Discoverysilver

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2022, and 2021

Dated May 26, 2022

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Discovery Silver Corp. ("Discovery Silver" or "the Company"), for the three months ended March 31, 2022 ("Q1 2022") and the related notes contained therein, which were prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* ("IAS 34") of the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information relating to the Company, including the most recent Annual Information Form ("AIF") for the year ended December 31, 2021, and the Company's audited consolidated financial statements for the year ended December 31, 2021, are available on SEDAR at www.sedar.com. The information provided herein supplements, but does not form part of, the interim financial statements and includes financial and operational information from the Company's subsidiaries. This discussion also covers the three months ended March 31, 2021 ("Q1 2021"). This document contains forward-looking statements and forward-looking information. Refer to the cautionary language under the section entitled "Cautionary Statement on Forward-Looking Statements" in this MD&A. All dollar ($) amounts are expressed in Canadian dollars ("CAD"), the Company's reporting currency, except where otherwise noted. References to United States dollars are denoted as ("USD").

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

The Company's Board of Directors' (the "Board") review is accomplished principally through the Company's Audit Committee, which meets periodically to review all financial reports, prior to filing. The Board has approved the condensed interim consolidated financial statements and this MD&A, as well as ensured that the Company's management ("Management") has discharged its financial responsibilities. The information included within this MD&A is prepared as at May 26, 2022.

DESCRIPTION OF BUSINESS

The Company was incorporated on October 10, 1986 under the laws of British Columbia as Ayubowan Capital Ltd. On June 13, 2017, the Company's name was changed to Discovery Metals Corp. On April 14, 2021, the Company's name was changed to Discovery Silver Corp. The Company is listed on the TSX Venture Exchange (the "Exchange" or "TSXV") under the symbol "DSV" and the OTCQX Market® under the symbol "DSVSF". The Company's head office is located at Suite 701 - 55 University Avenue, Toronto, Ontario, M5J 2H7.

Discovery's flagship asset is the 100%-owned Cordero silver project ("Cordero" or the "Project") located in Chihuahua State, Mexico. The completion of a Preliminary Economic Assessment ("PEA") in 2021 confirmed Cordero's potential to be developed into a highly capital efficient mine that offers the combination of margin, size and scaleability. The Company's focus in 2022 is on the delivery of a Pre-Feasibility Study ("PFS") on the

Project, expected to be released during the fourth quarter of this year. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.discoverysilver.com.

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

The Company has successfully maintained drilling and other operations at the Cordero Project with measures in place to facilitate enhanced physical distancing to limit the potential spread of the COVID-19 virus. We are continuing to be proactive, closely monitoring the situation, while attempting to mitigate the health and safety risks resulting from the pandemic. The Company's priority remains the health and safety of its employees, contractors, vendors, and consultants. The Company continues to monitor the directives of the governments and health authorities in Mexico and Canada. To-date, health and safety protocols and the efforts of employees and contractors to manage COVID-19 have been effective and the Company continues with the Phase 2 drilling safely assisted by the use of four diamond core rigs.

Q1 2022 HIGHLIGHTS

PROJECTS

During Q1 2022, the Company issued several news releases announcing results from exploration activities at the Cordero Project, in addition to corporate development initiatives.

Cordero

Cordero – Phase 2 infill drilling

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

Highlight intercepts include:

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

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

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

Cordero – Phase 2 pit expansion drilling

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

Highlight intercepts include:

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

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

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

CORPORATE

Stock Option Grant

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

- Management and employees: annually in equal thirds beginning on the date of grant;
- Directors: annually in equal halves beginning on the date of grant; and

- Consultants: quarterly in equal eighths beginning three months after the date of grant.

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

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

Appointment of Chief Operating Officer

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

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

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

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

DRILL PROGRAM UPDATE:

The Company has now completed 71,000 m (211 holes) as part of its Phase 2 drill program (excluding drill metres used to support the 2021 Mineral Resource Estimate). Phase 2 drilling will continue through the remainder of the year and will be focused on three key areas: (1) PFS drilling consisting of reserve definition and engineering drilling; (2) resource expansion in the northeast of the deposit and at depth; and (3) initial drill testing of five property-wide targets on the Company's extensive land package.

RECENT DEVELOPMENTS

PROJECTS

Cordero

Cordero – Phase 2 PEA upgrade drilling and resource expansion drilling

On May 13, 2022, the Company announced results from 19 holes from its Phase 2 drill program on the Cordero silver project in Chihuahua State, Mexico. These drill results include resource upgrade drilling for the PFS, and expansion drilling of the PEA open pit and the resource pit.

Highlight intercepts include:

- C21-560 intercepted a high-grade interval immediately below the current PEA pit that returned **18.1 m averaging 606 g/t AgEq** from 230.0 m (234 g/t Ag, 0.15 g/t Au, 3.8% Pb and 6.5% Zn);
- C21-564 intercepted **33.9 m averaging 337 g/t AgEq** from 622.1 m (95 g/t Ag, 0.21 g/t Au, 1.9% Pb and 4.5% Zn) approximately 70 m below the PEA pit;
- C21-544 intercepted **60.4 m averaging 122 g/t AgEq** from 115.7 m (45 g/t Ag, 0.07 g/t Au, 0.9% Pb and 1.2% Zn) approximately 50 m below the PEA pit;
- C21-574 intercepted 1**3.4 m averaging 483 g/t AgEq** from 3.3 m (272 g/t Ag, 0.16 g/t Au, 4.1% Pb and 1.9% Zn) in a step-out hole approximately 100 m to the northeast of the resource pit.

This set of Phase 2 drill holes were focused on upgrading and expanding the drilling of the PEA open pit, and resource in the northeastern part of the deposit. Drilling in, and around, the PEA open pit continued to intercept excellent grades over broad widths, expected to improve the confidence of the resource supporting the PFS mine plan. Several intercepts outside the PEA open pit have shown the potential to increase the size of the pit in the PFS. Hole C21-560 intercepted a series of sulphide veins, and intrusive breccias, that returned 18.1 m of 606 g/t AgEq from 230.0 m. This intercept was directly beneath the PEA open pit in an area previously modelled as having medium grades. Resource expansion drilling remains focused in the northeast of the deposit in both the North and South Corridors. The drilling in this area is wide-spaced (drill spacing ranges from approximately 50 m – 250 m) and is targeting the expansion of the resource along strike to the northeast and at depth. In the South Corridor, drilling confirmed the potential extension of feeder structures supporting the Josefina Vein trend by 250 m to the northeast. Hole C21-574, a 150 m step-out hole, intercepted 13.4 m of 483 g/t AgEq from 3.3 m and 27.5 m of 122 g/t AgEq from 411.1 m. In the North Corridor, drilling encountered several broad mineralized zones beneath the resource pit. The drilling to date has identified multiple sub-parallel mineralized corridors in this area that have potential to expand the resource along strike, and at depth.

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

CORPORATE

Appointment of Board Member

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

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

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

(Expressed in Canadian dollars, except where otherwise noted)

OUTLOOK

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

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

The Company ended Q1 2022 with a cash and short-term investments balance of approximately $61 million and no debt. The planned work program at Cordero in 2022 is budgeted at $25 million, and these expenditures reflect a two-pronged approach, with capital allocated to further de-risking the Project with the delivery of a PFS, as well as an allocation to growth capital for resource expansion and property-wide exploration. Looking beyond the PFS, the Company anticipates that it has sufficient cash and liquidity to advance the Project to a construction decision through the completion of a Definitive Feasibility Study in the second half of 2023.

2022 DRILL PLANS

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

PRE-FEASIBILITY STUDY ("PFS")

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

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

RESOURCE GROWTH

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

PROPERTY-WIDE EXPLORATION

The Company plans on drilling 16,000 m across five surface exploration targets during the second half of the year. This drill program may be expanded depending on the results received from this initial drilling.

Key highlights of the five targets include:

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

- **Molina de Viento** – high-grade silver from rock sampling within a very large alteration footprint and a high chargeability / low resistivity anomaly.
- **Porfido Norte** – prominent silver-in-soil anomaly and surface alteration coincident with a possible intrusion based on a chargeability high and surface morphology consisting of annular features.
- **La Perla** – chargeability high with an alteration footprint, historic underground workings, and silver rock geochemistry.

KEY ECONOMIC TRENDS

The prices of silver, lead, zinc and gold have an impact on the economic viability of the Company's mineral and exploration projects. The future gold and silver prices are expected to continue to be affected by the uncertainty surrounding the U.S. dollar's direction in 2022, deriving from interest rate fluctuations, the continued rise of inflation and real-interest rates, the persistent geopolitical uncertainty and continued tensions over trade wars, and central banking policy to combat inflation and additional liquidity provided to the markets. During Q4 2021 the silver price declined slightly due to the strengthening of the US dollar and an increase in bond yields. However, as inflation has continued to remain high and accelerate slightly throughout May, the increase in interest rates initiated during the first five months of 2022 hasn't significantly affected strong precious metal prices realized throughout the pandemic. Prices of precious metals remain strong even though central banks have continued to raise interest rates attempting to curb inflation. 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 Q1 2022, the average price of silver was $24.01 per ounce, with silver trading between $22.24 and $26.18 per ounce based on the London Fix silver price. This compares to an average of $26.26 per ounce for Q1 2021 with a low of $24.00 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 March 31, 2022, the Canadian Dollar/Mexican Peso exchange rate was 16.00 (December 31, 2021: 16.11), and the Canadian Dollar/US Dollar exchange rate was 1.25 (December 31, 2021: 1.27).

(Expressed in Canadian dollars, except where otherwise noted)

REVIEW OF CONSOLIDATED FINANCIAL RESULTS

Summary of Quarterly Results

		Q1 2022		Q4 2021		Q3 2021		Q2 2021
Net loss								
(a) Total	**$**	**(13,147,429)**	$	(7,098,928)	$	(8,752,766)	$	(8,709,519)
(b) basic and diluted per share	**$**	**(0.04)**	$	(0.02)	$	(0.03)	$	(0.03)
Net loss and total comprehensive loss	**$**	**(13,402,257)**	$	(7,030,220)	$	(8,739,307)	$	(8,736,684)
Cash and cash equivalents	**$**	**46,229,095**	$	54,748,652	$	57,637,485	$	72,955,295
Total assets	**$**	**99,464,516**	$	107,790,755	$	109,227,233	$	116,923,661
Total current liabilities	**$**	**1,410,165**	$	1,704,530	$	1,753,280	$	1,825,301
Working capital	**$**	**61,667,325**	$	69,611,661	$	71,594,510	$	86,871,096
Total weighted average shares outstanding		**332,025,353**		329,898,229		325,155,725		324,892,666

		Q1 2021		Q4 2020		Q3 2020		Q2 2020
Net loss								
(a) Total	$	(10,965,302)	$	(6,125,457)	$	(5,127,665)	$	(1,747,677)
(b) basic and diluted per share	$	(0.03)	$	(0.02)	$	(0.02)	$	(0.01)
Net loss and total comprehensive loss	$	(11,058,575)	$	(5,455,362)	$	(4,914,927)	$	(1,936,075)
Cash and cash equivalents	$	79,742,626	$	67,547,897	$	69,210,491	$	26,913,163
Total assets	$	123,667,380	$	111,564,881	$	112,664,894	$	70,357,450
Total current liabilities	$	1,604,846	$	982,260	$	1,825,541	$	520,234
Working capital	$	94,000,414	$	82,435,046	$	83,077,744	$	42,167,158
Total weighted average shares outstanding		317,429,574		302,368,222		282,624,020		226,123,223

Q1 2022 Compared to Q1 2021

Net loss and total comprehensive loss

The Company had a net and total comprehensive loss of $13,402,257 during Q1 2022, compared to a net and total comprehensive loss of $11,058,575 for Q1 2021. The net and total comprehensive loss for Q1 2022 includes a non-cash currency translation adjustment ("CTA") loss of $254,828 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 (Q1 2021 – CTA loss of $93,274). The CTA loss resulted from the depreciation of the MXP compared to the CAD during Q1 2022, primarily impacting the mineral property balances.

The increase in net loss during Q1 2022 compared to Q1 2021 resulted from increased exploration expenditures related to 22,600 metres drilled during Q1 2022 compared to 21,000 metres drilled during Q1 2021. Higher costs were also incurred during Q1 2022 related to increased general and administrative expenses, professional fees, and share-based compensation expense.

Share-based compensation expense

The Company incurred a non-cash share-based compensation expense of $4,322,305 during Q1 2022, compared to $3,494,920 during Q1 2021. The increase was due to an increased number of stock options issued to directors, employees, and consultants during Q1 2022, that had a higher fair value than the options granted during Q1 2021 due to an appreciation in the Company's share price quarter over quarter.

Exploration and project evaluation expense

The Company incurred exploration and project evaluation costs of $7,129,653 during Q1 2022 compared to $5,888,527 in Q1 2021, as a total of 22,600 metres were drilled during Q1 2022 compared to 21,000 metres during Q1 2021. During Q1 2022, $3,632,541 of drilling costs were spent at Cordero focused mainly on upgrade drilling within the very large open pit outlined in the PEA. These drill results intercepted broad zones of higher-grade mineralization within the pit outline and will enhance the resource definition for the PFS anticipated to be delivered during the second half of 2022. These drill holes focused on upgrading resources in both the North and South Corridors for inclusion in the PFS mine plan. In the South Corridor hole C21-555 drilled in the northeast part of the corridor, confirmed the potential for expansion downdip of the higher-grade zone in this part of the deposit. The North Corridor drilling was predominantly focused on the North-East extension zone and all four holes drilled in this zone intercepted broad zones of mineralization relatively close to surface, and within the open pit outline.

General office and other expenses

During Q1 2022, the Company incurred general office and other expenses of $1,134,179 compared to $837,066 during Q1 2021. The increase quarter over quarter was related to an increase in the workforce in Canada and Mexico as the Company continues to grow the experience and expertise of the management team, mainly in the HR, ESG, Finance and technical areas.

Professional fees

During Q1 2022, the Company incurred professional fees of $237,438 compared to $90,867 during Q1 2021 which related to legal, accounting, and other consulting fees. Higher consulting fees incurred during Q1 2022 mainly related to recruitment fees paid for employee hirings, and additional technical consultants supporting various areas of work performed on the Cordero project.

Provision for IVA receivable

During the last two years the Company has been successful in recovering amounts owed to both of its Mexican subsidiaries. Due to the increased confidence in collectability, the Company reversed $2,682,958 of the provision related to returns that are pending review by the Tax Authorities. The Company recorded the reversal as a non-current asset on the Condensed Interim Consolidated Statement of Financial Position, and a credit to the original provision recognized on the Condensed Interim Consolidated Statements of Loss and Other Comprehensive Loss.

During the three months ended March 31, 2022, the Company collected total IVA refunds of $196,908 and has an accumulated provision against the IVA receivable of $4,165,605, $765,445 of which was recognized during Q1 2022.

Interest income

The Company earned interest income of $153,537 during Q1 2022 compared to $199,663 during Q1 2021. The interest income primarily relates to the receipt of interest on the Company's short-term investments in GICs.

Foreign exchange gain

The company incurred a foreign exchange loss of $2,895 during Q1 2022 compared to a loss of $75,797 during Q1 2021.

CASH FLOW

The Company had net cash used in operating activities of $9,208,283 for Q1 2022 compared to net cash used in operating activities of $6,704,777 for Q1 2021. This increase is due to higher exploration and evaluation expenditures, and an increase in G&A costs and professional fees both in Canada and Mexico.

The Company had net cash used in investing activities of $56,051 for Q1 2022 compared to net cash used in investing activities of $146,647 during Q1 2021 that related to capital expenditures in Mexico.

The Company had net cash provided by financing activities of $1,036,094 during Q1 2022 compared to cash provided by financing activities of $19,044,033 during Q1 2021. The net cash inflow during Q1 2022 was the result of cash received of $725,911 from the exercise of warrants, and $322,169 received from the exercise of stock options. The Q1 2021 cash inflow mainly related to the $18,999,348 of cash received from the exercise of warrants.

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 March 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. There was no change to the Company's approach to capital management during the three months ended March 31, 2022.

(Expressed in Canadian dollars, except where otherwise noted)

At March 31, 2022, the Company had working capital (defined as current assets less current liabilities) of $61,667,325 (December 31, 2021 – $69,611,661). The Company is sufficiently capitalized to complete planned exploration programs on its properties, including the remainder of the Phase 2 Drill Program at Cordero. The Company has not yet determined whether the properties on which it has options contain mineral reserves that are economically recoverable. The continued operations of the Company are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

SHARE CAPITAL

A summary of the common shares issued and outstanding at March 31, 2022 and impact of changes to share capital is as follows:

	Common Shares	Amount
At December 31, 2021	331,348,433	$ 150,492,379
Shares issued on exercise of options	**765,208**	**550,109**
Shares issued on exercise of warrants	**981,975**	**725,911**
At March 31, 2022	**333,095,616**	**$ 151,768,399**

OUTSTANDING SHARE DATA

At May 26, 2022 the Company had the following equity securities and convertible securities outstanding:

	Authorized	Number and Type Outstanding
Voting or Equity Securities Issued and Outstanding	Unlimited Common Shares	334,244,135 Common Shares
Securities convertible or exercisable into voting or equity securities-stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 25,583,767 Common Shares
Securities convertible or exercisable into voting or equity securities-warrants(1)(2)(3)	Warrants to acquire 71,881,773 Common Shares	Warrants to acquire 26,272,909 Common Shares

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

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

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

(Expressed in Canadian dollars, except where otherwise noted)

RELATED PARTY TRANSACTIONS

Key management personnel

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

Related party transactions for Q1 2022 and Q1 2021 are as follows:

Transaction Type	Nature of Relationship	Q1 2022	Q1 2021
Non-cash share-based payments	Directors and officers	**$ 3,494,898**	$ 2,912,616
Salaries and benefits	Officers	**303,750**	217,500
Director's fees	Directors	**81,250**	91,250
		$ 3,879,898	$ 3,221,366

FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

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

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

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

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

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

At March 31, 2022 the Company had no financial instruments classified as Level 2 or 3.

(Expressed in Canadian dollars, except where otherwise noted)

Financial Risk Factors

The Company is exposed to financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and price risk. The aim of the Company's overall risk management strategy is to reduce the potential adverse effect that these risks may have on the Company's financial position and results. The Company's Board of Directors has overall responsibility and oversight of management's risk management practices.

a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At March 31, 2022, the Company had a cash and cash equivalents balance of $46,229,095 (December 31, 2021 – $54,748,652) to settle current liabilities of $1,410,165 (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 March 31, 2022, the Company has no sources of revenue to fund its operating expenditures. Since inception the Company has relied solely on private placements to fund its operations. Management believes these financings will fund the Company's exploration work on the properties in both Coahuila and Chihuahua, Mexico as well as the existing administrative needs. The Company may require additional financing to accomplish long-term strategic objectives. Future funding may be obtained by means of an equity debt or financing. At March 31, 2022, the Company is currently exposed to a low level of liquidity risk.

b) Credit risk

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

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

		March 31, 2022		December 31, 2021
Cash and cash equivalents	**$**	**46,229,095**	$	54,748,652
Short-term investments		**15,000,000**		15,000,000
Other receivables		**222,883**		174,511
Deposits		**108,459**		112,364
	$	**61,560,437**	**$**	70,035,527

c) Market Risks

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

i. Interest rate risk

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

ii. Foreign currency risk

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

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

		March 31, 2022		December 31, 2021
United States dollar	**$**	**942,687**	$	165,803
Mexican Peso		**239,432**		226,833
	$	**1,182,119**	$	392,636

It is estimated that a 10% fluctuation in the United States Dollar and Mexican Pesos against the Canadian dollar would affect net loss at March 31, 2022 by approximately $117,770 (December 31, 2021: $38,778).

At March 31, 2022, management has determined the Company's exposure to foreign currency risk to be at an acceptable level.

iii. Price risk

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

At March 31, 2022, Management has determined the Company's exposure to price risk to be at an acceptable level.

OTHER RISKS AND UNCERTAINTIES

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

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

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

There have been no material changes to the Company's commitments and contractual obligations during the three months ended March 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, 2021.

CHANGES IN ACCOUNTING POLICIES

Adoption of New Accounting Standards

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

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

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

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

This amendment is effective for annual periods beginning on or after January 1, 2022. The adoption of this amendment did not have a material impact on the Company's condensed interim consolidated financial statements.

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

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

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

QUALIFIED PERSON

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

ADDITIONAL INFORMATION

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