Initiatives

On November 11, 2022, the Company provided an update on its various ESG initiatives, key milestones, and achievements.

Socially Responsible Enterprise (Empresa Socialmente Responsable) ("ESR") Distinction: the Company has received its official ESR Distinction from the Mexican Center for Philanthropy (Centro Mexicano para la Filantropia) ("CEMEFI"). The Distinction requires the Company's commitment to five pillars: business ethics, community engagement, protection and preservation of the environment, quality of life for employees and corporate social responsibility.

Great Place to Work Certification: this certification recognizes companies that create an outstanding employee experience through building a workplace culture of trust, credibility, respect, pride, and collaboration.

Clean Industry Certification: this certificate is issued by the Mexican government entity PROFEPA (Federal Attorney's Office for Environmental Protection) and is awarded upon demonstrating full compliance with environmental regulations in Mexico. This requires an audit of the Company's policies and procedures regarding waste management, ecological footprint, water, emissions, soil, biodiversity, and other environmental compliance. The audit was completed by PROFEPA in the third quarter of this year. The Company anticipates receiving the results of the audit and the potential receipt of the Clean Industry Certification in the first quarter of 2023.

Refer to the Press Release dated November 11, 2022, available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

OUTLOOK

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 various vein extensions.

The Company also remains committed to the growth potential of the Cordero property, and has completed 82,000m of IP geophysical survey lines at the La Perla, Molino de Viento, and Sanson exploration targets. Work is currently ongoing at the Sanson target through a total of 19 survey lines, while over 8,000 metres of drilling is being planned on these prospective targets that are all within 10 km of Cordero. In parallel with the 2022 field, the ESG program continues to be an important area of focus for the Company. Key governmental and international accreditation certifications have been received subsequent to quarter end, with additional accreditations expected to be received early in 2023.

Work on the PFS is advancing steadily, and the Company remains on schedule to deliver the study during the first quarter of 2023. The Company's initial set of feasibility study drill holes continues to demonstrate the excellent continuity of mineralization within the open pit at Cordero. Drilling on the margins of the pit also outlines the opportunity to expand the size of the pit laterally and at depth as we proactively target value-creation opportunities with our Feasibility Study work. Meanwhile the Company continues to make excellent progress on our Pre-Feasibility Study. Geotechnical evaluation work has confirmed that favourable ground conditions exist for the proposed locations of key infrastructure including, the rock storage facility, and the tailings storage facility. Mine design work has been focused on the optimization of mine phasing, including targeting a reduction in the volume of pre-strip during the development period. The process design has been finalized and incorporates a conventional flowsheet with silver production and operating costs expected to benefit from mill throughput rates that are approximately 25% higher than what was assumed in the PEA. The metallurgical testwork on the sulphides is nearing completion and was focused on reagent optimization, and the testing of high-grade samples ranging from 100 – 200 g/t AgEq, to confirm the grade versus recovery variability.

The Company's initial set of Feasibility Study drill holes was focused on two key areas: 1) further upgrading the resource classification within the PEA pit and 2) expanding and upgrading resource blocks between the PEA pit and the Resource constraining pit shells. Feasibility study drilling will consist of engineering drilling, resource upgrade drilling and drilling targeting the expansion of the PFS open pit. The total metres to be drilled in the feasibility study drill program will be finalized following the completion of the PFS scheduled for early 2023.

The Company ended Q3 2022 with a cash and cash equivalents balance of approximately $55.6 million and no debt. The planned work program at Cordero in 2022 was budgeted at $25 million, and these expenditures reflected 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 to advance the Project through the completion of a Definitive Feasibility Study in the first half of 2024.

KEY ECONOMIC TRENDS

The prices of silver, lead, zinc, and gold have an impact on the economic viability of the Company's mineral and exploration projects. Prices of precious metals moved lower during Q3 2022, driven primarily by rising nominal and real interest rates and a stronger US dollar as the US Federal Reserve aggressively hiked interest rates to curb the continued rise in inflation during the last six months. The Federal Reserve's aggressive tightening to cool inflation has weighed on precious metal prices, as the US Dollar and treasury yields have risen as a result. Volatility in the precious metals market could remain constant until inflation declines, which could be a potential catalyst for a rise in previous metals prices once interest rate hikes cease, and US Dollar strength and bond yields decline. Thus, the impact central banking policy changes will have on precious metal prices and foreign exchange markets is currently difficult to predict.

Silver price

During Q3 2022 YTD, the average price of silver was $21.92 per ounce, with silver trading between $17.77 and $26.18 per ounce based on the London Fix silver price. This compares to an average of $25.32 per ounce for Q3 2021 YTD with a low of $21.52 and a high of $29.59 per ounce.

Foreign exchange rates

The Company's operations can be affected by foreign exchange rate volatility with the largest exposure being the Canadian Dollar/US Dollar exchange rate, and the Canadian Dollar/Mexican Peso exchange rate's impact on the operating and administrative costs in Mexico. At September 30, 2022, the Canadian Dollar/Mexican Peso exchange rate was 14.71 (December 31, 2021: 16.11), and the Canadian Dollar/US Dollar exchange rate was 1.37 (December 31, 2021: 1.27).

(Expressed in Canadian dollars, except where otherwise noted)

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Summary of Quarterly Results

		Q3 2022		Q2 2022		Q1 2022		Q4 2021
Net loss								
(a) Total	**$**	**(5,550,164)**	$	(11,986,331)	$	(13,147,429)	$	(7,098,928)
(b) basic and diluted per share	**$**	**(0.02)**	$	(0.04)	$	(0.04)	$	(0.02)
Net loss and total comprehensive loss	**$**	**(4,993,977)**	$	(12,055,084)	$	(13,402,257)	$	(7,030,220)
Cash and cash equivalents	**$**	**55,552,791**	$	63,610,036	$	46,229,095	$	54,748,652
Total assets	**$**	**101,208,131**	$	101,782,302	$	99,464,516	$	107,790,755
Total current liabilities	**$**	**3,380,384**	$	2,536,304	$	1,410,165	$	1,704,530
Working capital[(1)]	**$**	**60,764,790**	$	62,521,439	$	61,667,325	$	69,611,661
Total weighted average shares outstanding		**349,402,721**		338,750,309		332,025,353		329,898,229

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

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

Q3 2022 Compared to Q3 2021

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $4,993,977 during Q3 2022, compared to a net and total comprehensive loss of $8,739,307 for Q3 2021. The net and total comprehensive loss for Q3 2022 includes a non-cash currency translation adjustment ("CTA") gain of $556,187 from the translation of Discovery Silver's Mexican subsidiaries Mexican Peso ("MXP") functional currency financial statements to the Company's reporting currency of CAD on consolidation (Q3 2021 – CTA gain of $13,459). The CTA loss resulted from the appreciation of the MXP compared to the CAD during Q3 2022, primarily impacting the mineral property balances.

The decrease in net loss during Q3 2022 compared to Q3 2021 resulted from the reversal of the accumulated provision on the IVA receivables of $4,981,936, as well as an unrealized foreign exchange gain of $1,945,749 on United States Dollar cash balances translated into Canadian Dollars due to the appreciation of the US dollar compared to the Canadian Dollar during the quarter. This was partially offset by an increase in exploration and evaluation expenditures, general office and other expenses, and share-based compensation expense.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $1,672,190 during Q3 2022, compared to $1,122,332 during Q3 2021. The increase was due to an increased number of stock options issued to directors, employees, and consultants during 2022, that had a higher fair value than the options granted during 2021 due to an appreciation in the Company's share price quarter over quarter. Additionally, the Company issued 250,000 RSU's during 2022, of which 125,000 vested immediately and therefore incurred the full fair value share-based compensation of the RSU's vested during the quarter while no RSU's were granted during 2021.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs ("E&E") of $9,078,504 during Q3 2022 compared to $7,203,426 in Q3 2021. A total of 15,361 metres were drilled during Q3 2022 compared to 24,946 metres during Q3 2021, relating to the Phase 2 infill drilling campaign required for the new resource estimated used as a basis for the PEA, and the updated resource to be used as the basis for the PFS. During Q3 2022, $3,638,896 of drilling costs were spent at Cordero mainly focused on the expansion of the open pit and the resource in the northeast of the deposit, to be incorporated in a resource update and PFS scheduled for completion in Q1 2023. Additionally, resource expansion drilling continued to demonstrate the continuity of mineralization beneath the resource pit constraint, that show the potential to expand the resource at depth in the northeast part of the deposit. Drilling also continues to intercept broad zones of mineralization at significant depths that correlate with the deep feeder structures of the mineralized system at Cordero. During Q3 2022, Discovery completed preliminary reconnaissance-style drilling at surface exploration targets Sanson and Porfido Norte consisting of 10 drill holes totaling 4,500 m. Also included in the E&E costs during Q3 2022 were $1,278,250 of costs incurred related to the PFS including metallurgical testwork, geotechnical reviews of drill core to assess pit wall stability, selection of geotechnical holes to be drilled within the open pit, and mine planning and scheduling.

General office and other expenses

During Q3 2022, the Company incurred general office and other expenses of $1,076,536 compared to $740,507 during Q3 2021. The increase quarter over quarter was related to an increase in the workforce in Canada through the hiring of a new COO, and Mexico as the Company continues to grow the experience and expertise of the management team, mainly in the HR, ESG, Finance and technical areas. Additionally, higher travel costs were incurred due to the loosening of COVID travel restrictions, and higher insurance premiums related to the Company increasing the size and scope of its operations also contributed to higher G&A costs.

Professional fees

During Q3 2022, the Company incurred professional fees of $380,501 compared to $202,912 during Q3 2021 which related to legal, accounting, and other consulting fees. Higher consulting fees incurred during Q3 2022 mainly related to additional technical consultants supporting various areas of work performed on the Cordero project.

Provision for IVA receivable

At September 30, 2022, the accumulated provision was fully reversed due to the Company successfully filing all the outstanding IVA returns relating to prior years, previously included in the provision. The cumulative IVA return filed during the quarter has a net value of approximately $7.7 million CAD. The Company has provided the supporting documentation required to substantiate and validate the cumulative IVA claim, has been in frequent communication with the Tax Authorities, and expects to collect the cumulative IVA filing during 2023. However, the Company continued to recognize a provision against the IVA incurred, and not filed, during the period in the amount of $1,219,076.

During the last two years the Company has been successful in recovering amounts owed to both of its operating Mexican subsidiaries. Due to the increased confidence in collectability, during 2021 and 2022 the Company has recorded IVA receivables related to IVA returns that are pending review by the Tax Authorities. The Company recorded the portion of the reversal expected to be collected within twelve months as a current asset on the Condensed Interim Consolidated Statement of Financial Position, and a credit to the original provision recognized on the Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss. The portion of the reversal not expected to be collected within twelve months is recorded as a long-term receivable.

Interest income

The Company earned interest income of $199,453 during Q3 2022 compared to $182,191 during Q3 2021. The interest income primarily relates to the receipt of interest on the Company's bank accounts and short-term investments in GICs.

Foreign exchange gain

The company incurred a foreign exchange gain of $1,945,749 during Q3 2022 compared to a loss of $209,493 during Q3 2021. This foreign exchange gain was due to the appreciation of the US Dollar against the Canadian Dollar that resulted in the Company's US Dollar cash balances receiving a foreign exchange gain on translation into the Company's Canadian Dollar reporting currency.

<u>Q3 YTD 2022 Compared to Q3 YTD 2021</u>

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $30,451,318 during Q3 YTD 2022, compared to a net and total comprehensive loss of $28,474,567 for Q3 YTD 2021. The net and total comprehensive loss for Q3 YTD 2022 includes a non-cash currency translation adjustment ("CTA") gain of $232,606 as a result of the translation of Discovery Silver's Mexican subsidiaries MXP currency financial statements to the Company's reporting currency of CAD on consolidation (Q3 YTD 2021 – CTA loss of $106,980). This CTA gain is the result of the appreciation of the MXP to CAD which primarily impact the mineral property balances.

The overall increase in net loss during Q3 YTD 2022 when compared to Q3 YTD 2021 resulted from increased exploration expenditures related to work performed on the PFS, mapping, sampling, and assay costs. Higher general and administrative expenses, professional fees, and share-based compensation expenses were also incurred during Q3 YTD 2022 compared to Q3 YTD 2021.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $7,763,023 during Q3 YTD 2022, compared to $5,665,442 during Q3 YTD 2021. This increase is a direct result of the issuance of 8,450,000 stock options and 250,000 RSU's during Q3 YTD 2022 compared to 6,250,000 stock options being issued during Q3 YTD 2021. The stock options issued during Q3 YTD 2022 had a slightly higher fair value and weighted average exercise price than the options granted during Q3 YTD 2021. Additionally, a higher number of options and RSU's granted during Q3 YTD 2022 vested immediately, compared to the options granted during Q3 YTD 2021, which accelerated the share-based compensation incurred earlier in the life of the option, but will decrease over time. 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 $24,209,221 during Q3 YTD 2022 compared to $19,286,934 during Q3 YTD 2021, and the Company drilled 57,987 metres during Q3 YTD 2022 compared to 69,615 metres during Q3 YTD 2021. The increase in E&E costs during Q3 YTD 2022 was due to higher expenditures related to mapping, sampling and assays, as well as work performed on the PFS. A total of $23,901,789 was spent on Cordero during Q3 YTD 2022 comprised primarily of $11,622,276 in drilling costs related to infill drilling within open pit outlined in the PEA focused on upgrading resources in both the North and South Corridors. The recently completed Phase 2 drill program consisted of approximately 80,000m, in over 250 drill holes. The program consistently intercepted mineralization beneath, and to the northeast, of the open pit outlined in the PEA. Drilling returned several exceptional intercepts that further highlight the existing potential of the expansion of the open pit for inclusion in the upcoming PFS in 2023. Additionally, resource expansion drilling continued to demonstrate the continuity of mineralization beneath the resource pit constraint, that show the potential to expand the resource at depth in the northeast part of the deposit. Drilling also continues to intercept broad zones of mineralization at significant depths that correlate with the deep feeder structures of the mineralized system at Cordero. During Q3 YTD 2022 $2,567,528 of costs were incurred related to the PFS including metallurgical test-work, geotechnical reviews of drill core to assess pit wall stability, selection of geotechnical holes to be drilled within the open pit, and mine planning and scheduling.

General office and other expenses

During Q3 YTD 2022, the Company incurred general office and other expenses of $3,917,873 compared to $2,373,460 during Q3 YTD 2021. The increase was related to an increase in the workforce in Canada, through the hiring of a new COO, and Mexico, as the Company continues to grow the experience and expertise of the management team, mainly in the HR, ESG, Finance and technical areas. Additionally, higher travel costs were incurred due to the loosening of COVID travel restrictions, and higher insurance premiums related to the Company increasing the size and scope of its operations also contributed to higher G&A costs.

Professional fees

During Q3 YTD 2022, the Company incurred professional fees of $906,969 compared to $411,082 during Q3 YTD 2021. Higher consulting fees incurred during Q3 YTD 2022 mainly related to recruitment fees paid for employee hirings, and additional technical consultants supporting various areas of work performed on the Cordero project. Higher audit, tax and accounting fees were related to price increases incurred from the Company's accounting firm and tax advisors, while higher legal fees related to an increased scope of work during 2022 compared to 2021.

Provision for 100% of IVA receivable

At September 30, 2022, the accumulated provision was fully reversed due to the Company successfully filing all the outstanding IVA returns relating to prior years, previously included in the provision. The cumulative IVA return filed during the quarter has a net value of approximately $7.7 million CAD. The Company has provided the supporting documentation required to substantiate and validate the cumulative IVA claim, has been in frequent communication with the Tax Authorities, and expects to collect the cumulative IVA filing during 2023. However, the Company continued to recognize a provision against the IVA incurred, and not filed, during the period in the amount of $1,219,076.

During the last two years the Company has been successful in recovering amounts owed to both of its operating Mexican subsidiaries. Due to the increased confidence in collectability, during 2021 and 2022 the Company has recorded IVA receivables related to IVA returns that are pending review by the Tax Authorities. The Company recorded the portion of the reversal expected to be collected within twelve months as a current asset on the Condensed Interim Consolidated Statement of Financial Position, and a credit to the original provision recognized on the Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss. The portion of the reversal not expected to be collected within twelve months is recorded as a long-term receivable.

Interest income

The Company earned interest income of $518,792 during Q3 YTD 2022 compared to $640,975 during Q3 YTD 2021 and the decrease relates to the decline in the Company's cash balances during 2022 compared to 2021.

Foreign exchange (gain) loss

The company incurred a foreign exchange gain of $2,933,852 during Q3 YTD 2022 compared to a loss of $118,540 during Q2 YTD 2021. This foreign exchange gain was due to the appreciation of the US Dollar against the Canadian Dollar that resulted in the Company's US Dollar cash balances receiving a foreign exchange gain on translation into the Company's Canadian Dollar reporting currency.

CASH FLOW

The Company had net cash used in operating activities of $29,641,322 for Q3 YTD 2022 compared to net cash used in operating activities of $24,139,490 for Q3 YTD 2021. This increase is due to higher exploration and evaluation expenditures, and an increase in G&A costs and professional fees both in Canada and Mexico.

The Company had net cash from investing activities of $14,661,242 for Q3 YTD 2022 mainly related to the $15,000,000 GIC maturing in June 2022, compared to net cash used in investing activities of $5,730,223 during Q3 YTD 2021 that related to the acquisition of mineral properties and capital expenditures in Mexico.

The Company had net cash provided by financing activities of $13,987,277 during Q3 YTD 2022 compared to cash provided by financing activities of $19,701,862 during Q3 YTD 2021. The net cash inflow during Q3 YTD 2022 was the result of cash received of $12,188,527 from the exercise of warrants, and $1,832,753 received from the exercise of stock options. The Q3 YTD 2021 cash inflow mainly related to the $19,185,246 of cash received from the exercise of warrants and $551,527 received from the exercise of options.

(Expressed in Canadian dollars, except where otherwise noted)

CAPITAL MANAGEMENT AND LIQUIDITY

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

The Company manages its capital structure to maximize its financial flexibility to enable the Company to respond to changes in economic conditions and the risk characteristics of its underlying assets as well as possible business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital, but rather relies on the expertise of the Company's management. Management reviews its capital management approach on an ongoing basis. As at September 30, 2022, the Company does not have any long-term debt outstanding, and is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the three and nine months ended September 30, 2022.

At September 30, 2022, the Company had working capital (defined as current assets less current liabilities) of $60,764,790 (December 31, 2021 – $69,611,661). The Company is sufficiently capitalized to complete planned exploration programs on its properties, including the PFS 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 September 30, 2022 and impact of changes to share capital is as follows:

	Note	Common Shares	Amount
At December 31, 2021		331,348,433	$ 150,492,379
Shares issued on exercise of options	**12c**	**3,598,333**	**3,046,704**
Shares issued on exercise of warrants	**12e**	**15,869,814**	**12,188,527**
Shares issued on exercise of RSU's	**12e**	**125,000**	**177,799**
At September 30, 2022		**350,941,580**	**$ 165,905,409**

(Expressed in Canadian dollars, except where otherwise noted)

OUTSTANDING SHARE DATA

At November 23, 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	351,241,580 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 22,580,642 Common Shares
Securities convertible or exercisable into voting or equity securities-warrants(1)(2)(3)	Warrants to acquire 71,881,773 Common Shares	Zero Warrants to acquire Common Shares

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

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

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

RELATED PARTY TRANSACTIONS

Key management personnel

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

		Three Months Ended September 30,	
Transaction Type	**Nature of Relationship**	**2022**	2021
Non-cash share-based payments	Directors and officers	**$ 1,170,533**	$ 660,000
Salaries and benefits	Officers	**422,500**	217,500
Director's fees	Directors	**81,250**	91,250
		$ 1,674,283	$ 968,750

		Nine Months Ended September 30,	
Transaction Type	**Nature of Relationship**	**2022**	2021
Non-cash share-based payments	Directors and officers	**$ 6,374,651**	$ 4,442,456
Salaries and benefits	Officers	**1,087,000**	652,500
Director's fees	Directors	**243,750**	273,750
		$ 7,705,401	$ 5,368,706

(Expressed in Canadian dollars, except where otherwise noted)

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

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

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

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

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

At September 30, 2022 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.

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At September 30, 2022, the Company had a cash and cash equivalents balance of $55,552,791 (December 31, 2021 – $54,748,652) to settle current liabilities of $3,380,384 (December 31, 2021 – $1,704,530). The Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

At September 30, 2022, 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. Management believes these financings will fund the Company's 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 September 30, 2022, the Company is currently exposed to a low level of liquidity risk.

(Expressed in Canadian dollars, except where otherwise noted)

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.

		September 30, 2022		December 31, 2021
Cash and cash equivalents	**$**	**55,552,791**	$	54,748,652
Short-term investments		**-**		15,000,000
Other receivables		**37,001**		174,511
Deposits		**101,235**		112,364
	$	**55,691,027**	**$**	70,035,527

c) Market Risks

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

i. Interest rate risk

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

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At September 30, 2022, 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 to reduce its currency risk related to the CAD, the Company has converted a portion of its CAD cash balances into USD.

The Company is mainly exposed to foreign currency risk on financial instruments (consisting of trade payables) denominated in USD and MXP. At September 30, 2022 and December 31, 2021, the Company had the following foreign currency denominated trade payables:

	September 30, 2022	December 31, 2021
United States dollar	**$ 100,337**	$ 165,803
Mexican Peso	**1,050,203**	226,833
	$ 1,150,540	$ 392,636

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss at September 30, 2022 by approximately $95,466 (December 31, 2021: $38,778).

At September 30, 2022, management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

iii. Price risk

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

At September 30, 2022, Management has determined the Company's exposure to price risk to be at an acceptable level.

OTHER RISKS AND UNCERTAINTIES

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

For a detailed discussion of risks, refer to the Company's MD&A and Annual Information Form ("AIF") for the year ended December 31, 2021 available on the Company's website.

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".

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There have been no material changes to the Company's commitments and contractual obligations during the three and nine months ended September 30, 2022, 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

The new standards, or amendments to standards and interpretations that were adopted by the Company, effective January 1, 2022, are as follows:

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. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

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. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

QUALIFIED PERSON

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

ADDITIONAL INFORMATION

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