Discoverysilver

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2022, and 2021

Dated March 30, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements, and their related notes, of Discovery Silver Corp. ("Discovery Silver" or "the Company"), as at and for the three and twelve months ended December 31, 2022 and 2021 which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Additional information relating to the Company, including the most recent Annual Information Form ("AIF") for the year ended December 31, 2022, and the Company's audited consolidated financial statements for the year ended December 31, 2022, are available on SEDAR at www.sedar.com. The information provided herein supplements, but does not form part of, the consolidated financial statements and includes financial and operational information from the Company's subsidiaries.

This document contains forward-looking statements and forward-looking information. Refer to the cautionary language under the section entitled "Cautionary Statement on Forward-Looking Statements" in this MD&A. All dollar ($) amounts are expressed in Canadian dollars ("CAD"), the Company's reporting currency, except where otherwise noted. References to United States dollars are denoted as ("USD"). All information contained in this MD&A is current and has been reviewed by management and approved by the Board of Directors ("Board") of the Company as of March 30, 2023, unless otherwise stated.

DESCRIPTION OF BUSINESS

The Company was incorporated on October 10, 1986 under the laws of British Columbia as Ayubowan Capital Ltd. On June 13, 2017, the Company's name was changed to Discovery Metals Corp. On April 14, 2021, the Company's name was changed to Discovery Silver Corp. The Corporation's Common Shares are listed on the Toronto Stock Exchange ("TSX") under the symbol "DSV", on the OTCQX under the symbol "DSVSF", and on the Frankfurt Stock Exchange under the symbol "1CU0".

Discovery's flagship asset is the 100%-owned Cordero silver project ("Cordero" or the "Project") located in Chihuahua State, Mexico. The Cordero Project has all the attributes of a quality project: grade, scale, significant organic growth opportunities, and well located in mining-friendly Chihuahua state on a prolific silver belt. Since acquiring the Cordero Project in August 2019, Discovery's focus has been on defining the economic potential of the Cordero Project primarily through two extensive drill programs and two detailed metallurgical testwork programs. Following the completion of a Pre-Feasibility Study titled the "*Cordero Silver Project: NI 43-101 Technical Report & Pre-feasibility Study (Chihuahua State, Mexico)*" (the "PFS") with an effective date of January 20, 2023, published on February 10, 2023, the focus during the remainder of 2023 is now on the delivery of a Feasibility Study ("FS") in the first half of 2024, alongside property-wide exploration and the advancement of the construction permitting process. The PFS demonstrates that Cordero is a tier-one project with the potential to be developed into one of the largest silver mines globally.

Q4 2022 HIGHLIGHTS

PROJECTS

During Q4 2022, the Company issued several news releases announcing results from exploration activities at the Cordero Project, in addition to corporate development initiatives.

Cordero

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.

CORPORATE

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

The Company has published two annual ESG reports (for the 2020 and 2021 calendar years), both of which are available on the Company's website. These reports detail the Company's significantly expanded ESG efforts which include increasing the size of our ESG team by hiring key personnel including a Sustainability Manager, Environmental Coordinator and Social Coordinator, all of whom are Mexican nationals. The Company has completed a Social Baseline Study that included surveys and interviews with over 2,300 people across 25 stakeholder groups within the local municipalities surrounding the Project. The Company also continues to make significant progress on key government and international accreditations (detailed below). Moving forward, and as Discovery continues to grow, the Company remains committed to its overarching ESG principles to have a positive influence by creating a safe, diverse and inclusive workplace, providing benefits to communities and protecting the environment. Discovery intends to release the 2022 annual ESG report in late Q2 2023.

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

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 half of 2023.

RECENT DEVELOPMENTS

Cordero

On January 24, 2023, the Company announced results from its Preliminary Feasibility Study on the Cordero Project with support from Ausenco Engineering Canada Inc. ("Ausenco"), AGP Mining Consultants Inc. ("AGP") and Knight Piésold Ltd. ("Knight Piésold").

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

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

Project Economics

The economics for the PFS were based on the following metal prices: Ag - $22.00/oz, Au - $1,600/oz, Pb - $1.00/lb and Zn - $1.20/lb. 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	Spot Price	Base Case +15%	Base Case -15%
After-Tax NPV (5% discount rate)	(US$ M)	$1,153	$1,723	$1,797	$508
Internal Rate of Return	(%)	28.0%	35.9%	37.5%	16.9%
Payback	(yrs)	4.2	3.4	3.2	6.0

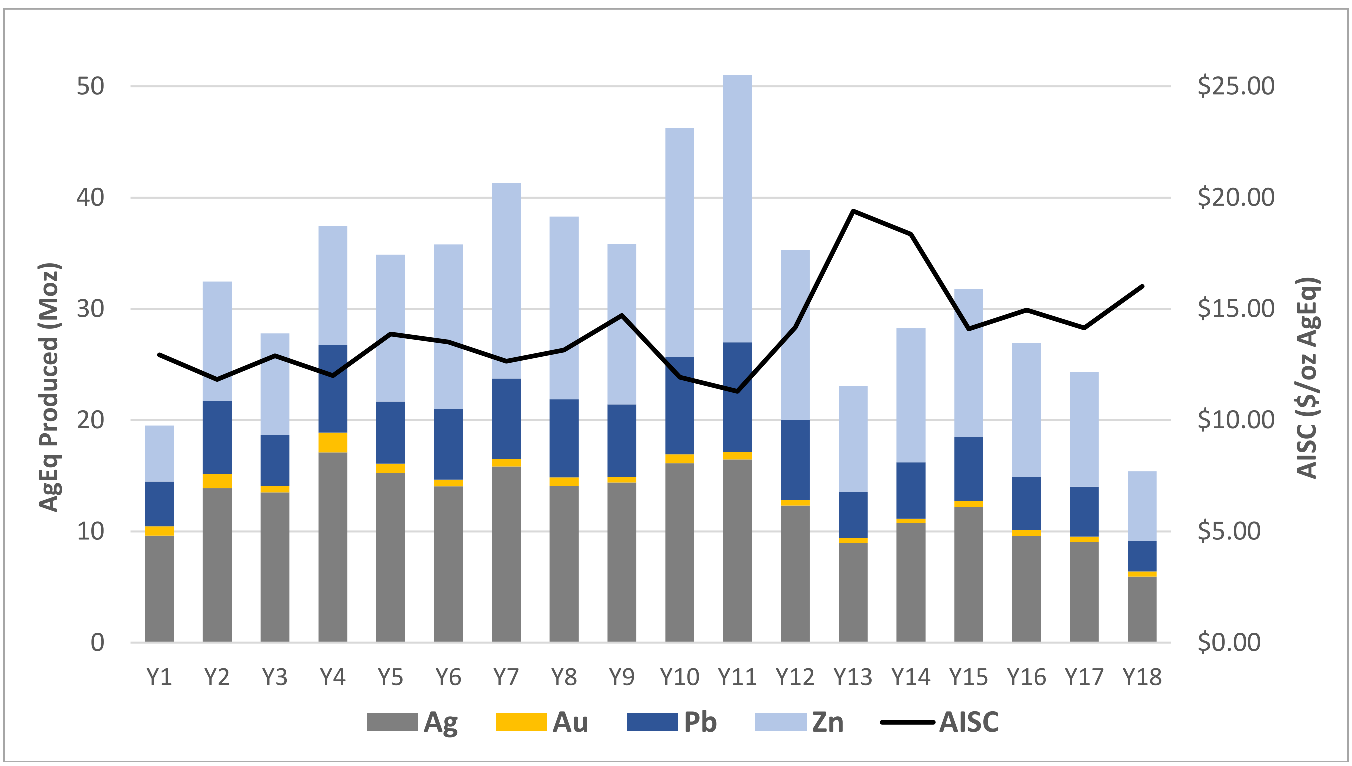
- Spot Price assumptions (as at close on January 20, 2023): Ag = $23.87/oz, Au = $1,925/oz, Pb = $0.97/lb, Zn = $1.54/lb

A summary of AgEq production and AISC is provided in the table below. A breakdown of the production proportions of each individual metal and AISC over the LOM is provided in the graph below the table.

	Units	Year 1 – 4	Year 5 - 12	Year 13 -18	LOM
AgEq Produced – Average/yr	(Moz)	30	40	25	33
AgEq Payable – Average/yr	(Moz)	25	34	21	27
AgEq Produced - Total	(Moz)	118	322	151	591
AgEq Payable - Total	(Moz)	102	268	124	494
All-In Sustaining Cost (AISC)	(US$/AgEq	$12.29	$12.99	$16.05	$13.62

Note – AgEq Produced is metal recovered in concentrate. AgEq Payable is metal payable from concentrate and incorporates metal payment terms outlined in the Concentrate Terms section below. AgEq is calculated as Ag + (Au x 72.7) + (Pb x 45.5) + (Zn x 54.6); these factors are based on metal prices of Ag - $22/oz, Au - $1,600/oz, Pb - $1.00/lb and Zn - $1.20/lb. AISC is a non-GAAP measure; refer to the Non-GAAP Measures section of the MD&A for further information on this measure. See Technical Disclosure section for 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

PFS CAPITAL EXPENDITURES

Cordero is a highly capital-efficient project due to numerous underlying advantages:

- Deposit comes to surface resulting in minimal early mine development and pre-stripping
- Minimal earthworks due to gentle topography, the location of bedrock near-surface and favourable geotechnical characteristics of the bedrock
- Conventional process design based on excellent metal liberation at a very coarse grind size
- Phased approach to the expansion of the process plant
- Close proximity to existing infrastructure including nearby highway and adjacent powerline
- Favourable mining jurisdiction with access to a highly skilled local workforce and no need for a camp given the close proximity of the town of Parral

Initial Capital *(to achieve plant throughput of 9.3 million tonnes per annum ("Mt/a")*

Initial capital to build Cordero Phase 1 is estimated to total US$455 million and will be incurred over a two-year construction period. This capital estimate includes the construction of on-site infrastructure, power transmission line, Phase 1 of the process plant with nameplate capacity of 9.3 Mt/a (25,500 tpd), all pre-stripping activities and construction of the TSF including the initial starter dam embankment providing 2 years of tailings storage.

Expansion Capital (*to expand plant to 18.6 Mt/a)*

The processing facility will be expanded to a nameplate capacity of 18.6 Mt/a (51,000 tpd) in Year 3 and Year 4 at an estimated cost of US$290 million. This expansion includes the addition of parallel grinding and flotation circuits, additional on-site infrastructure and a major tailings dam lift that is concurrent with plant expansion.

Sustaining Capital

Sustaining capital over the LOM totals US$228 million (includes closure costs net of salvage). This includes US$106 million to be spent on tailings management facility expansions, with the remainder to be spent on mine equipment, the process plant, mobile equipment, and replacements/refurbishments of infrastructure assets.

PFS Capital Summary:

DESCRIPTION *(all in US$ millions)*	**INITIAL CAPITAL**		**EXPANSION CAPITAL**		**SUSTAINING LOM CAPEX**	**TOTAL LOM CAPEX**
	Year -2	**Year -1**	**Year**	**Year 9**		
CAPITAL EXPENDITURES						
Mining	$18	$52	$3	-	$67	$140
Infrastructure	$8	$23	$12	-	$22	$65
Processing Plant	$39	$117	$114	$14	-	$284
Tailings Facility (TSF)	$11	$34	$40	-	$106	$191
Offsite Infrastructure	$5	$15	$35	-	-	$55
Indirects	$15	$44	$39	$11	-	$109
Owners Costs	$3	$10	$3	$1	-	$17

DESCRIPTION *(all in US$ millions)*	**INITIAL CAPITAL**		**EXPANSION CAPITAL**		**SUSTAINING LOM CAPEX**	**TOTAL LOM CAPEX**
	Year -2	**Year -1**	**Year**	**Year 9**		
Closure (net of Salvage	-	-	-	-	$24	$24
Contingency	$15	$46	$43	$5	$9	$118
Capital Expenditures - Subtotals	**$114**	**$341**	**$289**	**$31**	**$228**	**$1,003**
	$455					

Mineral Resource Update

In conjunction with the PFS, the Mineral Resource Estimate for Cordero was updated to incorporate an additional 67,800 m of drilling (total drilling of 287,400 m in 706 drill holes). The Measured & Indicated Resource has grown by 35% to 1,132 Moz AgEq and the Inferred Resource has grown by 40% to 119 Moz AgEq as summarized below. This resource expansion has largely been driven by exploration success at depth and in the northeast part of the deposit.

- **Measured & Indicated Resource of 1,132 Moz AgEq at an average grade of 49 g/t AgEq** (716 Mt grading 20 g/t Ag, 0.06 g/t Au, 0.29% Pb and 0.54% Zn)
- **Inferred Resource of 167 Moz AgEq at an average grade of 35 g/t AgEq** (145 Mt grading 14 g/t Ag, 0.02 g/t Au, 0.23% Pb and 0.38% Zn)

MINERAL RESOURCE ESTIMATE

Material	**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)*
Oxide	Measure	21	30	0.08	0.23	0.25	**49**	21	51	109	117	**33**
	Indicated	42	24	0.06	0.24	0.31	**46**	33	85	224	288	**62**
	M&I	**63**	**26**	**0.07**	**0.24**	**0.29**	**47**	**54**	**136**	**333**	**405**	**95**
	Inferred	**36**	**18**	**0.04**	**0.28**	**0.37**	**43**	**21**	**40**	**216**	**292**	**49**
Sulphide	Measure	250	23	0.08	0.33	0.57	**55**	185	604	1,824	3,132	**439**
	Indicated	403	18	0.04	0.27	0.56	**46**	228	524	2,387	4,947	**598**
	M&I	**653**	**20**	**0.05**	**0.29**	**0.56**	**49**	**413**	**1128**	**4,211**	**8,079**	**1037**
	Inferred	**109**	**13**	**0.02**	**0.21**	**0.38**	**33**	**46**	**82**	**510**	**923**	**118**
TOTAL	Measure	271	24	0.08	0.32	0.55	55	206	655	1,933	3,249	472
	Indicated	445	19	0.04	0.27	0.54	46	261	609	2,611	5,235	660
	M&I	**716**	**20**	**0.06**	**0.29**	**0.54**	**49**	**467**	**1,264**	**4,544**	**8,484**	**1,132**
	Inferred	**145**	**14**	**0.02**	**0.23**	**0.38**	**35**	**67**	**122**	**726**	**1,215**	**167**

(Expressed in Canadian dollars, except where otherwise noted)

Supporting Technical Disclosure for Resource

- *Mineral Resource Estimates are inclusive of Mineral Reserves.*
- *The previous Cordero mineral resource estimate (MRE) was completed in November 2021 for Cordero by RedDot3D Inc. (RedDot). The current mineral resource estimate was calculated for Discovery Silver by RedDot, with final review by Richard Schwering of Hard Rock Consulting who is acting as the PFS report's QP for mineral resources.*
- *Mineral resources that are not mineral reserves do not have demonstrated economic viability.*
- *The Resource is an in-pit resource containing a total of 860 Mt of Mineral Resource and 1,501 Mt of waste (below NSR$7.25 cut off) for total tonnes of 2,361,Mt). The pit is constrained by a pit optimisation based on the following parameters:*
    - *Commodity prices: Ag - $24.00/oz, Au - $1,800/oz, Pb - $1.10/lb, Zn - $1.20/lb.*
    - *Metallurgical recoveries: Ag – 87%, Au – 18%, Pb – 89% and Zn – 88%. AgEq for sulphide mineralization and Ag – 59%, Au – 18%, Pb - 37% and Zn - 85% for oxide mineralization.*
    - *Operating costs:*
        - *Base mining costs of $1.59/t for ore and $1.59/t for waste were developed by AGP Mining Consultants Inc.*
        - *Processing costs of $5.22/t for mill/flotation and G&A costs of $0.86/t were developed by Ausenco Engineering Canada Inc.*
    - *Average pit slope assumption of 45⁰*
- *Sulphide and Oxide mineral resources are reported at a $7.25/t NSR cut-off based on the approximate estimated processing and G&A cost for mineralization. NSR is defined as the net revenue from metal sales (taking into account metallurgical recoveries and payabilities) less treatment costs and refining charges.*
- *Individual metals are reported at 100% of in-situ grade.*
- *AgEq for sulphide mineral resources is calculated as Ag + (Au x 15.52) + (Pb x 32.15) + (Zn x 34.68); these factors are based on commodity prices of Ag - $24.00/oz, Au - $1,800/oz, Pb - $1.10/lb, Zn - $1.20/lb and assumed recoveries of Ag – 87%, Au – 18%, Pb – 89% and Zn – 88%. AgEq for oxide mineral resources is calculated as Ag + (Au x 22.88) + (Pb x 19.71) + (Zn x 49.39); this factor is based on commodity prices of Ag - $24.00/oz and Au - $1,800/oz and assumed recoveries of Ag – 59%, Au – 18%, Pb - 37% and Zn - 85%.*
- *There are no known factors or issues that materially affect the mineral resource and mineral reserve estimates other than normal risks faced by mining projects in Mexico in terms of legal, environmental, permitting, taxation, socio-economic, and political factors. Additional risk factors are listed in the "Cautionary Note Regarding Forward-Looking Statements" section in this MD&A.*

MINERAL RESERVE ESTIMATE

Material	Class	Tonnes	Grade				Contained Metal			
			Ag	Au	Pb	Zn	Ag	Au	Pb	Zn
		(Mt)	(g/t)	(g/t)	(%)	(%)	(Moz)	(Moz)	(Blb)	(Blb)
Oxide	Proven	8	34	0.08	0.28	0.29	9	0.02	0.05	0.05
	Probable	11	28	0.07	0.28	0.36	10	0.02	0.07	0.09
	Total P&P	**19**	**31**	**0.07**	**0.28**	**0.33**	**19**	**0.04**	**0.12**	**0.14**
Sulphide	Proven	156	29	0.10	0.46	0.69	144	0.50	1.57	2.38
	Probable	128	25	0.06	0.44	0.76	104	0.25	1.23	2.14
	Total P&P	**284**	**27**	**0.08**	**0.45**	**0.72**	**248**	**0.75**	**2.79**	**4.52**
TOTAL	Proven	164	29	0.10	0.45	0.67	153	0.52	1.63	2.42
	Probable	138	26	0.06	0.43	0.73	114	0.27	1.30	2.22
	Total P&P	**302**	**27**	**0.08**	**0.44**	**0.70**	**266**	**0.79**	**2.94**	**4.65**

Supporting Technical Disclosure for Reserves

- *This mineral reserve estimate has an effective date of January 18, 2023, and is based on the mineral resource estimate prepared for Discovery Silver by Richard Schwering of Hard Rock Consulting of the same date.*
- *The Mineral Reserve estimate was completed under the supervision of Manuel Jessen, P.Eng. of AGP, who is a Qualified Person as defined under NI 43-101.*
- *Mineral Reserves are stated within the final pit designs based on a US$20.00/oz silver price, US$1,600/oz gold price, US$0.95/lb lead price and US$1.20/lb zinc price.*
- *An NSR cut-off of US$10.00/t was used to define sulfides reserves. The life-of-mine mining cost averaged US$1.60/t mined, preliminary processing costs were US$5.22/t ore and G&A was US$0.89/t ore placed. The metallurgical recoveries were varied according to head grade and concentrate*

grades. Lead concentrate recoveries were approximately 82.5%, 12.6% and 91.8% for silver, gold, and lead respectively. Zinc concentrate recoveries were approximately 10.0%, 9.5% and 77.8% for silver, gold, and zinc respectively.

CORPORATE

Executive Changes

On January 23, 2023, the Company announced that Tony Makuch had been appointed Chief Executive Officer ("CEO") effective immediately. Mr. Makuch had been the Interim CEO of the Company since June 2022.

Mr. Makuch is a professional engineer with over 35 years of development, operational and leadership experience. Most recently he was CEO of Kirkland Lake Gold Ltd. ("Kirkland Lake"), a leading senior global gold company with operations in Ontario and Australia. During his five-year tenure Mr. Makuch led the transformation of Kirkland Lake, increasing annual gold production from 315,000 oz to over 1,400,000 oz and increasing market capitalization from approximately C$1 billion to over C$10 billion. Over that time period, Kirkland Lake's share price increased over 500%.

Long-term incentive grants

On January 27, 2023, the Company announced that it had granted long-term incentives to certain officers, employees, and directors of the Company. Pursuant to the Company's stock option plan, an aggregate total of 1,600,000 stock options were granted to certain officers. The Options, each exercisable for one common share of the Company at an exercise price of C$1.42 per share, vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023. The Options will expire on January 26, 2028, five years after the grant date.

Pursuant to the Company's restricted share unit plan, an aggregate total of 2,864,965 RSUs were granted to certain officers and employees. The RSUs, each redeemable for one common share of the Company, vest annually in three equal tranches beginning on the first anniversary of the grant date of January 26, 2023.

Pursuant to the Company's deferred share unit plan ("DSU Plan"), an aggregate total of 1,080,025 DSUs were granted to non-executive directors. The DSUs vest on the first anniversary of the grant date of January 26, 2023, but may only be redeemed on the termination date of a director, in accordance with the DSU plan.

Graduation to TSX

On February 2, 2023, the Company announced that its shares were listed and commenced trading on the TSX at market open on Friday February 3, 2023, under the symbol DSV. As a result of this graduation, the Company's shares were delisted from the TSX Venture Exchange after market close on Thursday February 2, 2023.

Filing of Final Base Shelf Prospectus

On March 24, 2023, the Company announced the filing of its final short form base prospectus allowing for the sale of Common Shares, Warrants, Subscription Receipts and Units of the Company in one or more series of issuances for aggregate gross proceeds of up to $300,000,000 for a period of 25 months following the filing.

(Expressed in Canadian dollars, except where otherwise noted)

OUTLOOK

The Company has now completed 39,000 m of its Feasibility Study drill program that consists of engineering drilling, resource upgrade drilling, and step-out drilling targeting the expansion of the PFS open pit. The drill results subsequent to the PFS cut-off date continue to demonstrate the mineral resource growth potential that could be unlocked and included in the upcoming Feasibility Study. Resource upgrade infill and step-out drilling returned a number of higher-grade intercepts within, and below, the reserves pit, in areas that were previously modeled as low-grade ore. The Company has the potential to continue lowering Cordero's strip ratio by converting the waste to ore within the pit and expand the pit at depth.

The Company's drill program in 2023 at the project is designed to support the FS through condemnation and geotechnical investigation for locating site infrastructure and for hydrogeology investigation. Discovery has already drilled more than half of the holes planned as part of the FS condemnation drilling, and 8 hydrogeology drill holes have been completed with results expected to be received during the second quarter. Management is also currently working through the permitting process for a large bore pumping well hole near the southwest edge of the pit that will be key in defining the expected water flow in and around pit more accurately. Results from this hole and two other planned large bore holes near the pit will be an important dataset to permit water extraction for purposes of pit dewatering.

The FS is expected to be completed in the first half of 2024, with the construction permitting work being performed in parallel. The submission of the Environmental Impact Statement ("Manifesto de Impacto Ambiental" or "MIA") is expected to be made to the Mexican Federal Environmental Department ("SEMARNAT") in the first half of 2023. Assuming a 12 to 24 month permitting timeline, this would position the Company to make a construction decision during the second half of 2024. In parallel with the 2023 work plans, our ESG program continues to be an important area of focus, with our 2022 ESG report scheduled for issuance in Q2 2023.

2023 DRILL PROGRAM:

Item	Details	Drill Metres
Feasibility Study	Engineering, hydrogeology & geotechnical drilling	17,500 m
Property-wide Targets	Drill testing of four property-wide targets	9,000 m
Total		26,500 m

The FS will use a similar approach to the PFS, utilizing a staged expansion of the processing plant, and the use of stockpiling lower grade ore to be blended with higher grade ore later on in the life of mine plan.

Further details on additional technical work supporting the FS include:

- **Reserve definition** – 28,500 m of drilling was completed in 2022, subsequent to the drilling cut-off date for the PFS. This drilling was focused on upgrading the resource classification within the open pit, and expanding and upgrading resource blocks between the open pit and the pit shell. This drilling will be incorporated in a Resource and Reserve update in conjunction with the completion of the FS.

- **Metallurgical testwork**
- Sulphides: additional variability testwork focused on further optimization opportunities in the comminution and flotation circuits.
- Oxide/Sulphide blending: testing higher proportions of oxides (20% and higher) for the co-processing of oxides and sulphides will be completed (PFS testwork focused on oxide-sulphide blends at ~10% oxides / ~90% sulphides).

This testwork will be supported by additional mineralogy work aimed at increasing metallurgical recoveries and lowering operating costs through optimizing rock type and oxide/sulphide blends.

- **Mining** – more detailed mine scheduling during the payback period will be completed along with an evaluation of optimal bench height and mine equipment sizing to potentially increase the size of mining equipment and reduce unit mining costs.
- **Process design** – FS work will focus on opportunities to increase throughput, and to decrease power and grinding media consumption. Additional work will evaluate alternative flotation technologies, including Jameson Cells, as well as further optimization of thickening and filtration systems. During the FS, detailed engineering is expected to be advanced to 25% of the total engineering required for the Project build.
- **Tailings storage facility** – work will be focused on optimizing the tailing storage design as well as water efficiency, and recirculation within the tailings storage facility. Further work will be completed on the option to use dry stacked tailings, as the PFS assumed the use of high-density thickened tailings.
- **Hydrogeology** – the drilling of three large-diameter pump test wells of the local aquifer are planned in 2023. These test wells should allow for an updated assessment of the pit de-watering requirements, and form part of the basis for the site water balance in the FS. Additionally, a regional geophysics survey, and hydrogeological drilling have been planned as part of a broader hydrogeological investigation of the local aquifer.
- **Geotechnical** – geotechnical work will be focused on the proposed locations of the tailings storage, waste rock storage, ore stockpile and process plant facilities.
- **Power** – an additional power study will be completed that will detail the technical specifications, and support required in the permitting process for the installed power line.

Significant target generation work on the Company's large, highly-prospective, land package was completed in 2022. In addition to mapping and sampling work, 125 line-km's of induced polarization (IP) surveys were completed during 2022 and early 2023 at the Molino de Viento, La Perla, Sanson, Dos Mil Diez targets and at the site of the proposed tailings storage facility. The surveys identified large chargeability anomalies at Molino de Viento and in the eastern portion of Sanson. These anomalies reported a similar level of chargeability intensity to those in the main Cordero resource area. Drill testing of these anomalies is scheduled to commence in the middle of the year with initial drilling focused on Sanson. Currently, 9,000m of drilling is planned for property wide drilling in 2023. This program may be expanded depending on the results of the initial drilling.

The Company's balance sheet remains strong, with a current cash balance of approximately $38 million, and no debt, which is sufficient to finance the 2023 work program at Cordero. However, the Company recently filed a final base shelf prospectus and will consider various financing alternatives including allowing for the sale of Common Shares, Warrants, Subscription Receipts and Units of the Company in one or more series of issuance for aggregate gross proceeds of up to $300 million for a period of 25 months following the filing.

(Expressed in Canadian dollars, except where otherwise noted)

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 Q4 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 of the year. The Federal Reserve's aggressive monetary 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 may continue during this period of rising interest rates. Cessation of the Federal Reserve actions could signal increased safe haven demand for precious metals and a resulting increase in silver and gold prices. 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 the year ended December 31, 2022, the average price of silver was $21.73 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 $25.14 per ounce for the year ended December 31, 2021, 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 December 31, 2022, the Canadian Dollar/Mexican Peso exchange rate was 14.30 (December 31, 2021: 16.11), and the Canadian Dollar/US Dollar exchange rate was 1.36 (December 31, 2021: 1.27).

SUMMARIZED FINANCIAL RESULTS

Summary of Consolidated Annual Financial Results

				Years Ended December 31,
		2022		2021
Net loss:				
(a) Total	$	**(41,095,770)**	$	(35,466,515)
(b) basic and diluted loss per share	$	**(0.12)**	$	(0.11)
Net loss and total comprehensive loss	$	**(40,657,751)**	$	(35,504,787)
Cash and cash equivalents	$	**46,220,938**	$	54,748,652
Short-term investments	$	**-**		15,000,000
Total assets	$	**91,583,326**	$	107,790,755
Total current liabilities	$	**1,964,868**	$	1,704,530
Working capital[(1)]	$	**53,081,932**	$	69,611,661
Total weighted average shares outstanding		**342,905,448**		324,466,655

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

Full year 2022 Compared To Full year 2021

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $40,657,751 for the full year of 2022, compared to a net and total comprehensive loss of $35,504,787 for the same period in 2021. The net and total comprehensive loss for 2022 includes a non-cash currency translation adjustment ("CTA") gain of $(438,019) resulting from the translation of Discovery Silver's Mexican subsidiaries from their Mexican Peso ("MXP") denominated financial statements to the Company's reporting currency of CAD on consolidation (2021 – CTA loss of $38,272). This CTA gain is the result of the appreciation of the MXP to CAD that primarily impacts the mineral property balances.

The overall increase in net loss during 2022 when compared to 2021 is primarily the result of exploration expenditures related to the costs incurred related to the PEA and PFS studies, and an increase in surface access, and mapping and sampling costs. Additional costs were also incurred during 2022 related to increased general and administrative expenses, an increase in professional fees, higher non-cash share-based compensation expense, and the write-off of mineral properties due to management's decisions not to renew certain purchase option agreements. 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, an increase in interest income, and an increase in non-realized foreign exchange gains.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $9,205,218 during 2022, compared to $6,786,606 during 2021. This increase is a direct result of the issuance of 8,450,000 stock options and 250,000 RSU's during 2022 compared to 6,450,000 stock options being issued during 2021 (no RSUs were issued during 2021). The stock options issued during 2022 had a slightly higher fair value and weighted average exercise price than the options granted during 2021. Additionally, a higher number of options and RSU's granted during 2022 vested immediately, compared to the options granted during 2021, which accelerated the share-based compensation incurred earlier in the life of the option. Share-based compensation expense reflects the natural vesting of stock options granted which results in a higher expense in the earlier stage of a stock option's life and a lower expense in each subsequent period towards the option's expiry.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $30,347,844 during 2022 compared to $25,155,757 during 2021. Although the Company drilled 68,276 metres during 2022 compared to 86,155 metres during 2021, the increase in exploration and evaluation costs during 2022 was due to work performed on the PFS as well as higher expenditures related to mapping, sampling and assays. A total of $29,991,213 was spent on Cordero during 2022 comprised primarily of $12,865,795 in drilling costs related to infill drilling within the 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 highlighted the existing potential of the expansion of the open pit and were included in the PFS released 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 2022 $3,742,442 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 2022, the Company incurred general office and other expenses of $5,431,363 compared to $3,810,985 during 2021. The increase was related to an increase in the workforce in Canada and Mexico, in particular through the hiring of a new COO and other key positions. As the Company continues to grow, it is building an experienced management team with experience in the areas of HR, ESG, Finance and technical areas. Additionally, higher travel costs were incurred due to the elimination of most COVID-19 travel restrictions, and higher insurance premiums related to the Company increasing the size and scope of its operations also contributed to higher G&A costs.

Professional fees

During 2022, the Company incurred professional fees of $1,089,225 compared to $647,492 during 2021. Higher consulting fees incurred during 2022 mainly related to recruitment fees paid for employee hirings, and additional legal fees incurred on various corporate items. Higher legal fees related to an increased scope of work performed during 2022 compared to 2021.

Provision for IVA receivable

At December 31, 2022, the majority of the accumulated provision was reversed due to the Company filing all the outstanding IVA returns relating to prior years that were previously included in the provision. The cumulative IVA return filed during the Q4 2022 had a net value of approximately $7.7 million. The Company provided to SAT (Mexican tax authorities), all the supporting documentation required to substantiate and validate the cumulative IVA claim and subsequently responded to all inquiries and requests for additional documentation. The Company is currently nearing completion of an in-person audit with SAT and expects to receive the cumulative refund during the second quarter of 2023. The Company continues to record a provision against IVA paid during a period until management has prepared and filed the IVA return and filed it with SAT.

During the last two years the Company has been successful in recovering amounts owed to 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 SAT. The Company recorded the portion of the reversal expected to be collected within twelve months as a current asset on the Consolidated Statement of Financial Position, and a credit to the original provision recognized on the 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 $1,243,369 during 2022 compared to $834,904 during 2021. The increase relates to the increase in interest rates during the second half of 2022 which generated higher interest income on cash balances and short-term guaranteed investment certificates purchased during the year.

Foreign exchange gain

(Expressed in Canadian dollars, except where otherwise noted)

The company realized a foreign exchange gain of $3,304,546 during 2022 compared to a gain of $233,432 during 2021. This foreign exchange gain was primarily due to the appreciation of the US Dollar against the Canadian Dollar that resulted in the Company's US Dollar cash balances receiving a foreign exchange gain on translation into the Company's Canadian Dollar reporting currency.

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Summary of Quarterly Results

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

		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[1]	$	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

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

Q4 2022 Compared to Q4 2021

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $10,206,433 during Q4 2022, compared to a net and total comprehensive loss of $7,030,220 for Q4 2021. The net and total comprehensive loss for Q4 2022 includes a non-cash currency translation adjustment ("CTA") gain of $205,413 from the translation of Discovery Silver's Mexican subsidiaries Mexican Peso ("MXP") functional currency financial statements to the Company's reporting currency of CAD on consolidation (Q4 2021 – CTA gain of $68,708). The CTA gain resulted from the appreciation of the MXP compared to the CAD during Q4 2022, primarily impacting the mineral property balances.

The increase in net loss during Q4 2022 compared to Q4 2021 resulted from an increase to the accumulated provision on the IVA receivables, an increase in exploration and evaluation expenditures, an increase in G&A expenditures, and the write-off of a mineral property during the quarter.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $1,442,195 during Q4 2022, compared to $1,121,164 during Q4 2021. The increase was due to a higher number of stock options issued to directors, employees, and consultants during 2022 with higher fair values than the options granted during 2021 in relation 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 of $6,138,623 during Q4 2022 compared to $5,868,822 in Q4 2021. $1,174,914 was spent on the PFS during Q4 2022 related to engineering, hydrogeology and geotechnical drilling, metallurgical studies, pit-wall optimization studies. A total of 10,289 metres were drilled during Q4 2022 compared to 16,240 metres during Q4 2021, relating to the first Feasibility Study drill holes on the Cordero project that consisted of upgrade and expansion drilling on the proposed open pit, that were drilled subsequent to the data cut-off date for the PFS. During Q4 2022, $1,243,519 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 the resource update and PFS completed and released in Q1 2023.

General office and other expenses

During Q4 2022, the Company incurred general office and other expenses of $1,513,490 compared to $1,437,525 during Q4 2021. The increase quarter over quarter was related to higher travel costs were incurred due to the removal of COVID-19 travel restrictions.

Professional fees

During Q4 2022, the Company incurred professional fees of $182,256 compared to $236,410 during Q4 2021 relating to legal, accounting, and other consulting fees. The decrease in professional fees in Q4 2022 compared to Q4 2021 is due to lower employment consultant fees incurred during the quarter.

Provision for IVA receivable

At December 31, 2022, the majority of the accumulated provision was reversed due to the Company filing all the outstanding IVA returns relating to prior years that were previously included in the provision. The cumulative IVA return filed during the fourth quarter of 2022 had a net value of approximately $7.7 million. The Company provided to SAT, all the supporting documentation required to substantiate and validate the cumulative IVA claim and subsequently responded to all inquiries and requests for additional documentation. The Company is currently nearing completion of an in-person audit with SAT and expects to receive the cumulative refund during the second quarter of 2023. The Company continues to record a provision against IVA paid during a period until management has prepared and filed the IVA return and filed it with SAT.

During the last two years the Company has been successful in recovering amounts owed to 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 SAT. The Company recorded the portion of the reversal expected to be collected within twelve months as a current asset on the Consolidated Statement of Financial Position, and a credit to the original provision recognized on the 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 $724,576 during Q4 2022 compared to $193,929 during Q4 2021. The increase is due to the rise in interest rates during the second half of 2022 which generated higher interest income on cash balances and short term guaranteed investment certificates purchased during the quarter.

Foreign exchange gain

The company realized a foreign exchange gain of $370,695 during Q4 2022 compared to a gain of $351,973 during Q4 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 $39,105,895 for the full year 2022 compared to net cash used in operating activities of $31,432,760 for 2021. This increase is primarily due to higher exploration and evaluation expenditures, PFS costs, and an increase in G&A costs and professional fees both in Canada and Mexico.

The Company had net cash from investing activities of $14,591,427 for 2022 mainly related to the $15,000,000 GIC maturing in June 2022, compared to net cash used in investing activities of $5,886,054 during 2021 that related to the acquisition of mineral properties and capital expenditures in Mexico.

The Company had net cash provided by financing activities of $14,475,188 during 2022 compared to cash provided by financing activities of $24,216,094 during 2021. The net cash inflow during 2022 was the result of cash received of $12,188,527 from the exercise of warrants, and $2,335,851 received from the exercise of stock options. The 2021 cash inflow mainly related to the $23,226,913 of cash received from the exercise of warrants and $1,035,961 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 December 31, 2022, the Company does not have any long-term debt outstanding, and is not subject to any externally imposed capital requirements or debt covenants.

At December 31, 2022, the Company had working capital (defined as current assets less current liabilities) of $53,081,932 (December 31, 2021 – $69,611,661). The Company is sufficiently capitalized to complete planned exploration programs on its properties, including the FS Drill Program at Cordero.

SHARE CAPITAL

A summary of the common shares issued and outstanding at December 31, 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	**14c**	**4,598,333**	**3,873,673**
Shares issued on exercise of warrants	**14e**	**15,869,814**	**12,188,527**
Shares issued on exercise of RSU's	**14e**	**125,000**	**177,799**
At December 31, 2022		**351,941,580**	**$ 166,732,378**

OUTSTANDING SHARE DATA

At March 30, 2023 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	352,350,230 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 20,046,992 Common Shares
Securities convertible or exercisable into voting or equity securities-RSU's & DSU's	RSU's and DSU's to acquire up to 10% of outstanding Common Shares	RSU's and DSU's to acquire 4,069,990 Common Shares

(Expressed in Canadian dollars, except where otherwise noted)

Securities convertible or exercisable into voting or equity securities-warrants[(1)(2)(3)]	Warrants to acquire 71,881,773 Common Shares	Nil 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. 12,500,000 of unexercised warrants expired on 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 of the Company's activities. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Related party transactions for the years ended December 31, 2022 and 2021 are as follows:

		Years Ended December 31,	
Transaction Type	**Nature of Relationship**	**2022**	2021
Non-cash share-based payments	Directors and officers	**$ 6,490,981**	$ 4,704,460
Salaries and benefits	Officers	**2,190,000**	1,658,000
Director fees	Directors	**325,000**	357,042
		$ 9,005,981	$ 6,719,502

A summary of amounts due to related parties:

Transaction Type	**Nature of Relationship**	**December 31, 2022**	December 31, 2021
Salaries and benefits payable	Directors, officers, and employees	**$ 1,138,517**	$ 826,163
		$ 1,138,517	$ 826,163

Salaries and benefits payable include certain salaries and benefits or fees earned by directors, officers and employees during 2022 and short-term non-equity incentives earned by officers and employees during 2022 and paid in 2023.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

(Expressed in Canadian dollars, except where otherwise noted)

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, 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. 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, 2022, the Company had a cash and cash equivalents balance of $46,220,938 (December 31, 2021 – $54,748,652) to settle current liabilities of $1,964,868 (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 December 31, 2022, the Company has no sources of revenue to fund its operating and development expenditures and has historically relied solely on non-brokered private placements to fund its operations. The Company's cash balance of $46,220,938 at December 31, 2022 is sufficient to fund the 2023 work program as well as administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of an equity or debt financing.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash and cash equivalents, short-term investments, accounts receivable and prepaids and deposits are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents and short-term investments as low as its funds are held in several highly rated Canadian financial institutions.

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

	December 31, 2022	December 31, 2021
Cash and cash equivalents	**$ 46,220,938**	$ 54,748,652
Short-term investments	**-**	15,000,000
Other receivables	**343,346**	174,511
Deposits	**126,270**	112,364
	$ 46,690,554	**$** 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.

ii. Foreign currency risk

The Company's functional currency is the Canadian dollar. At December 31, 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 currently use derivative instruments to reduce its exposure to foreign currency risk, however exchange rates are continually monitored for any significant changes. A portion of the Company's exploration expenses are paid in USD, and over the past two years the Company converted a portion of its CAD cash balances into USD to reduce its currency risk exposure related to the CAD.

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

At December 31, 2022 and December 31, 2021, the Company had the following foreign currency denominated trade payables:

(Expressed in Canadian dollars, except where otherwise noted)

		December 31, 2022		December 31, 2021
United States dollar	**$**	**102,028**	$	165,803
Mexican Peso		**360,325**		226,833
	$	**462,353**	$	392,636

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Peso against the Canadian Dollar would affect net loss at December 31, 2022 by approximately $45,735 (December 31, 2021: $38,778).

iii. Price risk

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

OTHER RISKS AND UNCERTAINTIES

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

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

Nature of Mineral Exploration and Mining

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

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

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

Permits and Licenses

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

Due to the consolidation of government offices, this 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 2023, however any future applications could be adversely impacted by various factors including the impact of COVID-19, its variants or any other pandemic on government offices and processing timelines.

Competition

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

Environmental and Climate Change Regulation

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

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

Estimates of Mineral Resources May Not Be Realized

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

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

Dependence on Key Personnel

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

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

Limited Financial Resources

The existing financial resources of the Company are sufficient to complete the 2023 work program at Cordero, however they are not sufficient to bring Cordero into commercial production. The Company will need to obtain additional financing from external sources in order to fund the development of its properties and/or to engage in other strategic business opportunities. There is no assurance that the Company will be able to obtain such financing on favourable terms, or at all.

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

Political Environment

The Company's mineral exploration activities are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local and indigenous people and other matters. No assurance can be given that new rules and regulations will not be enacted 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.

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 25% of the Common Shares are held by one 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, 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, 2022.

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 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 consolidated financial statements.

Future Accounting Standards and Interpretations

Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB has issued amendments to IAS 1 Presentation of Financial Statements which require entities to disclose their "material" accounting policy information rather than their "significant" accounting policies. The amendments explain that accounting policy information is material if omitting, misstating; or obscuring that information could reasonably be expected to influence decisions that the primary users of the financial statements make on, the basis of, those financial statements. The amendments also clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

Definition of Accounting Estimates (Amendments to IAS 8)

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

This amendment is effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of these amendments has not yet been determined.

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 time which could affect the economic recoverability of capitalized costs.

b) Critical accounting estimates

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

QUALIFIED PERSON

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In compliance with the Canadian Securities Administrators' Regulation we have filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design of disclosure controls and procedures and the design of internal controls over financial reporting. Disclosure Controls and Procedures. The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

(i) material information relating to the Corporation has been made known to them; and
(ii) information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

There were no changes made to the Company's disclosure controls and procedures in Q4 2022.

Internal Control over Financial Reporting

The CEO and the CFO have also designed internal controls over financial reporting ("ICFR") or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has undertaken to put into place or caused to be put in place under its supervision, a system of internal controls appropriate for its size, and reflective of its level of operations.

Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation. There have been no significant changes in our internal controls during the three months and year ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, Discovery's internal control over financial reporting.

Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact, information contained, or incorporated by reference, herein constitutes "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "planned", "expect", "project", "predict", "potential", "targeting", "intends", "believe", and similar expressions, or describes a "goal", or variation of such words and phrases or states that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved. Statements relating to mineral resources are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources described exist in the quantities predicted or estimated or that it will be commercially viable to produce any portion of such resources. Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made, including among other things, the future prices of gold, silver, lead, zinc, and other metals, the price of other commodities such as coal, fuel and electricity, currency exchange rates and interest rates; favourable operating conditions, political stability, timely receipt of governmental approvals, licenses, and permits (and renewals thereof); access to necessary financing; stability of labour markets and in market conditions in general; availability of equipment; the accuracy of mineral resource estimates, and of any metallurgical testing completed to date; estimates of costs and expenditures to complete our programs and goals; the speculative nature of mineral exploration and development in general; there being no significant disruptions affecting the development and operation of the project, including due to the pandemic of the novel coronavirus (COVID-19); exchange rate assumptions being approximately consistent with the assumptions in the report; the availability of certain consumables and services and the prices for power and other key supplies being approximately consistent with assumptions in the report; labour and materials costs being approximately consistent with assumptions in the report and assumptions made in mineral resource estimates, including, but not limited to, geological interpretation, grades, metal price assumptions, metallurgical and mining recovery rates, geotechnical and hydrogeological assumptions, capital and operating cost estimates, and general marketing, political, business and economic conditions. Many of these assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies, and other factors that are not within the control of Discovery Silver Corp. ("**Discovery**" or the "**Corporation**") and could thus cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information.

Forward-looking information and forward-looking statements herein includes, but is not limited to: statements or information concerning the future financial or operating performance of Discovery and its business, operations, properties and condition, resource potential, including the potential quantity and/or grade of minerals, or the potential size of a mineralized zone, potential expansion of mineralization, the timing and results of future resource estimates, the timing of other exploration and development plans at Discovery's mineral project interests, the amenability of mineralization to produce a saleable concentrate of sufficiently high enough grade and quality to be economic; changes in project parameters as plans continue to be refined; illustrative mine lives of the Corporation's various mineral project interests, the proposed timing and amount of estimated future production, and the illustrative costs thereof; and with respect to the Cordero Project: statements regarding the results of the pre-feasibility study and the anticipated capital and operations costs, sustaining costs, internal rate of return, concession renewal, permitting of the Cordero Project, economic and scoping-level parameters of the Cordero Project, mineral resource estimates, the cost and timing of any development of the Cordero Project, the proposed mine plan and mining methods, dilution and mining recoveries, processing method and rates and production rates; projected metallurgical recovery rates, infrastructure requirements, capital, operating and sustaining cost estimates, the projected life of mine and other expected attributes of the project, the net present value ("**NPV**"), the Cordero Project location, the timing of the environmental assessment process, changes to the Cordero Project configuration that may be requested as a result of stakeholder or government input to the environmental assessment process, government regulations and permitting timelines, estimates of reclamation obligations, requirements for additional capital, environmental risks, general business and economic conditions. Such forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Discovery to be materially different from any future results, performance, or achievements expressed or implied.

Such factors include, among others: the timing and possible outcome of regulatory and permitting matters; the ability to obtain, maintain or renew the underlying licenses and permits in Mexico in accordance with the requirements of applicable mining, environmental, and other laws in Mexico; satisfaction of requirements relating to the submissions and successful defence of Environmental Impact Assessment reports ("**EIAs**"); exploration, development, and operating risks, and risks associated with the early stage status of the Corporation's mineral properties and the nature of exploration; risks associated with the Corporation having no known reserves and no economic reserves may exist on the Corporation's properties, which could have a negative effect on the Corporation's operations and valuation; discrepancies between actual and estimated mineral resources; possible variations of mineral grade or recovery rates; fluctuations in commodity prices and relative currency rates; volatility, changes, or disruptions in market conditions; government regulation of mining operations and changes in government legislation and regulation, including pursuant to the *Canadian Extractive Sector Transparency Measures Act* (Canada); foreign operations risks, political instability, hostilities, insurrection, or acts of war or terrorism (and the potential consequential capital and financial market reaction); reputational risks; potential dilution of Common Shares (as defined in the Company's December 31, 2022 Annual Information Form ("**AIF**")) voting power or earnings per share as a result of the exercise of warrants, RSUs, DSUs, or Options (all as defined in the AIF), future financings or future acquisitions financed by the issuance of equity; uncertainties associated with minority interests and joint venture operations; ability to satisfy contractual obligations and additional capital needs generally; reliance on a finite number of properties; contests over title to properties; availability of adequate infrastructure; costs and results derived from community relations activities; environmental risks and hazards; the cost, timing, and amount of estimated future capital, operating exploration, acquisition, development, and reclamation activities; limited operating history and no earnings; limits of insurance coverage and uninsurable risk; accidents, labour disputes, and other risks of the mining industry, including but not limited to environmental risks and hazards, pitwall failures, flooding, rock bursts, and other acts of God or natural disasters; unfavourable operating conditions; limitations on the use of community water sources; risks associated with the Corporation's indemnified liabilities; pandemics including the novel coronavirus (COVID-19) (and the potential consequential governmental regulations and capital and financial market reaction); competitive conditions in the mineral exploration and mining businesses; the ability of the Corporation to retain its key management employees and the impact of shortages of skilled personnel and contractors; potential acquisitions and their integration with the Corporation's current business; future sales of Common Shares by existing shareholders; influence of third party stakeholders; successful defence against existing, pending, or threatened litigation or other proceedings; conflicts of interest; the Corporation's designation as a "passive foreign investment company"; the adequacy of the Corporation's system of internal controls; credit and/or liquidity risks; cyber security risks; the interpretation and actual results of historic data associated with, and drill results from, those properties, and the reliance on technical information provided by third parties; changes in labour costs or other costs of exploration and development; failure of equipment or processes to operate as anticipated;, completion of expenditure and other obligations under earn-in or option agreements to which the Corporation is a party; the impact of archaeological, cultural, or environmental studies within the property area; the designation of all or part of the property area of the Corporation's projects as a protected wildlife habitat under government legislation and regulation; future issuances of the Common Shares to satisfy earn-in or lease-related obligations or the acquisition of exploration properties; judgement of management when exercising discretion in their use of proceeds from offerings of securities; those general business, economic, competitive, political, regulatory, and social uncertainties, disruptions or changes in the credit or securities markets and market fluctuations in prices for Discovery's securities that may occur outside of management's control; the Corporation's history of net losses and negative operating cash flow; the Corporation's major shareholder(s) having the ability to influence matters submitted to Discovery's shareholders for approval; and the risks involved in the exploration, development, and mining business in general.

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

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

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

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

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

FINANCIAL INFORMATION AND NON-GAAP MEASURES

Discovery has prepared its consolidated financial statements, incorporated herein by reference, in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. As a result, they may not be comparable to financial statements prepared in accordance with other financial reporting frameworks, including generally acceptable accounting principles used in the US ("**GAAP**"). The Corporation has included certain non-GAAP performance measures as detailed below. In the mining industry, these are common performance measures but may not be comparable to similar measures presented by other issuers and the non-GAAP measures do not have any standardized meaning. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

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

The Corporation has provided an all-in sustaining costs performance measure that reflects all the expenditures that are required to produce an ounce of silver from operations. While there is no standardized meaning of the measure across the industry, the Corporation's definition conforms to the all-in sustaining cost definition as set out by the World Gold Council in its guidance dated June 27, 2013. The Corporation believes that this measure is useful to external users in assessing operating performance and the Corporation's ability to generate free cash flow from current operations. Subsequent amendments to the guidance have not materially affected the figures presented.

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

ADDITIONAL INFORMATION

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