

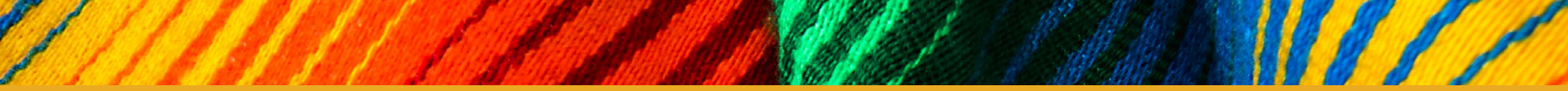


Discovery silver

# Environmental, Social & Governance Report

NOVEMBER 2021

DATA BASED ON THE 2020 CALENDAR YEAR



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# Message from the President and CEO

Discovery Silver is a Canadian public company, listed on the TSXV Exchange. Our objective is to identify, define and develop mineral deposits with a current focus in Mexico, the world's largest silver producing country. We are the 100%-owner of one of the world's largest undeveloped silver deposits, the Cordero silver project, located in Chihuahua State, Mexico.

At Discovery Silver, our focus is both **bold and simple**: make big discoveries to create large-scale value for the benefit of our shareholders, stakeholders and the communities in which we operate. In reimagining our flagship property, Cordero, we believe we have created Mexico's most precious silver asset. With this opportunity comes an inherent responsibility to ensure we are developing this most precious asset in a sustainable manner.

At Discovery Silver, we believe that superior environmental, social and governance (ESG) management is the key component of delivering long-term value and business resiliency. As a growing company, we want to manage ESG issues responsibly and transparently. This means empowering our people to continuously evolve and innovate, maintain an accountable and transparent health and safety culture, create shared and mutually beneficial relationships with our local communities and minimize our impact on the environment.

Silver has an important role to play in the world's clean energy future. This precious metal is gaining attention as one of the most important "green" metals because of its critical role across many green energy technologies including: the automotive sector and electric vehicles (including the associated infrastructure); the solar energy industry; and 5G (fifth generation technology) broadband cellular networks. Considering the status of our project as one of the world's largest undeveloped silver deposits globally, I'm excited about the opportunity we have to discover and soon produce this critical resource to support a cleaner and more sustainable future.

We recognize that social and environmental stewardship combined with ethical, transparent governance drives performance.

Our **bold** mission at Discovery Silver is to be a leader in sustainable value creation among our peers and within the mining industry. **Simply** put, sustainable projects create long term value for all.

The publishing of our inaugural ESG Report outlines our efforts to-date and how we plan to continuously build upon our ESG management.

As part of our Company's evolution and ESG journey, we are pleased to share this inaugural ESG Report covering our performance from January 1 to December 31, 2020. Our report focuses on the material issues within our four ESG pillars of action. In this report, we share what we are doing to manage these material issues and our performance assessment. We are proud to be one of the first silver exploration and development companies to be issuing this type of report. We want to build upon the trust and transparency that we've developed with our stakeholders.



## Our ESG Pillars

Four key pillars underpin our Vision and are integral to our ESG strategy, guiding the way we operate at all levels.

Based on these pillars we plan to continuously develop an integrated management system and procedures to ensure we are operating in a responsible and sustainable manner.

### Our key pillars include:



Providing long-term socio-economic benefits to all stakeholders



Developing and promoting an accountable health and safety culture for all of our employees and contractors



Respecting the communities in and around the areas in which we operate by developing mutually beneficial relationships with our local stakeholders



Protecting the environment by minimizing our impact

## Managing the Impacts of the COVID-19 Pandemic

For many companies, the 2020 and 2021 years have been like no other. The coronavirus (COVID-19) has tested our resiliency in extreme ways and has underscored the importance of managing ESG activities. As a management team, we are proud of our Company's response in managing the impacts of COVID-19. Our highest priority has been on the safety and well-being of our workforce and the communities in which we live and operate. We provided our workforce with personal protective equipment and implemented important measures to help reduce the spread of the virus, including health screenings, testing and isolation procedures on sites, enhanced hygiene, the expansion of onsite infrastructure to accommodate social distancing practices and placed a ban on non-essential travel. During the onset of the pandemic, we temporarily suspended our drilling activities to ensure appropriate protocols were in place to manage the health and safety of our team and surrounding communities. We identified several cases of COVID-19 through our testing protocols, primarily in the second half of 2020 with the ramp-up of employees traveling to site, however these employees were immediately isolated. There was a noticeable reduction in cases in the last two months of 2020 and into 2021. We continue to actively monitor cases within Mexico, the specific regions where we operate and government advisories. We recognize the effort of our employees and their families and our suppliers in meeting the challenge of COVID-19 and thank them all for their commitment.

## Promoting Health and Safety

Our goal is to have no work-related injuries. We want every individual to go home safely, and we all strive to work towards this goal. We have an Integrated Occupational Health and Safety Management System that includes procedures that our employees, contractors and sub-contractors must adhere to. We have been continuously building our health and safety culture and encourage each team member to act as a safety leader.

In 2020, we had zero fatalities and five first aid incidents. Our total recordable incident frequency (TRIF) was 2.59 and motor vehicle incident rate was 5.85. Our health and safety performance is a direct result of our focus on education, training and corrective actions.

## Supporting our Workforce

Our workforce is critical to helping us achieve our Vision. In addition to supporting our workforce during the pandemic, we focused on learning and development. This included developing career plans and providing training to groups and individuals based on job requirements and needs, as well as employee interests. Discovery has a Human Rights and Diversity and Inclusion Policy and as a management group we are all committed to creating an inclusive, diverse and supportive work environment.

Our workforce is located in Canada and Mexico. 41% are local employees from the nearby city of Parral. Males make up the majority of our workforce and in an industry like ours we face challenges with finding skilled workers in remote locations. We are taking steps to strengthen diversity and inclusion, such as joining the International Women in Mining Network to access guidance, resources and training. We plan to set up a mentorship program to recruit and then support the development of women in both technical and corporate roles. We have an objective of having a 30% female workforce by the end of 2024. Meeting this objective requires the commitment of all levels of our Company.

### Building Strong Community Relations and Providing Socio-Economic Benefits

We strive to work together with and understand what is important to communities. This year we signed five land-use agreements for the Cordero Project in Chihuahua State and six benefit agreements for our other projects in Coahuila State. These agreements offer economic compensation and local employment opportunities to host communities.

### Managing the Environmental Impacts of our Operations

We strive to be responsible operators, managing the impacts of our operations on the land, water and air. Our projects are located in regions with forestry, agricultural and livestock sectors and for which water is a key concern to governments and communities. We use water primarily for our exploration drilling, camp facilities and workforce’s drinking water. We constantly work to minimize the water we use, especially for drilling. We installed a water metering system to track water consumption and have a centrifuge system that separates particulates in water and enables us to recycle the water used in our operations.

The remoteness of many of our activities and the stage of development of our Company, where we are still evaluating our Cordero project’s full potential by drilling mean that gasoline, diesel and liquefied petroleum gas (“LPG”) remain the primary fuels to power generation equipment in camps and vehicles. We measure our Scope 1 (direct), 2 (indirect) and 3 (all other) greenhouse gas (“GHG”) emissions. Scope 1 emissions represents approximately 95% of our total emissions produced through direct energy fuel combustion to power generators and vehicles. Our Scope 2 emissions are indirect energy sources from electricity used to power our offices. Our Scope 3 emissions are other indirect energy sources from employee business air travel. Addressing climate change is paramount and we will be developing a plan to manage our GHG emissions to identify ways to reduce our carbon footprint.



We spent over  
**\$1.7 million**  
 in goods and services purchased from local Mexican businesses



Total water **withdrawal** was  
**36,017 m<sup>3</sup>**  
 Total water **discharge** was  
**36,007 m<sup>3</sup>**  
 Total water **consumption** was  
**10 m<sup>3</sup>**



Our total GHG emissions was  
**167 tonnes**  
 of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e)

## Providing ESG Leadership Now and Into the Future

We are truly excited about the role of silver in the transition to a cleaner future. Our Vision of being the leader amongst our peers seems to be simple enough, however, we can only achieve success with the involvement and engagement of our communities and by safeguarding the environment through ethical and responsible governance.

We are bold enough to be one of the first silver exploration and development companies with an ESG report. We must continue to be bold, thinking outside of the box to develop innovative solutions that others may have overlooked.

We are in the early stages of our ESG journey, we want to get it right and be a leader where others are following. In closing, we thank you for reading about the beginning of our journey and invite you to provide feedback on what we've accomplished to date by contacting us directly at [info@discoverysilver.com](mailto:info@discoverysilver.com).



**Taj Singh**, M.Eng, P.Eng, CPA  
President and CEO



# Performance at a Glance

Performance Indicators <sup>1</sup>	2020
<b>Economic Contributions</b>	
Mining duties paid to Government of Mexico <sup>2</sup> (\$)	659,125
<b>Health and Safety</b>	
Fatalities (#)	0
Total recordable incident frequency (TRIF) <sup>3</sup>	2.59
Motor vehicle incidents (#)	3
Orientation sessions for site workers and visitors (#)	51
Safety drills completed (#)	0
<b>Workforce</b>	
Total workforce (#)	124
Employees (#)	58
Contractors (#)	66
Employee turnover rate <sup>4</sup> (%)	50
Local employees (%)	41
Employee diversity	
Female (%)	16
Male (%)	84
Total employee salaries and benefits (\$)	3,108,029
<b>Community Relations</b>	
Total community investment (\$)	24,521
Local spend on goods and services (\$)	1,717,158
<b>Environment</b>	
Total fuel consumption	
Non-renewable sources – gasoline, diesel and liquefied petroleum gas (L)	58,243
Electricity (kwh)	1,183
Scope 1 GHG emissions (tCO <sub>2</sub> e) <sup>5</sup>	158.65
Scope 2 GHG emissions (tCO <sub>2</sub> e) <sup>6</sup>	0.58
Scope 3 GHG emissions (tCO <sub>2</sub> e) <sup>7</sup>	7.93
Total water withdrawal (m <sup>3</sup> )	36,017
Total water discharge (m <sup>3</sup> )	36,007
Total water consumption (m <sup>3</sup> )	10
Surface area disturbed (m <sup>2</sup> )	3,975
Surface area remediated (m <sup>2</sup> )	600
Species on the watch list <sup>8</sup> (#)	6

1 All dollar amounts are presented in Canadian dollars ("CAD").

2 Discovery complies with Canada's *Extractive Sector Transparency Measures Act*.

3 The total recordable incident frequency (TRIF) is the rate of occurrence of recordable injuries based on a worksite of 100 employees over a one-year period. TRIF = Number of recordable injuries x 200,000 ÷ the number of hours worked.

4 Due to the pandemic, turnover was higher as employees voluntarily left due to their communities' entry and exit restrictions, which would have limited their ability to be with family and friends. This resulted in a reduced average of total full-time employees during 2020 thereby increasing the ratio. Without the pandemic Discovery's turnover rate would have been 11%.

In the annual employment study conducted by Sistemas Humanos, a consultancy that focuses on the evaluation, audit, proposals and implementation of policies to drive organizational change, of the 85 companies that participated in the survey, these companies had an average turnover rate of 14.4%.

5, 6, 7 Discovery's greenhouse gases (GHG) emissions data was calculated by a third-party environmental services provider.

8 Species that are identified in the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

# Our ESG Journey





# About Us

Discovery Silver Corp. (TSX-V: DSV, OTCQX: DSVSF) is a Canadian mineral exploration and development company. Our Vision is simple: to transform our exploration company into a leading developer and producer. We believe that by leveraging the expertise of our people and providing them with a continuous learning and development environment, we can turn ideas into action, and strengthen our relationships with our host communities turning our projects into successfully operated mines.

Headquartered in Toronto, Discovery Silver (“Discovery” or the “Company”) completed a qualifying transaction and began trading on the TSX-V under the symbol DSV in 2017. The Company also began trading on the US-based OTCQX Best Market in 2019 where it trades under the symbol DSVSF. Eric Sprott, an internationally recognized and respected Canadian entrepreneur and businessperson, is also a key strategic investor in our Company.



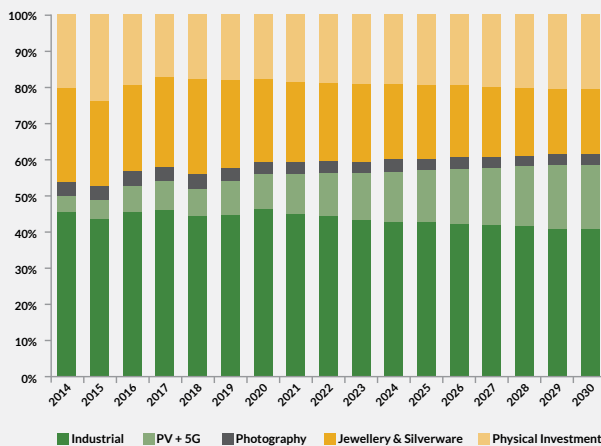
Discovery has a market capitalization of approximately

**\$601 million<sup>9</sup>**

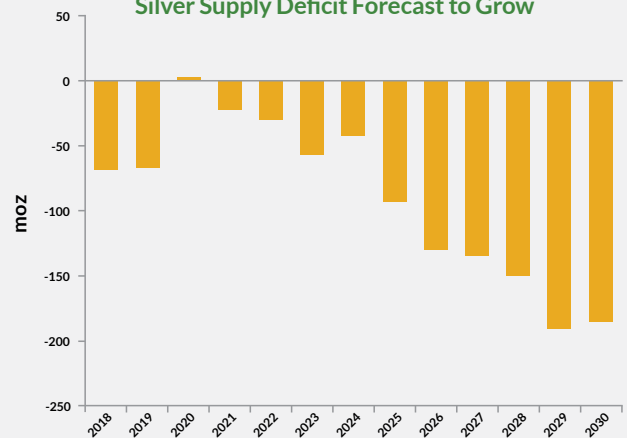
## THE SUPPLY AND DEMAND OF SILVER

Silver has many applications ranging from jewelry, to silverware, to coins. But did you know the majority of silver is for industrial use? Silver is used in the automotive sector including for electronic vehicles, batteries, solar panels and more. The demand for silver across these applications is growing but a significant supply shortage is forecasted.

Silver Demand Contribution by End-Use



Silver Supply Deficit Forecast to Grow



Source: Silver Institute, BMO Capital Markets

## Our Values

Our values guide our Company's conduct and reflect the importance we place on people.

- + **Health and Safety:** We promote health and safety in all of our activities so that it is engrained within the culture of our entire organization.
- + **Honesty and Integrity:** As the foundation of communication across the organization and with all stakeholders, we pride ourselves on open, transparent discussion. We are committed to working with respect, honesty and high ethical standards, all values that are vital to building and maintaining strong and trusting relationships.
- + **Diversity and Inclusion:** We firmly believe in the equality, diversity and inclusion of people throughout the organization. We value different ideas, perspectives and experiences and strive to ensure that we respect and protect the communities in which we operate.
- + **Responsibility:** Everyone is responsible for their words and actions, and we maintain a high degree of individual accountability, while recognizing the opportunities to learn and grow from mistakes.
- + **Learning and Development:** We aim to foster a culture of continuous learning, providing an environment where our teams can excel in their current role and take advantage of opportunities to grow with the Company.

## Our Projects

All minerals found in Mexican territory are owned by the nation of Mexico. The Mexican Federal government, however, grants mineral concessions to exploration companies like Discovery, giving us the ability to explore and potentially mine minerals. The extraction of minerals is subject to our completing an economic assessment and an Environmental Impact Assessment that is regulated and approved by the Mexican Federal government.

### Cordero

Discovery's primary focus has been on advancing its 100%-owned Cordero Project ("Cordero" or the "Project"), our flagship silver exploration project in the state of Chihuahua, Mexico to become a producing mine. Cordero is located on a prolific silver belt and is one of the world's largest undeveloped silver resources. Cordero has all the attributes of a quality



project, including grade, scale, and significant organic growth opportunities. Discovery has all the necessary permits needed for exploration, and an updated resource estimate and a preliminary economic assessment are planned for the third and fourth quarter of 2021, respectively. The Company plans to complete 66,000 metres of drilling during 2021 based on four drill rigs operating throughout the year. The overall objective of this program is to complete infill drilling aimed at converting resources to reserves (i.e. completing the economic assessment to convert known resource into a deposit that can be economically mined) and testing the grades and continuity of high-grade veins on the Cordero property that offer future potential growth for Discovery. We are excited about the opportunities that Cordero presents for our stakeholders, including our shareholders, employees and their families and the communities that surround Cordero and the local economy.

**We are pleased to contribute to Mexico's economy. In 2020, Discovery paid over \$1,717,000 for local goods and services, \$1,364,000 in salaries and benefits and \$659,000 in mining duties.**

## Map of Discovery Silver's projects in Mexico



In addition to our flagship Cordero project, we also have a number of highly prospective future growth projects in Mexico.

### Minerva

#### LOCATION

Approximately 230 km northwest of the city of Melchor Musquiz in Coahuila State; located approximately 25 km west of the La Encantada Mine (First Majestic Silver Corp.).

#### PROJECT CHARACTERISTICS

Historically, Minerva was a high-grade silver-lead-zinc artisanal mine.

#### STATUS

Discovery has identified several areas that warrant further exploration through drilling. The property is currently permitted to drill.

### Puerto Rico

#### LOCATION

Approximately 250 kilometres (km) northwest of the city of Melchor Muzquiz in Coahuila State.

#### PROJECT CHARACTERISTICS

Puerto Rico is host to three large-scale artisanal underground mines that mined very high-grade silver-zinc-lead ores.

#### STATUS

The project lies within the Maderas Del Carmen Biosphere Reserve sub-zone, so the legal re-designation to allow for mining activities on claims within the sub-zone of the Reserve will be a material milestone for Discovery. Exploration activities will require careful environmental considerations and planning, and we are continuing to work towards obtaining the necessary permits for exploration. As part of the Puerto Rico Option Agreement, Discovery has the sole option to acquire the mineral rights to the land.

### Monclova

#### LOCATION

Located in the Castaños municipality 25 km southwest of Monclova in Coahuila State.

#### PROJECT CHARACTERISTICS

Historically, Monclova was a high-grade silver-zinc-lead artisanal mine.

#### STATUS

Discovery has carried out the first significant modern exploration program on two main areas of historical workings and mineralization called the Real Viejo and the Soledad areas. Both these areas warrant initial exploration drilling and are permitted to drill.



## Governance and Our Approach to ESG

### ESG at Discovery

Our Mission is to deliver sustainable value for all stakeholders by operating in a safe and responsible manner and having a positive impact on local communities. We will do this by taking advantage of both organic and external growth opportunities while continually improving our standards through a commitment to safe operations, employee learning and social and environmental stewardship.

ESG is growing in importance to investors, governments, communities and our other stakeholders. At Discovery, ESG plays a crucial role in how we make decisions, manage risks and create value.

To identify our material issues, we analyzed our peers' disclosures, reviewed top risks and opportunities from our Enterprise Risk Management ("ERM") process, and conducted an internal exercise with our management team. Our material

issues are structured around our four strategic pillars of action ("Pillars") – the fundamental standards by which the Company operates. These Pillars form the basis of this report.

By leveraging the expertise of our people and providing a continuous learning and improvement environment, we can turn ideas into action and strengthen our relationships to our host communities thereby realizing our Vision of becoming a leading developer and producer.

## Vision

To transform our exploration company into a leading developer and producer

## Mission

To deliver sustainable value for all stakeholders by operating in a safe and responsible manner and having a positive long-term impact on local communities

### ESG PILLAR

### MATERIAL ISSUE



Operate with excellence and integrity

Board Governance



Provide a safe, healthy and respectful workplace and environment

Health and Safety Workforce



Provide long-term socio-economic benefits to the communities in which we operate

Community Relations



Protect the environment

Environment

## Board Governance

Discovery's Board of Directors ("Board") is responsible for oversight of our Company's business and seeks to ensure that we conduct our business with high standards and integrity. The Board provides strategic direction, establishes and reviews corporate policies, oversees management decisions, reviews the adequacy of our systems and internal controls, and monitors the implementation of our policies.

Discovery has established a strong governance structure and has a number of Board committees in place to ensure proper oversight including:

- + The Nominating and Corporate Governance Committee monitors compliance with our established corporate governance policies and reviews these policies annually or when it is determined an amendment should be made making policy recommendations to the Board. The Nominating and Corporate Governance Committee is also responsible for reviewing and approving Discovery's governance-related disclosures.
- + The Sustainability Committee reviews and monitors environmental, health and safety and sustainability policies and practices. The Sustainability Committee is also responsible for reviewing and approving Discovery's environmental and social-related disclosures.
- + The Audit Committee provides assistance to the Board in fulfilling its oversight responsibility to the shareholders of the Company, potential shareholders and the investment community by ensuring the integrity of financial statements and the Company's compliance with legal and regulatory

requirements relating to disclosure of financial information and any other matters as may be required. The Audit Committee is also responsible for reviewing the qualifications and ensuring the independence of auditors.

- + The Compensation Committee advises on Discovery's human resource strategy, policies and programs, and all matters relating to the proper utilization of human resources within Discovery, with a special focus on management succession, development and compensation.

The Board also has overall responsibility and oversight of management's risk management practices. Risk management oversight is carried out by the Board through both the Nominating and Corporate Governance Committee and the Audit Committee.

Our Board is a diverse, highly engaged group that provides strong, effective oversight of our Company. Currently, two of the seven members of our Board of Directors are women, and our Sustainability Committee is chaired by a woman. Our CEO is also a member of the Board and is ethnically diverse. Our Directors have the qualifications, skills, and experience needed to inform and provide oversight of ESG. Additionally, we recently welcomed a new director with significant corporate affairs and sustainability experience.

## Management

At Discovery, the Chief Financial Officer is accountable for the management and performance of ESG, however the entire management team including the Chief Executive Officer, the Vice President of Exploration and our Country Manager in Mexico have shared responsibility around setting

the direction of our strategic pillars, guiding the development of important ESG-related systems, processes and tools and leading our ESG disclosure.

At the project level, the Country Manager of Mexico is accountable for the management and performance of ESG. As part of our Company's evolution and increased focus on ESG, we plan on hiring a Sustainability Manager in early 2021 to oversee the implementation of ESG plans across our projects. The Sustainability Manager will be supported by local contractors who will help manage the social and environmental aspects of each project. We expect to continue to grow our team and promote diversity as Discovery's projects advance.

### Our Policies and Systems

Discovery has a number of corporate policies to ensure we operate with high standards, integrity and in line with our Mission. These policies are annually reviewed by Board Committees to re-assess their adequacy. Recommended changes are then submitted to the Board for approval. Discovery's ESG-related corporate policies include:

- + **Code of Business Conduct and Ethics:** Applies to Board, management and employees and ensures that business is conducted honestly, with integrity and impartiality and complies with applicable laws, rules and regulations.
- + **Whistleblower Policy:** Ensures there is a confidential and anonymous process to support persons who report ethical concerns.
- + **Anti-Bribery and Anti-Corruption Policy:** Ensures business is conducted in an honest and ethical manner by setting out responsibilities and provides guidance on how to recognize and deal with bribery and corruption issues.

- + **Human Rights, Diversity, and Inclusion Policy:** Demonstrates Discovery's commitment to respecting human rights through the regular review and assessment of the policy, procedures and standards. Discovery follows the definition of free, prior and informed consent as set out in the International Council on Mining and Metals (ICMM) Position Statement on Indigenous Peoples and Mining.
- + **Health, Safety, and Environment Policy:** Ensures that Discovery creates and maintains a safe working environment and supports the well-being of our employees and the surrounding communities by fostering a culture of work safety and environmental responsibility.

In addition to our policies, Discovery has a number of systems, processes and plans in place to manage ESG issues. As part of the Company's ERM process, Discovery's management team annually reviews and revises the risks facing the Company and identifies risk mitigation strategies. ESG risks related to Political/Regulatory, Environment, Community Relations and Health and Safety are considered. For a detailed discussion of risks refer to the Company's MD&A for the year ended December 31, 2020 available on the Company's website at [www.discoverysilver.com](http://www.discoverysilver.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

Discovery has been enhancing different aspects of our ESG management. We are working to continually improve our Integrated Occupational Health and Safety Management System and have an Emergency Response Plan and an Environmental Management Plan in place. More information on these and other issue specific management systems, processes and plans can be found in the specific material issue sections of this report.



See Discovery's website for additional information found in the following documents:

- + Audit Committee Charter
- + Compensation Committee Charter
- + Health, Safety and Sustainability Committee Charter
- + Nominating and Corporate Governance Committee Charter
- + Code of Business Conduct and Ethics
- + Whistle Blower Policy
- + Anti-Bribery and Anti-Corruption Policy
- + Human Rights and Diversity Policy
- + Confidentiality and Securities Trading Policy
- + Disclosure Policy

## Our Stakeholders

We believe in building genuine relationships with our workforce, communities, suppliers, government and regulators, and investors. We engage with our stakeholders in several ways to support communications, relationship building and trust.

### EMPLOYEES

Discovery's Mission depends on the talents, dedication and efforts of our employees. Our team is located at our headquarters in Toronto, Canada, in our Mexico offices located in the cities of Hermosillo and Parral and at the project sites. To stay connected while working remotely, we have daily communications – whether that be emails, phone calls or virtual meetings. In addition, our Country Manager of Mexico and Vice President of Exploration are often on-site to collaborate with teams.

We are a Canadian company operating in Mexico and we recognize the diversity and seek to benefit from the best aspects of our two country's cultures. Ultimately Discovery's success will be dependent on our ability to be a company that is led by its Mexican management team. We are committed to the development of our Mexican team and anticipate filling management roles during 2021 in the sustainability, human resources, health and safety, and environment functions with Mexican nationals.

### COMMUNITIES

We aim to have a positive impact and maximize benefits to the communities where we operate. Our Country Manager meets with local officials, including the mayors in each of the municipalities, and community organizations where we have projects to share updates, understand interests and concerns and develop mutually beneficial agreements.

### SUPPLIERS

Discovery works with several suppliers to procure the necessary goods and services for us to operate. We prioritize locally sourced goods and services, and our Site Operations Manager engages with our suppliers. We are in regular communication with contractors and drillers as they support our exploration activities.

### GOVERNMENT AND REGULATORS

A number of government departments govern Discovery's ability to operate. We want to give the government and regulators the information and confidence they need to permit our activities. Our Country Manager meets with government officials and regulators to share information about our project and discuss any interests and concerns.



### INVESTORS

Discovery wants to generate enduring value for our shareholders, and that means effectively managing ESG risks and capitalizing on ESG opportunities. We want to ensure we are meeting investor expectations for ESG data and information. This report is one step that we are taking to remain transparent and to disclose our performance. We regularly engage with investors through routinely scheduled Investor Days and meetings as well as during our Annual General Meeting.

## Health and Safety

### Our Approach

Our goal is to have no work-related injuries. We want every individual to go home safely, and we all strive to work towards this goal. We are continuously improving our health and safety performance across our organization and are led by our Health and Safety Policy.

### INTEGRATED OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM

Discovery has an Integrated Occupational Health and Safety Management System that includes procedures that our employees, contractors and sub-contractors are expected to adhere to. Procedures and training cover a suite of topics, including safety and hygiene, first aid, toxicology, use of personal protective equipment, handling of hazardous materials, fire awareness, preparation, and evacuation and operation of motor vehicles. At the onset of the pandemic, we created protocols to manage COVID-19 and regularly review and update them as required.



## RESPONSE TO COVID-19

Discovery has been actively working against the COVID-19 pandemic since its outbreak. Our highest priority has been keeping our employees, contractors and communities safe. We worked hard to implement health and safety procedures and training such as testing, isolating, and quarantining employees and contractors. In addition, we supplied our team with protective equipment and invested in on-site infrastructure to accommodate social distancing requirements. At the start of the pandemic, we also banned non-essential travel and temporarily suspended our drilling activities until it was deemed safe to resume operations. We continue to monitor directives issued by authorities and amend our protocols as needed.

## BUILDING OUR HEALTH AND SAFETY CULTURE

Our VP of Exploration is responsible for driving our Integrated Occupational Health and Safety Management System, while our Site Operations Manager is responsible for site-level performance.

We have established the position of Environmental, Health and Safety (“EHS”) Lead, this professional evaluates each work site and individual work area to identify and find ways to minimize operational hazards and risks. We also have a full-time Paramedic to administer first aid to workers, if required, and have a small on-site clinic where over-the-counter medicine is available.

At Discovery, we aim to build a health and safety culture, where safety doesn’t stop at the end of a work shift but is integrated into personal lives where safety moments and learning are shared with family and friends. Each team member acts as a safety leader and is responsible for keeping themselves and each other safe.

## EMERGENCY PREPAREDNESS AND RESPONSE

Discovery has an Emergency Response Plan (“ERP”) that outlines roles, responsibilities, and actions to take place, should an emergency occur. Although emergency exercises or drills were planned for 2020, none were conducted because of the pandemic. We recognize the importance of these drills for employee confidence to execute our ERP and have conducted two drills in 2021. We also hold fire awareness, preparedness, and evacuation training monthly and conduct evacuation drills.

## AWARENESS, COMMUNICATIONS, TRAINING AND CORRECTIVE ACTIONS

We hold two-hour health and safety training sessions for employees and contractors on their first day of work with Discovery. The purpose of these sessions is to go over our health and safety expectations, policies, and procedures. Employees and contractors are required to take a refresher session one year after their first orientation session in addition to ongoing task training, daily safety meetings, incident reviews. Our Paramedic is also certified to train other staff in first aid. Once per week, our Company offers first aid training to employees.

At times, our site staff will be out in the field. To keep our team safe, we offer cell phones and spot (satellite) devices. We recognize that there are security issues in Mexico. Discovery takes steps to ensure the safety of the team and our corporate assets. Discovery has hired a consultant to conduct periodic security risk assessments related to travel, petty crime and organized crime-related risks and has implemented security mitigation protocols and practices.





## Performance

Discovery tracks the health and safety performance of our employees and contractors. We are pleased with our health and safety performance during 2020 and see it as a direct result of our focus on education, training and corrective actions.

In 2020, we had zero fatalities, five first aid incidents and our total recordable incident frequency rate was 2.59. Two of our employees were stung by scorpions, which resulted in lost time. When these incidents occur, our workers are treated by our site Paramedic with antihistamines to ease inflammation. Discovery strives to prevent incidents through health and safety training and by providing personal protective equipment. We also recognize that the low number of first aid incidents might indicate that there is a deficiency in our reporting process. We will hire a full-time Health and Safety Manager in the second half of 2021 to help address and manage this going forward to ensure compliance with incident reporting protocols and the collection of complete and accurate data.

PERFORMANCE INDICATOR	2020
Fatalities (#)	0
First aid incident (#)	5
Total recordable incident frequency (TRIF) <sup>10</sup>	2.59

Discovery's motor vehicle incident rate was 5.85 due to a small number of minor vehicle incidents. After each incident, we review a hierarchy of controls with team members to prevent future occurrences.

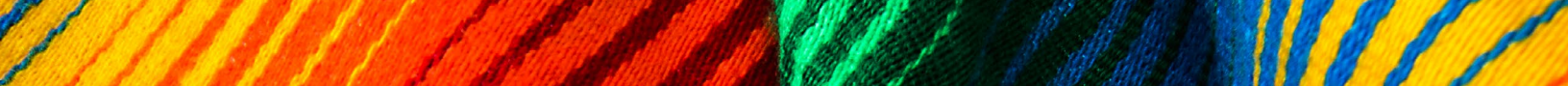
PERFORMANCE INDICATOR	2020
Motor vehicle incident (#)	3
Motor vehicle incident rate <sup>11</sup>	5.85

In 2020, we held 51 health and safety orientation sessions that involved 176 participants.

We were unable to conduct emergency drills in 2020 due to the pandemic. It was not feasible or safe to conduct these exercises due to the low level of vaccination and threat that COVID-19 posed to the health of our employees. Two emergency exercises are planned for 2021.

<sup>10</sup> The total recordable incident frequency (TRIF) rate is the rate of occurrence of recordable injuries based on a worksite of 100 employees over a one-year period. TRIF = Number of recordable injuries x 200,000 ÷ the number of hours worked.

<sup>11</sup> Motor vehicle incident rate (MVIR) is the rate of occurrence of motor vehicle incidents based on the number of kilometers driven over a reporting period. MVIR = number of incidents x 1,000,000 ÷ kilometers driven in a period.



PERFORMANCE INDICATOR	2020
Orientation sessions (#)	51
Emergency drills completed (#)	0

As with much of Mexico during 2020, Chihuahua State saw a significant increase in the community spread of COVID-19. During 2020, the Company isolated and quarantined several employees and contractors who had tested positive for COVID-19 during routine testing. These tests were followed-up with subsequent PCR testing with anyone testing positive being isolated and immediately sent for quarantine. A total of 29 positive cases were identified between employees and contractors of which five instances were identified with follow-up testing at the project site. The Company is continually enhancing its testing protocols, social-distancing measures and travel restrictions and in 2021, no positive COVID-19 cases have been detected at site.

PERFORMANCE INDICATOR	2020	
Positive cases (#)	January – March	3
	April – June	3
	July – August	0
	September – December	23

### Future Activities

As a very active exploration and development company, there are many health and safety initiatives that we have identified and will implement as we evolve and grow our projects. By early 2021, we plan on hiring a Sustainability Manager and by mid-year, we plan on hiring a full-time bilingual Health and Safety Manager for our operations in Mexico. We will be evaluating and updating our Health, Safety and Environment Policy so that it focuses on occupational health and safety with a separate

policy for sustainability. Connected to the updated policy, we are also aiming to build a holistic Sustainability Management System and improve our Integrated Occupational Health and Safety program by late 2021. We will be implementing risk assessment and incident investigation processes, improving the tracking of personnel and visitors at site, and improving our health and safety orientation program. We will also increase the tracking and reporting of health and safety metrics, such as introducing near misses and reporting performance in English and Spanish. During 2021, we have planned two emergency exercises or drills so employees feel confident in executing our ERP. We also aim to increase the frequency of these drills to a minimum of quarterly beginning in 2022.

The pandemic has showed us how important it is to have access to health care. As a result, Discovery aims to provide all employees with comprehensive health insurance by the end of 2021 and will develop a plan to ensure all local employees have access to appropriate medical and dental services.

## Our Workforce

### Our Approach

Our people are one of our greatest assets. We are committed to creating an inclusive, diverse and supportive work environment. To us, that means respecting and valuing differences, creating a psychologically safe environment, and empowering our people. We genuinely believe that this is the foundation of trust, belonging and shared motivation. An engaged and talented team strengthens the value we bring to the communities where we live, work and operate.

Our approach to our workforce is guided by our Human Rights and Diversity and Inclusion Policy, Code of Business Conduct and Ethics, and the Anti-Bribery and Anti-Corruption Policy. The management of our workforce in Mexico is the responsibility of the Country Manager, but as our Company grows, we will consider forming a centralized Human Resources division.

### LEARNING AND DEVELOPMENT

At Discovery, we are advocates of our team's growth and development – this is a core element of our employee retention strategy. We support future leaders in developing their career plans with us. We also offer training to groups and individuals based on job requirements and needs as well as employee interests. We encourage individual team members to approach their managers with their interests for discussion and approval. Furthermore, we aim to provide internal growth opportunities to encourage our talent and to promote employee retention.

## SUPPORTING OUR WORKFORCE DURING THE PANDEMIC

Our highest priority has been to ensure the safety and wellbeing of the team. We follow health controls to prevent infections through testing and isolation procedures and developed infrastructure to support social distancing. We conduct pre-employment and pre-work rotation PCR testing to detect and prevent the spread of the virus before our workforce arrives at site. Almost all of the positive COVID-19 cases were detected as part of this pre-arrival assessment.

At site, employees and contractors undergo routine antigen and PCR testing. Anyone that tests positive must immediately isolate. We continue to be proactive regarding COVID-19 and regularly monitor employees and contractors.

Discovery has a policy to maintain salaries and benefits to its COVID-19 impacted employees providing the best means to sustain their families during the pandemic period. In addition, a bonus structure is in-place that rewards the efforts of our team when they are successful in adhering to government mandated health and safety protocols and when they return to work COVID-19 free from their off-site leave. This policy aims to protect the site and encourage good COVID-19 prevention when our employees are at home with their family and community.

### Performance

Our project office in Mexico is located in Parral, Chihuahua State and the Mexico corporate office is located in Hermosillo, Sonora State. Our workforce is made up of a total of 58 employees and 66 contractors. 41% of our employees are local workers from the nearby city of Parral (approximately 30km from the Cordero project site) and 48% are other Mexican nationals who reside in the Sonora, Chihuahua, Coahuila and San Luis Potosi States. The remaining 11% of our total workforce is comprised of employees based in Canada who travel to site regularly. The majority of our workforce is male and due to the remote site locations, schedules are generally on a 20-day work rotation to the project site. In an industry like ours, there are challenges of finding skilled workers in remote locations (those with limited road access, cellular connectivity, or that are a significant distance from a town or city). (See *Future Activities* for initiatives we will be undertaking to encourage more diversity and inclusion).

The turnover rate for our own employees in 2020 was 50%. As a headline performance metric, we would typically view this as unacceptable and an area of extreme concern, as it would imply that something was wrong with our work environment. However, a significant portion of this turnover

was related to COVID-19. Many of our Mexico-based employees left voluntarily due to their communities' entry and exit restrictions. The Cordero camp location and work rotation and community-specific restrictions regrettably made it impractical for them to rotate home to be with family and friends. Without the pandemic, we estimate that our turnover rate would have been 11%.<sup>12</sup> Despite the high turnover due to the pandemic, we believe that Discovery had a positive impact on our employees and their families and the economies where our employees are located. Discovery paid a total of \$3,108,029 in salaries and benefits during 2020 of which \$1,363,580 was to our local employees. Additionally, \$7,782,422 was paid to our principal Mexican contractors with associated benefits to their employees and communities.

During 2020, Discovery also continued to support our team's learning and professional goals. We supported our employees in maintaining their professional certifications, provided 3D visualization training for geologists, provided geochemistry software training for geologists, and supported individual requests focused on accounting and data analytics.

PERFORMANCE INDICATOR <sup>13</sup>	2020
Total workforce (#)	124
Employees (#)	58
Contractors (#)	66
Local employees (%)	41
Employee diversity	
Female (%)	16
Male (%)	84
Employee turnover rate (%)	50
Total employee salaries and benefits (\$)	3,108,029

### Future Activities

We will be developing a People Policy and will continue to expand our workforce programming and initiatives focused on inclusion and diversity, career development, and local recruitment.

To support our Human Rights and Diversity and Inclusion Policy, we will develop a Hiring Standard that outlines our requirement that gender, age, religion, race and skin colour must not be a condition of employment.

To maintain and increase female participation in our Company, in late 2021, we will be joining the International Women in Mining network — a leading not-for-profit global organisation pursuing gender equality and promoting women's voices, access to opportunities and leadership in mining. This will help guide us in providing appropriate resources and training

<sup>12</sup> In the annual employment study conducted by Sistemas Humanos, a consultancy that focuses on the evaluation, audit, proposals and implementation of policies to drive organizational change, of the 85 companies that participated in the survey, these companies had an average turnover rate of 14.4%.

<sup>13</sup> All workforce indicators are reported for employees, except for total workforce which is reported for both employees and contractors.

to all employees, regardless of gender, as well as in improving education and support for women working at Discovery. We will be identifying and placing a greater focus on the future leaders of our Company to help them build long-term career plans. We will implement a performance evaluation process to help identify these individuals in late 2021.

To increase the number of locals employed by Discovery, we entered into an agreement with the Federal Government Employment Office, where they will help post available positions on their website and disseminate information focusing on local communities and cities. We aim to hire a Human Resources Manager in 2021 for our Parral office. This individual will help us accomplish these initiatives and provide guidance and support on future projects and programs.

## Community Relations

### Our Approach

We strive to be a company that communicates openly and transparently, listens and is responsive to local interests and concerns. We aim to support local communities, paying special attention to visible minorities and economically vulnerable groups identified through our social baseline study. We aim to create shared value with local communities so that many can benefit from mining development, through the creation of jobs and hiring locally. We believe that by working together and understanding what is important to communities, we can develop the social license required to sustainably explore, develop and operate the Cordero project.

Our Human Rights and Diversity and Inclusion Policy, Code of Business Conduct and Ethics, and the Anti-Bribery and Anti-Corruption Policy underpin our approach. The Country Manager of Mexico is responsible for community engagement and works with property owners to meaningfully understand and resolve interests and concerns. For Discovery's exploration activities, maintaining positive relationships with property owners are key to accessing the land and water we need to operate.

We also conduct social studies to understand our potential community impacts. During 2020, we conducted a desktop social baseline study to identify and evaluate the potential social impacts of our Cordero project, looking at four municipalities within Parral.

### Our Performance

Discovery engages with property owners and ejido associations<sup>14</sup> to understand their interests and concerns and establish mutually beneficial arrangements. In both Coahuila

and Chihuahua States, agriculture is the predominant industry and source of income for community members including ejido members and ranchers. Hence, communities are apprehensive about water availability, as water is a limited resource and precipitation levels have been decreasing each year. We share this community concern and water management is one of our top priorities. Please visit the environment section of the report to read about our water management approach. In 2020, we signed five land-use agreements for the Cordero Project and six benefit agreements for our other projects in Coahuila State. These agreements offer economic compensation and local employment opportunities to host communities.

COMMUNITY/PROPERTY	MUNICIPALITY	PROJECT
Rancho Real Viejo	Castaños, Coahuila	Monclova Project
La Soledad Ejido	Castaños, Coahuila	Monclova Project
Palo Blanco Ejido	Castaños, Coahuila	Monclova Project
Boquillas del Carmen	Ocampo, Coahuila	Puerto Rico Project
Norias de Boquillas del Carmen	Ocampo, Coahuila	Puerto Rico Project
Jaboncillos	Ocampo, Coahuila	Puerto Rico Project
Cordero Ejido	Parral, Chihuahua	Cordero Project
Three Property Owners	Parral, Chihuahua	Cordero Project

We were in regular contact with mayors of the municipalities and community associations about Discovery's response to COVID-19 to prevent infections on-site and community spread throughout the pandemic. We also supported local communities by donating COVID-19 tests to the government of Parral at the request of the Mexican public health and safety authority.

There are few jobs available in the municipalities where we operate. Many communities are interested in the current and potential employment opportunities that our projects offer. Local procurement remains a priority within our Company to ensure communities benefit from our mining activities. We aim to procure goods and services from state and local suppliers and to hire local workers to support our activities. In 2020, we spent over \$1.7 million in goods and services purchased from local Mexican businesses.

<sup>14</sup> In Mexico, an ejido is an area of communal land, mainly used for agriculture, that combines communal ownership with individual use. This means community members are designated plots of land and collectively maintain communal holdings.

In 2020, we planned basic infrastructure work in the communities such as road repairs and building a creek crossing but due to the pandemic, were unable to complete the crossing. We also contributed to a small number of community initiatives including a philanthropic donation to a community association that supports individuals and families with limited resources, and support for community events in Ocampo, Coahuila. In 2021 we will formally establish our approach for community outreach and philanthropic endeavours and also intend to complete the community work that was postponed due to the pandemic.

PERFORMANCE INDICATOR	2020
Total community direct investment (\$)	24,521
Local spend on goods and services (\$)	1,717,158

### Future Activities

To strengthen our commitment to creating sustainable value, we will be developing a Sustainability and Social Agreement Policy.

Building upon the desktop social baseline study that was completed in 2020, we aim to finalize our engagement and social baseline report in 2021. Completing this report involves engagement with over 25 stakeholder groups, including ejidos, academic institutions and hospitals. This process is being managed through a recognized consulting firm with expertise in this type of activity and will involve sending out and collating over 2,300 surveys. The survey covers the following topics: quality of life, land, water, education, health, workforce and understanding our stakeholders' vision of Discovery. We expect this study to be completed during the second half of 2021.

Following the detailed baseline study, Discovery will develop a Social Management Plan to help manage the potential impacts of our projects, including topics such as how to respond to requests for information, community grievances, fair agreements, donations and philanthropic events, and other topics informed by the baseline study. To provide expertise in this area and support to the Sustainability Manager, during the second half of 2021 we intend to strengthen the management team in Mexico by hiring a Community Relations Manager and in-house legal counsel.

## Environment

### Our Approach

We strive to manage the impacts of our operations on the land, water and air. Meeting the expectations of governments and regulators and the communities where we operate is critical to sustaining strong and trusting relationships and maintaining our social license to operate. We strive to ensure full compliance with environmental laws, regulations and standards.

We aim to prevent, minimize, mitigate and/or where appropriate, remediate our impacts on the environment, informed by science and leading practices.

Our Country Manager has oversight of our environmental performance and is supported by our Sustainability Manager.

### OPERATING IN MEXICO AND MANAGING WATER USE

Our projects are located in regions with forestry, agricultural and livestock sectors. Discovery's projects are on lands with desert scrub vegetation, where some owners have managed to establish some agricultural or livestock use.

Water is a key concern to the Mexican Federal Government and the local communities of Parral and Valle Zaragoza. Community members, including ejidos and ranchers, have been granted water concessions, however the availability to grant new water concessions is low as the government has not yet carried out hydrological studies to quantify the water available for concessions. This is a risk to Discovery, and we have integrated it into our decision-making and risk management plans. To help us better understand and manage this risk, we are engaging the help of an external specialist who is performing hydrological tests (independent of the government testing) during late 2021 with anticipated completion in 2022.

### HANDLING OF FUEL AND FUEL STORAGE SYSTEMS

As we operate in remote locations, we use fuel such as diesel and liquefied petroleum gas (LPG) for our operations. Our team receives training to ensure the proper use of fuels. We have Material Safety Data Sheets for petroleum products and all other substances that we use. To complement the spill containment and control equipment and materials at site, Discovery has developed an Emergency Response Plan outlining action plans and roles and responsibilities in the event that a significant spill occurs.

### ENVIRONMENTAL COMPLIANCE

We strive to comply with all federal, state and local regulations. In Mexico, the Ministry of Environment and Natural Resources ("SEMARNAT") establishes environmental protection specifications for exploration activities. NOM-120-SEMARNAT-2020 ("NOM-120") is a federal standard enforced by SEMARNAT. Under NOM-120 for instance, we are required to decant and recycle the water we use for drilling.

We have in place eight exploration permits in total for Cordero and our other pipeline projects in Coahuila State granted by the SEMARNAT.

As we are actively advancing Cordero, we have developed an Environmental Management Plan to manage any potential impacts, which includes monitoring which products and additives are used at the Project.

# Operational Water Balance (in m<sup>3</sup> (cubic metres))

Total water withdrawal	
GROUNDWATER	SEA WATER
35,895 m <sup>3</sup>	0 m <sup>3</sup>
THIRD-PARTY	FRESH-WATER
122 m <sup>3</sup>	0 m <sup>3</sup>
SURFACE WATER	TOTAL
0 m <sup>3</sup>	36,017 m <sup>3</sup>

Total water discharge	
GROUNDWATER	SEA WATER
35,895 m <sup>3</sup>	0 m <sup>3</sup>
THIRD-PARTY	FRESH-WATER
112 m <sup>3</sup>	0 m <sup>3</sup>
SURFACE WATER	TOTAL
0 m <sup>3</sup>	36,007 m <sup>3</sup>

**Operations**

- 
**REUSED/RECYCLED WATER**  
 A centrifuge system recycles some water used in our drilling operations. Future monitoring will include metrics.

Total water consumption	
GROUNDWATER	SEA WATER
0 m <sup>3</sup>	0 m <sup>3</sup>
THIRD-PARTY	FRESH-WATER
10 m <sup>3</sup>	0 m <sup>3</sup>
SURFACE WATER	TOTAL
0 m <sup>3</sup>	10 m <sup>3</sup>

## Definitions

### STAGES

- + **Water withdrawal:** sum of all water drawn from surface water, groundwater, seawater, or a third party for any use over the course of the reporting period.
- + **Water discharge:** sum of effluents, used water, and unused water released to surface water, groundwater, seawater, or a third party, for which the organization has no further use, over the course of the reporting period.
- + **Water consumption:** sum of all water that has been withdrawn and incorporated into products, used in the production of crops or generated as waste, has evaporated, transpired, or been consumed by humans or livestock, or is polluted to the point of being unusable by other users, and is therefore not released back to surface water, groundwater, seawater, or a third party over the course of the reporting period.

### TYPES OF WATER

- + **Ground water:** water that is being held in, and that can be recovered from, an underground formation.
- + **Third-party water:** water supplied by an entity external to the operation such as a municipality or other organizations involved in the provision, transport, treatment, disposal, or use of water and effluent.
- + **Surface water:** water that occurs naturally on the Earth's surface in ice sheets, ice caps, glaciers, icebergs, bogs, ponds, lakes, rivers, and streams.
- + **Sea water:** water obtained from a sea or ocean.
- + **Freshwater:** water with concentration of total dissolved solids equal to or below 1,000 mg/L.
- + **Recycled/reused water:** water used in an operational task and recovered and used again, either without treatment (reuse) or with treatment (recycle).

## Our Performance

Discovery's primary purposes of water use are for our exploration drilling, camp facilities and workforce drinking water. In 2020, we purchased a combined total of 36,017 cubic metres (m<sup>3</sup>) of ground water and third-party water.

### GROUND WATER (INDUSTRIAL USE)

We constantly work to minimize the use of water at drills. Examples of our efforts include installing a water metering system to track consumption and using a centrifuge system that separates particulates in water and enables us to recycle water used in our drilling operations. Additives are used to increase the viscosity of the water for drilling which increases the capacity of the water to lift or entrain the drill cuttings from the bit face back up the hole to surface. At the same time, the additives coat the drill hole walls and help stabilize the rock to prevent rock fragments from falling down the hole and jamming the rods. Our contractors use biodegradable products to minimize any potential impact from our drilling on groundwater quality.

During our exploration activities, much of the water escapes through geological fractures and is unavailable to be reused for further drilling. This escaped water returns to groundwater, this contributes to our low water consumption levels. Of the small portion of water that does travel from the drill hole back to the surface, our centrifuge system helps filter the water, removing particulates.

In 2020, we withdrew 35,895 m<sup>3</sup> as measured by the metering systems installed on each drill rig and discharged 100% back to groundwater during drilling operations.

### THIRD-PARTY WATER (POTABLE AND NON-POTABLE USE)

Drinking water is purchased from a local supply company as bottled water or water in large reusable containers. We purchased a total of 23 m<sup>3</sup> of potable water during 2020 and discharged 13 m<sup>3</sup>.

Wastewater is captured inside a biodigester and treated onsite before it is transported to a municipal drainage system. We withdrew and discharged 99 m<sup>3</sup> of wastewater during 2020.

### ENERGY USE AND GHG EMISSIONS

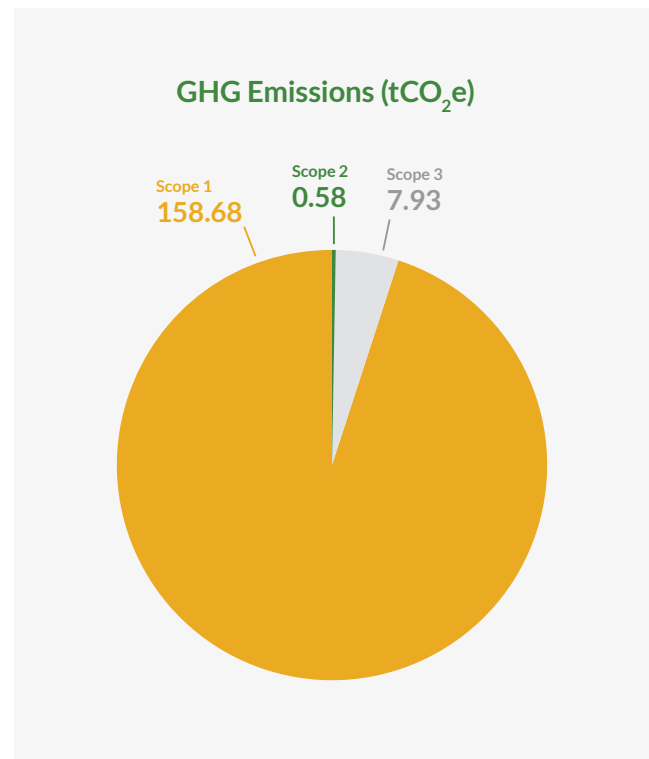
Gasoline, diesel and liquefied petroleum gas (LPG) remain the primary fuels to power generation equipment in camps and vehicles due to the remoteness of many of our activities. We consumed 44,779 L of diesel, 12,778 L of gasoline and 687 L of LPG. To power our offices in Mexico, we consumed 1183 kwh of electricity supplied through the Federal Electricity Commission.

### PERFORMANCE INDICATOR

2020

PERFORMANCE INDICATOR	2020
Total fuel consumption	
<b>Non-renewable sources</b>	<b>58,243</b>
Gasoline (L)	12,778
Diesel (L)	44,779
LPG (L)	687
<b>Electricity (kwh)</b>	<b>1,183</b>

Our total GHG emissions is 167 tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e).<sup>15</sup> GHG emissions are categorized in accordance with the United States Environmental Protection Agency's GHG Protocol scopes. Scope 1 are direct GHG emissions that occur from sources controlled or owned by our Company, Scope 2 are indirect emissions associated with the purchase of electricity, and Scope 3 are emissions resulting from assets not owned or controlled by the Company and emissions not included within Scopes 1 and 2.<sup>16</sup> The majority of Discovery's GHG emissions are categorized as Scope 1 and include direct energy fuel combustion to power generators and vehicles. Our Scope 2 emissions are indirect energy sources from the generation of electricity used to power our offices. Our Scope 3 emissions are other indirect energy sources from employee business air travel. The pandemic significantly reduced our business travel in 2020, impacting emission levels.



<sup>15</sup> Discovery's greenhouse gases (GHG) emissions data was calculated by a third-party environmental services provider.

<sup>16</sup> The GHG Scopes are defined on the United States Environmental Protection Agency website.

## LAND AND BIODIVERSITY

Through our exploration activities, we have disturbed 3,975 square metres (m<sup>2</sup>) of land. We remediated 600 m<sup>2</sup> of land, representing 15% of the affected area. Many areas and access roads are still actively involved in drilling activities, so the total surface area has not been fully restored at this time.

We monitor the biodiversity in and around our operations. In 2020, we identified six species that appear on the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) watchlist. These include five plants and one animal, and all are under protection but not in danger of extinction. They include:

- + *Echinocereus pectinatus. Cactus organo peine* (Rainbow Cactus);
- + *Opuntia engelmanni. Nopal*. (Prickly pear);
- + *Cylindropuntia imbricata. Cardenche*. (Cholla);
- + *Cylindropuntia leptocaulis. Tasajillo*. (Treelike cactus);
- + *Echinocereus dasyacanthus. Alicoche*. (Yellow-flowered Pitaya); and
- + *Falco sparverius sparverius Linnaeus. Cernicalo o gavilancillo*. (Sparrow hawk or American kestrel).

Discovery is committed to minimizing our environmental impact on local biodiversity.

PERFORMANCE INDICATOR <sup>17</sup>	2020
Surface area disturbed (m <sup>2</sup> )	3,975
Surface area remediated (m <sup>2</sup> )	600
Species that are on the CITES watch list in and around our operations (#)	6
Flora	5
Fauna	1

## Future Activities

To strengthen our commitment to creating sustainable value and protecting the environment and communities, we will be developing a Sustainability and Social Agreement Policy and an Asset Protection Policy. We are also developing a holistic Sustainability Management System.

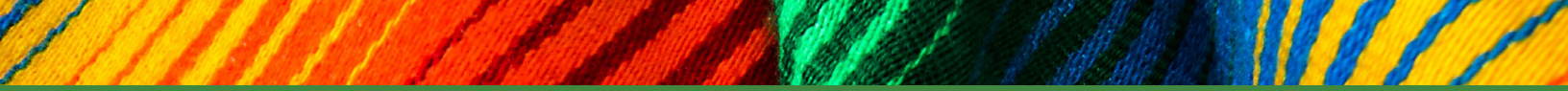
To understand the baseline environmental conditions of the area, we have hired consultants to help us better manage the potential environmental impacts of the Cordero project. Work will commence in early 2021 and monitoring will be ongoing throughout the year.

Discovery is developing environmental standards that align with our environment-related initiatives and legal requirements. We will also be hosting training sessions to ensure our workforce understands these standards. Our environmental standards will cover topics including the continuous review of significant environmental risks, the identification and protection of vegetation that is endangered and on the CITES watchlist, water discharge, land reclamation and more.

As part of continual improvement, we will be advancing the tracking of environmental metrics. In addition, we aim to hire an Environmental Coordinator to support with implementation, monitoring and tracking of environmental performance. We also plan to create a land and biodiversity program that looks at ongoing revegetation and increasing the reclamation of disturbed land.

<sup>17</sup> All workforce indicators are reported for employees, except for total workforce which is reported for both employees and contractors.





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