



SilverCrest
METALS

Water Stewardship
2022 Report

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Introduction

In early 2021, SilverCrest Metals (“the Company” or “SilverCrest”) began a formal process to assess the impacts of climate change on its business. This analysis culminated in the publication of the [Company's inaugural climate change report](#) following the Task Force on Climate-Related Financial Disclosures (“TCFD”) framework. The primary objective of the climate risk analysis was to better understand and incorporate climate-related risks and opportunities into the Company's risk-management, strategic-planning, and decision-making processes. A detailed climate risk assessment was carried out in the middle of 2021 to map the physical climate risks - acute and chronic - that may impact business operations and the surrounding community under different climate scenarios, now and in the coming decades.

The main takeaway from the physical climate risk assessment was that water scarcity was by far the biggest climate issue for SilverCrest and for communities across the region.

Following the physical climate-risk assessment, a transition risk analysis was initiated to estimate the potential financial impacts of government climate-

related regulatory changes, political and reputation risk, technology disruptions and social license to operate issues. Through this process, it was determined that, while decarbonization is an important issue, particularly for investors, operational and community water management was a higher priority from both a risk-management (political and reputation risk, social license to operate) and competitiveness perspective.

To address the issue, therefore, SilverCrest has initially committed to invest US\$1.5M over the next five years to drastically improve local water infrastructure. In addition, given that water is the most material climate issue for SilverCrest and the region, the Company decided to produce this water stewardship report to formally communicate planned water initiatives and to track progress on building water resilience within the Company's operations and surrounding communities.

This report was produced following the guidance and recommendations from ICMM Water Stewardship Framework, SASB Metals and Mining Standard and from direct feedback from our local communities.



Challenges and Opportunities

SilverCrest has identified access to water as a major risk in Las Chispas and the wider surrounding area through internal research conducted by the Company and ongoing stakeholder engagement initiatives over more than 17 years of being present in the community. Our research and experience on the ground point to water scarcity issues, worsening droughts and extensive flooding that can damage key infrastructure. In an effort to better understand the full extent of water risk in the region, we worked with a third-party consultant to conduct a physical climate-risk assessment of our site. The study confirmed that water risk, and in particular drought, is the predominant climate risk for the region. It also highlighted that drought severity and frequency are expected to worsen over the coming decade.

Separately, a recent report published by the Bank of Nova Scotia on '**Water Scarcity Across Mining Operations in the Americas**'¹ conducted a thorough review and analysis of water risk in mining. The results of this comprehensive analysis reaffirmed our concerns around water. The report highlights that the water problem in Mexico is 'the most concerning situation due to a combination of severe water scarcity, lack of long-term planning, and years of water infrastructure underinvestment.' In addition, the report finds that silver is the most water stress exposed metal.

While the Bank of Nova Scotia research paints a worrying picture for water in Mexico, our Las Chispas site has a relatively low environmental impact and water-usage footprint. If managed correctly, we do not expect operational disruptions related to water shortage to occur throughout the life cycle of mine operations. We do expect, however, that water scarcity and droughts will have a major impact on the surrounding communities that rely on water for their livelihoods and wellbeing.

The water issue also presents us with an opportunity to add significant value to the communities in which we operate. SilverCrest will invest in the water infrastructure projects targeting water conservation which will improve social resilience of the surrounding area. Improved water quality and availability is expected to improve economic prosperity of the local communities as they rely heavily on farming and ranching for their livelihoods. We view the water challenges we are facing as a real opportunity to support and build strong relationships with a broad range of stakeholders while simultaneously reducing our own water risks.

¹ Salazar, A., Suarez, F., Himelfarb, G., Jakusconek, T., Habib, O., Turnbull, T., and Wowkodaw, O. (2022). ESG Meets Reality – Water Scarcity Across Mining Operations in the Americas.



Our Approach to Water Stewardship

1. Policy

SilverCrest is committed to conducting business as a responsible water steward by meeting or surpassing regulatory requirements in all of our community, exploration, development, mining and closure activities. SilverCrest published a [Water Management Policy](#) in 2021 to formalize our commitment, as we strive to develop a holistic approach to water management and achieve resource sustainability.

2. Governance and Management

SilverCrest has established governance structures at different levels throughout the organization to manage Environmental, Social and Governance (“ESG”) issues. Figure 1 describes how climate, water, broader community concerns, and other sustainability-related issues are addressed within the Company:

The Board of Directors (“the Board”) established SilverCrest’s Safety, Environmental and Social Sustainability (“SESS”) Committee in May 2019 to govern the corporate performance regarding Environmental, Social and other Sustainability matters. The Committee is responsible for overseeing the identification and management of risks and opportunities relating to environmental, social, safety and climate factors that have an impact on the Company and stakeholders. The SESS Committee formally meets and reports to the Board quarterly, and more frequently, when appropriate. This has been formalized in a charter that states the SESS Committee’s mandate and responsibilities. This charter is published for viewing on SilverCrest’s [website](#).

At the Management level, an internal ESG and climate management structure was established in 2022, extending from corporate headquarters to the operational team in Mexico. This governance structure ensures that physical and transition climate risks, including water issues, are understood, discussed, and addressed at all levels and geographies of the Company.



ESG Governance Structure

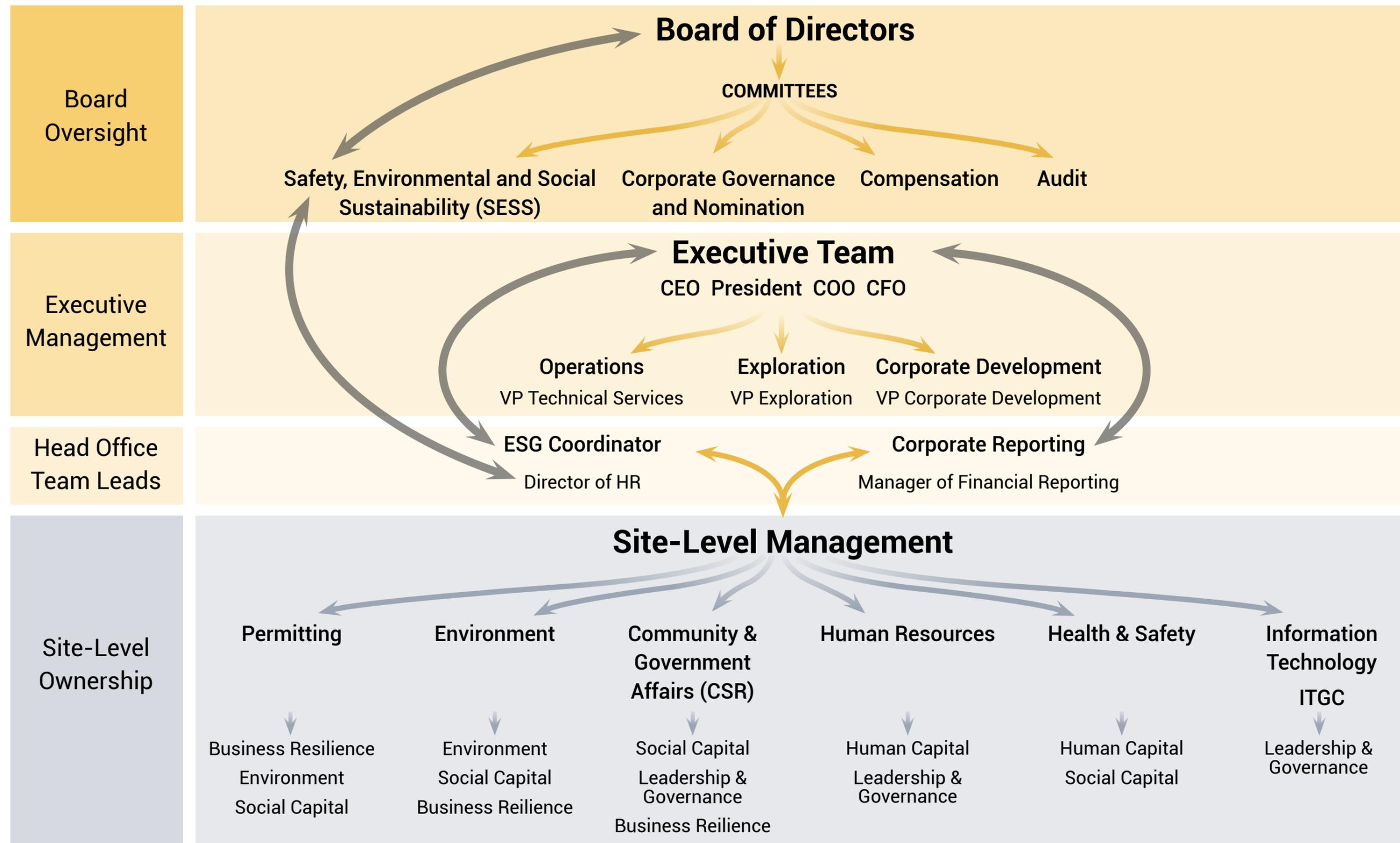


Figure 1

Our Approach to Water Stewardship (continued)



3. Monitoring and Evaluation

SilverCrest strives to develop a holistic approach to water management in order to achieve resource sustainability and to ensure future access to water for all. An important part of developing such an approach is identifying water risks and opportunities, as well as monitoring water performance. We are currently collecting and monitoring ESG data, including water metrics, in alignment with the SASB Metals and Mining Standard. As we are currently investing in environmental data-collection systems, and creating reporting protocols, detailed disclosures will be published in future reports. We have engaged with a third-party technical consultant to audit our environmental data, as well as to conduct a rigorous gap analysis of the internal data-collection systems we have in place. Above and beyond the collection of internal data, SilverCrest will also invest in developing effective community water projects, requiring us to allocate human resources to analyze data and engage the community and partners. Project metrics - environmental, social, and economic - will be collected to assess the impacts of our programs and initiatives.

4. Programs and Initiatives

Stakeholder Engagement

Ongoing communication and engagement with our stakeholders strengthens collaboration and improves transparency in our collective goal to protect this critical resource. To this end, the Company regularly engages stakeholders on these issues at the corporate and local market level.

In 2020 and 2021, the Company completed impact and resource allocation studies to identify the top infrastructure improvement opportunities in the areas with close proximity to the mine. In the past year, our team also engaged with many local stakeholders in the Arizpe community, state and federal-level agencies and representatives, as well as local leaders, to prioritize highly

impactful water initiatives that will benefit the community beyond the mine life. These water infrastructure projects were initiated in 2022 and expect to complete over the next five years until the end of 2026.

Our approach was to first identify the current community exposure. The environmental, social and economic vulnerability that would result from ongoing reliance on the existing water infrastructure was then assessed, followed by an analysis of the potential to build greater water resilience through prospective infrastructure projects.

It was determined that the local farmers and ranchers would benefit from a significant upgrade of the infrastructure carrying water from the Sonora River. This included the main water-intake valve transporting water from the river to 124 families whose source of economic income is tied to land cultivation. It also includes the repair of 24 kilometres of the main aqueducts in the Arizpe region. Once completed, a full repair of the aqueducts would dramatically reduce the current water loss. In addition, over 5 kilometres of the local sewage system was in significant disrepair and a full refurbishment of this infrastructure is included in our five-year plan.

SilverCrest has been working with the immediate community stakeholders on these issues for many years. The Company has also been engaging with the National Water Commission (CONAGUA, federal and CEA, state), the Minister of Mines (at the state level), the Ministry of Agriculture and Rural Development (SAGARPA, federal and SAGARPHA, state), as well as municipal and state governments. Part of these efforts includes registering the community landowners for water concessions. As owners of water rights, land owners are expected to utilize available water sources, in addition to qualifying for potential government infrastructure maintenance funding.

We engaged with our key stakeholders in 2021 and 2022 using the methods outlined in Figure 2:

Our Approach to Water Stewardship (continued)



Government	Local Associations	Community
<p>Bi-weekly meetings with different agencies, including the Governor of the State of Sonora, Local Deputies, Mining Directorate, SAGARPHA (State-level Ministry of Agriculture, Cattle Raising, Hydrological Resources and Fishing), CONAGUA (Federal-level National Water Commission), SAGARPA (Federal-level Ministry of Agriculture and Rural Development), CEA (State-level Water Commission) and municipal authorities to address issues related to the design of the 2022 projects.</p> <p>Consultation and alignment with CONAGUA, SAGARPA to establish water concessions and support for water infrastructure in the zone.</p>	<p>Ongoing meetings with local associations such as the Arizpe and Sinoquipe Irrigation Association, Cattlemen's Unions of Ejidos, Arizpe, Sinoquipe and Bamori to ensure participation and take into consideration the experience of farmers to carry out the engineering design and ensure the sustainable development of the region.</p>	<p>An office has been established to receive questions and concerns from the community, including schools, churches, local businesses and contractors, as well as residents.</p> <p>Social engagement is ongoing, with a strong emphasis on corporate social responsibility and ensuring our social license to operate by continuing to be known as a supportive and participative community member.</p>

Figure 2

Water Infrastructure Projects

Our Company has committed to community investment initiatives that support water stewardship in and around our Las Chispas mine. A budget of US\$1.5M over a five-year period has been set to fix and improve the sewage system in Arizpe, to repair, replace and install 24 kilometres of aqueducts delivering water from the Sonora River to local farmers and ranchers.

The first of these projects was the complete revitalization of the existing water-intake pipe that will ensure the consistent delivery of water from the river to the aqueduct system. This piece of infrastructure will guarantee year-round water to the agricultural zone of Arizpe. With many sections of the pipe currently damaged, SilverCrest aims to restore the pipe using high quality and durable materials to ensure long-term usage. Prior attempts were made to address this issue, but a lack of capital resulted in multiple temporary solutions that were constantly being destroyed by flooding.

The revitalization project will go together with the repair of 24 kilometres

of agricultural aqueducts in the same area (Bamori, Sinoquipe, Arizpe and Tahuichopa), further improving the quality and reliable distribution of water resources to the communities, farmers and ranchers throughout the region. These infrastructure improvements, along with proper documentation, will establish the foundation and support for communities in the Arizpe region in an attempt to receive formal water concessions from the National Water Commission (CONAGUA, federal). This attempt to formalize their agricultural water permits is being promoted by SilverCrest in conjunction with local associations.

SilverCrest has also identified aging in the current principal collector sewage system in the Arizpe region. Having been in use for over 40 years, there are sections of the sewage system that have collapsed and others that are at risk of collapsing. SilverCrest has begun repairs and will be prioritizing the critical parts of the system in the coming years until the targeted 5 kilometres are completed. In 2022, the Company started investment into widening and repairing the sewage system to improve water sewage reliability, preventing potential health and safety hazards caused by sewage leaks.

Our Approach to Water Stewardship (continued)

Auditing our Progress - Assessing the Opportunities to Build Resilience

In 2021, SilverCrest completed a study of water consumption in the region, the results of which tentatively indicate that agricultural activities consume a significant portion of water in the region. The results, however, were obtained from a single set of tests, taken during the rainy season, and therefore more testing must be conducted. Additional testing in 2022 and 2023, both in the rainy season and dry season, will be used to further verify how water consumption at the Las Chispas mine compares to agricultural activities and to develop a baseline consumption rate for the operation and the community.

At the community level, we intend to better understand the impact of our water-stewardship initiatives and investments. This will not only require an assessment of the environmental (i.e. water) impacts, but also the social and economic

impacts of such investments. In the short term, this is a priority for us so that our programs and initiatives optimize the positive benefits to the community and capitalize on untapped opportunities to build community resilience.

Based on our analysis of community needs over several years, we have developed a detailed Five-Year Water Stewardship Strategy outlined in Figure 3. We will monitor our progress closely and disclose the impacts of this strategy and associated investments regularly.



Five-Year Water Stewardship Strategy



Why is SilverCrest Focusing on Water?

The biggest climate related risk to the livelihoods and people within the communities and region we operate in is water. Droughts, extreme heat and potential flooding were identified as the key climate risks and water is the commonality. The largest impact we can make is to improve the water related infrastructure that services and protects the local people and businesses in order to create long term resilience.

SilverCrest's Approach to Water Projects

Exposure: Water intake valves that transport water from the river to the aqueducts have historically needed to be repaired 3-7x per year at US\$10,000 each time because of lack of capital available in the community. Over 24 km of aqueducts that transport water to the community are severely damaged and inefficient. The local sewage system in Arizpe is in disrepair and poses a health risk.

Vulnerability: Water intake valves, aqueducts, sewage system all service the local people in this community that heavily rely on agriculture and ranching for their livelihoods. The current status of the infrastructure is poor and the risk related to extreme weather events is high.

Resilience: Support and protect the long term physical and economic health to over 300 families and ~779 hectares of land across four communities.

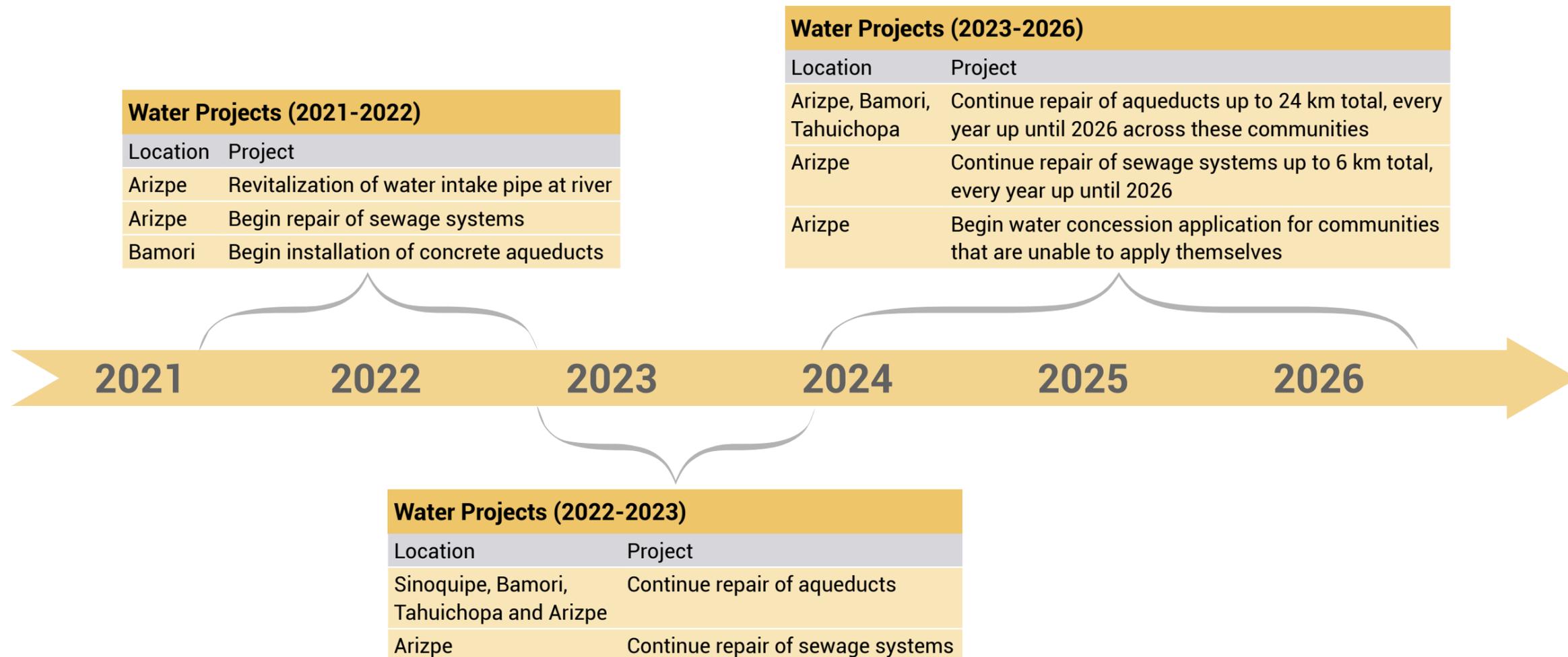


Figure 3

Our Performance

In 2020, SilverCrest identified the frameworks necessary to measure, and report on, operational water use. At the Las Chispas mine, SilverCrest currently measures the total volume of fresh water withdrawal and water discharged and has conducted assessments to determine our total water consumption. SilverCrest intends to continue collecting relevant data in 2022 and 2023 in order to establish a robust baseline for measuring and disclosing our water management performance in the coming years.



Glossary

CEA	State-level Water Commission, Mexico
CONAGUA	Federal-level National Water Commission, Mexico
ESG	Environmental, Social and Governance
GHG	Greenhouse Gas
ICMM	International Council on Mining and Metals
SASB	Sustainability Accounting Standards Board
SAGARPA	Federal-level Ministry of Agriculture and Rural Development, Mexico
SAGARPHA	State-level Ministry of Agriculture, Cattle Raising, Hydrological Resources and Fishing, State of Sonora, Mexico
SESS	Safety, Environmental and Social Sustainability Committee
TCFD	Task Force for Climate-Related Financial Disclosures



Forward-Looking Statements

This document contains “forward-looking statements” and “forward-looking information” (collectively “forward-looking statements”) within the meaning of applicable Canadian and United States securities legislation. These include, without limitation, statements with respect to the timing, costs and completion of the Company’s ESG projects between 2023 and 2026. Such forward-looking statements or information are based on a number of assumptions, which may prove to be incorrect. Assumptions have been made regarding, among other things: the conditions in general economic and financial markets; availability of skilled labour; timing and amount of expenditures related to the Company’s Water Infrastructure Projects; and effects of regulation by governmental agencies. The actual results could differ materially from those anticipated in these forward-looking statements as a result of risk factors including: uncertainty as to the impact and the timing and content of work programs; environmental and other regulatory risks; project cost overruns or unanticipated costs and expenses; and general market and industry conditions. Forward-looking statements are based on the expectations and opinions of the Company’s management on the date the statements are made. The assumptions used in the preparation of such statements, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made. The Company undertakes no obligation to update or revise any forward-looking statements included in this document if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.





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