



## ALTALEY MINING CORPORATION

### Management's Discussion and Analysis

For the three and nine months ended September 30, 2022

Report dated: November 29, 2022

(Expressed in thousands of Canadian dollars)

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# Altaley Mining Corporation

Management Discussion and Analysis

(Expressed in thousands of Canadian dollars, unless otherwise stated and per share amounts)

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

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Altaley Mining Corporation (formerly Telson Mining Corporation), (“Altaley” or the “Company”) has prepared this Management’s Discussion and Analysis (“MD&A”) as of September 30, 2022 and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2021. Unless otherwise stated, all financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) or (“GAAP”) and all dollar amounts herein are presented in thousands of Canadian dollars unless stated otherwise. Unless otherwise stated and per share amounts, references to \$ means thousands of Canadian dollars, US\$ means United States dollars and MXN\$ means Mexican pesos. All information contained in this MD&A is current and has been approved by the Board of Directors of the Company as of November 29, 2022, unless otherwise stated. Additional information on the Company, is also available under the Company’s profile at [www.sedar.com](http://www.sedar.com) and on the Company’s website: [www.altaleymining.com](http://www.altaleymining.com). The information in this MD&A contains “forward-looking information” that are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements.

## 1. – Cautionary Note Regarding Forward-looking Information

Certain statements included in this MD&A may contain forward-looking statements that relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking statements. These statements include, but are not limited to, statements concerning the future financial and operating performance of the Company and its search for resource properties; the future prices of natural resource based commodities; the estimation of reserves and resources; the realization of reserve estimates; timing of technical reports, scoping studies, and preliminary economic assessments; expected content of scoping studies and preliminary economic assessments; anticipated working-capital requirements; capital expenditures; costs and timing of future exploration; requirements for additional capital; government regulation of resource operations; environmental risks; title disputes or claims; and limitation of insurance coverage.

Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “proposes”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes” or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, general business and economic uncertainties; exploration and resource extraction risks; uncertainties relating to surface rights; the actual results of current exploration activities; the outcome of negotiations; conclusions of economic evaluations and studies; future prices of natural resource based commodities; increased competition in the natural resource industry for properties, equipment and qualified personnel; risks associated with environmental compliance and permitting, including those created by changes in environmental legislation and regulation; the risk of arbitrary changes in law; title risks; and the risk of loss of key personnel.

The forward-looking statements contained herein are based on a number of assumptions that the Company believes are reasonable but may prove to be incorrect. These assumptions include, but are not limited to, assumptions that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for natural resource based commodities develops as expected; that the Company receives regulatory approvals for its exploration projects on a timely basis; that the Company is able to obtain financing for its projects on reasonable terms; that the Company’s reserve estimates are within reasonable bounds of accuracy and that the geological, operational and price assumptions upon which they are based are reasonable; and that the Company is able to hire the personnel needed to carry out its business plan.

The foregoing lists of factors and assumptions are not exhaustive. The reader should also consider carefully the matters discussed under the heading “Risks Factors and Uncertainties” elsewhere in this MD&A. Forward-looking

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statements contained herein are made as of the date hereof (or as of the date of a document incorporated herein by reference, as applicable). No obligation is undertaken to update publicly or otherwise revise any forward-looking statements or the foregoing lists of factors and assumptions, whether as a result of new information, future events or results or otherwise, except as required by law. Because forward-looking statements are inherently uncertain, readers should not place undue reliance on them. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

## 2. – Company Profile and Business Overview

Altaley is a Canadian mining company listed on TSX Venture Exchange under the symbol “ATLY” and it is focused on the operation and development of mineral resource properties in North America. The Company owns and operates Campo Morado Mine (“Campo Morado”) in Guerrero state, Mexico and is also advancing its Tahuehueto mining project (“Tahuehueto”) towards production, which is in Durango state, Mexico.

The Company was incorporated on April 11, 1986, under the laws of British Columbia, Canada under the name of Samarkand Resources Corp., and most recently, on June 10, 2021, the Company changed its name to Altaley Mining Corporation.

The location of the Company’s mining properties are as follows:



### Campo Morado Mine

Altaley owns 100% of the Campo Morado Mine which includes an underground polymetallic mine with a concentrator, infrastructure and equipment capable of processing 2,500 tonnes of ore per day, as well as six mining concessions occupying approximately 12,045 hectares located in the state of Guerrero, Mexico.

After the acquisition of Campo Morado, the Company restarted mining operations on a pre-production basis in October 2017. Effective May 15, 2018, the Company completed commissioning of Campo Morado mine and declared commercial production.

On August 14, 2019, the Company curtailed operations at Campo Morado mine placing the mining project into care and maintenance as a result of declining zinc prices for a period of about five months. However, with increasing zinc prices and significant improvements in community relations the Company made the decision to bring the operation out of care and maintenance and restarted operations during the last week of January 2020. In April and May 2020 the Company temporarily suspended operations as mandated by the Mexican Government for COVID-19 precautions, and re-initiated operations on June 3, 2020, after mining was declared an essential service in Mexico and safety and health protocols were approved by the Mexican Government. Mining operations have since

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reached sustainable levels targeted by management, which contributed to improved operating results through the latter half of 2020, through 2021, and which continue to date.

## Tahuehueto Mining Project

Tahuehueto includes 28 mining concessions that total 7,492 hectares located in the northwest portion of the state of Durango Mexico, about 250 km northwest of Durango city, and 160 km northeast of the city of Culiacan, Sinaloa.

Effective January 1, 2017, management determined that technical feasibility and commercial viability were established through the positive results associated with a pre-feasibility study completed for this project (November 2016), therefore, the decision was taken to move the asset into a development stage asset under IFRS.

The most recent technical report published for Tahuehueto, a prefeasibility study dated April 21, 2022, reported compliant Proven & Probable Reserves of 3.58 million tonnes grading 2.55 g/t gold, 50.06 g/t silver, 1.92% zinc, 1.11% lead, and 0.26% copper. The report stated Resources, inclusive with Reserves, in the Measured and Indicated (M&I) categories of 6.1 million tonnes grading 2.48 g/t gold, 42.8 g/t silver, 0.31% copper, 1.2% lead and 2.15% zinc, plus Inferred Resources of 3.5 million tonnes grading 1.3 g/t gold, 37.5 g/t silver, 0.27% copper, 1.34% lead and 2.44% zinc.

## 3. – Operating and Financial Performance Highlights

### Three Months Ended September 30, 2022 (“Q3-2022”)

- Mine operating profit during Q3-2022 was \$1,161 and net loss totaled \$5,596.
- Cash flow used in operations totaled \$580
- Gross revenues amounted to \$23,472
- The Company processed 194,690 tonnes of ore (2,116 tonnes per day - “tpd”) grading 3.11% zinc, 0.66% copper, 69 g/t silver and 0.82 g/t gold at its Campo Morado mine and processed 11,629 tonnes of ore (126 tonnes per day - “tpd”) grading 2.38% zinc, 0.16% copper, 33 g/t silver and 2.11 g/t gold at its Tahuehueto mine
- The Company produced 9,436 tonnes of zinc concentrate, 5,100 tonnes of copper concentrate, 534 tonnes of lead concentrate, and 323 tonnes of low-grade lead concentrate
- Approximately 9,468.3 tonnes of zinc, 4,940.7 tonnes of copper and 410.2 tonnes of lead concentrates were sold with an average grade of 45.2%, 12.1%, and 11.3% respectively

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### 4. – Overall Operations Performance

#### 2022 Quarterly Operational Performance Results

The following table and subsequent discussion provide a summary of the operating performance of the Company for the three and nine months ended September 30, 2022, and 2021.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Operational</b>				
Ore Processed	194,690	168,443	560,495	506,872
Zn concentrate produced (ton)	9,202	10,743	27,463	33,568
Average realized zinc price per tonne (US\$)	\$ 3,301	\$ 2,915	\$ 3,321	\$ 2,809
Zn grade	46%	45%	46%	46%
Zn recovery	70%	66%	70%	71%
Cu concentrate produced (ton)	5,100	–	6,970	–
Average realized copper price per tonne (US\$)	\$ 7,709	\$ –	\$ 8,049	\$ –
Cu grade	12%	–	13%	–
Cu recovery	48%	–	31%	–
Pb concentrate produced (ton)	259	2,690	3,589	7,245
Average realized lead price per tonne (US\$)	\$ –	\$ 2,139	\$ 2,288	\$ 2,063
Pb grade	–	22%	17%	22%
Pb recovery	–	29%	15%	29%
<b>Cost Analysis</b>				
C1 Cash Cost (US\$/lb)	\$ 1.00	\$ 0.45	\$ 1.13	\$ 0.60
All-in Sustaining Cost (US\$/lb)	\$ 1.34	\$ 0.70	\$ 1.43	\$ 0.84
<b>Financial</b>				
Gross revenues	\$ 23,472	\$ 23,076	\$ 64,216	\$ 68,781
Mine operating profit	\$ 1,161	\$ 9,669	\$ 4,309	\$ 24,131
Income (Loss) for the period	\$ (5,596)	\$ 4,284	\$ (7,802)	\$ 15,655
Cash	\$ 2,421	\$ 7,466	\$ 2,421	\$ 7,466
Working capital deficiency	\$ (22,001)	\$ (5,451)	\$ (22,001)	\$ (5,451)
<b>Shareholders</b>				
Basic (loss) earnings per share	\$ (0.02)	\$ 0.02	\$ (0.03)	\$ 0.07
Diluted earnings per share	\$ (0.02)	\$ 0.01	\$ (0.03)	\$ 0.06

### Operational Performance Results

#### Campo Morado Mine

During the three months ended September 30, 2022, Campo Morado produced 9,202 tonnes of zinc concentrate grading an average of 46% zinc, 1.24 g/t gold, 290 g/t silver and sold 9,468.3 tonnes generating Q3-2022 revenue from zinc concentrate of US\$9.26 million. In May 2022, the mine began producing copper concentrate, of which 5,100 tonnes was produced during Q3-2022 grading an average of 12% copper, 4.66 g/t gold, 520.83 g/t silver and approximately 4,940.7 tonnes were sold generating Q3-2022 revenue from copper concentrate of US\$ 4.51 million.

During Q3-2022, approximately 194,690 tonnes of mineralized material were processed through the processing plant at a C1 cash cost per lb. of US\$0.96 with average grades of 3.11% zinc, 0.66% copper, 0.58% lead, 0.82 g/t gold, and 69 g/t silver achieving recoveries of 70.3% in zinc, 48.2% in copper, 1.0% in lead, 22% in gold, and 39.6% in silver.

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## Tahuehueto Mining Project

During the three months ended September 30, 2022, Tahuehueto processed stockpiled ore mined during 2018-19 during its tolling milling campaign, producing 234 tonnes of zinc concentrate grading an average of 28% zinc, 6.66 g/t gold, and 126.5 g/t silver and 275 tonnes of lead concentrate grading an average of 49% lead, 28.51 g/t gold and 427.75 g/t silver, and sold 410.2 tonnes generating Q3-2022 revenue from lead concentrate of US\$0.58 million.

## 5. – Quarterly Financial Performance Results

### Comparison of the three and nine months ended September 30, 2022 and 2021

The following table is a summary of the consolidated statements of income (loss) and comprehensive income (loss) of the Company.

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Mine operating income	\$ 1,161	\$ 9,669	\$ 4,309	\$ 24,131
General expenses	(2,011)	(2,668)	(5,080)	(6,311)
Other income (expenses)	(4,746)	(2,717)	(7,031)	(2,165)
<b>Net (loss) income for the year</b>	<b>(5,596)</b>	<b>4,284</b>	<b>(7,802)</b>	<b>15,655</b>
Foreign currency translation adjustment	2,036	281	2,735	298
<b>Total comprehensive (loss) income for the period</b>	<b>\$ (3,560)</b>	<b>\$ 4,565</b>	<b>\$ (5,067)</b>	<b>\$ 15,953</b>

During the three months ended September 30, 2022, the Company reported total mine operating income of \$1,161, total comprehensive loss of \$3,560, and basic loss per share of \$0.02. In comparison, the Company reported total mine operating income of \$9,669, total comprehensive income of \$4,565, and basic and diluted earnings per share of \$0.02 and \$0.01, respectively for the three months ended September 30, 2021.

During Q3-2022, Campo Morado recognized its first full quarter results from the copper recovery flotation circuit installed during Q2-2022. The added operating income was partially offset in comparison to Q3-2021 due to the substitution of copper concentrates in lieu of lower quality lead concentrate. Further, depletion of mineral resources has begun being recognized during 2022 as a result of the reversal of previous impairment charges on the Campo Morado mine in 2021. As a result, mine operating income is being impacted from such depletion during 2022 that was not able to be recognized in 2021.

Mine operating income for the three and nine months ended September 30, 2022, and 2021 is comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Revenue</b>				
Gross sales	\$ 23,472	\$ 23,076	\$ 64,216	\$ 68,781
Treatment and selling costs	(8,632)	(5,364)	(22,739)	(18,854)
	14,840	17,712	41,477	49,927
<b>Cost of Sales</b>				
Production cost	12,808	7,254	34,725	23,743
Royalties	532	644	1,475	1,663
Depletion, depreciation and amortization	339	145	968	390
	13,679	8,043	37,168	25,796
<b>Mine operating income</b>	<b>\$ 1,161</b>	<b>\$ 9,669</b>	<b>\$ 4,309</b>	<b>\$ 24,131</b>

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During the three months ended September 30, 2022, the Company generated revenues in the amount of \$23,472 (September 30, 2021 – \$23,076) primarily from Campo Morado operations as a result of, selling 9,468 tonnes of zinc concentrate with an average of 45.2% zinc and 286 g/t silver at an average selling price of US\$3,301 per tonne of zinc and US\$19.00/oz of silver, in addition to selling 4,941 tonnes of copper concentrate with an average of 12.1% copper, 507.5 g/t silver, and 4.6 g/t gold at an average selling price of US\$ 7,709 per tonne of copper, US\$19.10/oz of silver, and US\$1,729/oz of gold. Additionally, from Tahuehueto pre-production and mill commissioning operations, 410 tonnes of lead concentrate was sold with an average of 11.3% lead, 349.4 g/t silver and 26.3 g/t gold at an average selling price per tonne of lead of US\$1,988, US\$19.10/oz silver and US\$1,738/oz gold. Net revenues of \$14,604 (September 30, 2021 – \$ 17,712) were inclusive of treatment charges and penalties in the amount of \$6,399 (September 30, 2021 – \$3,357) and freight and selling costs in the amount of \$2,396 (September 30, 2021 – \$2,007) reported during the period.

Total cost of sales incurred during the three months ended September 30, 2022 were \$13,679 (September 30, 2021 – \$8,043), including production cost in the amount of \$12,808 (September 30, 2021 – \$7,254), which represents direct costs attributable to the production of concentrates from both the Campo Morado and Tahuehueto mines. It also includes royalties paid and/or payable to the Servicio Geologico Mexicano in the amount of \$532 (September 30, 2021 – \$644), for a 2% and 3% discovery royalty, and depletion, depreciation, and amortization expenses of \$339 (September 30, 2021 – \$145).

General and administration expenses for the three and nine months ended September 30, 2022, and 2021 are comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>General Expenses</b>				
Consulting fees, wages and benefits	\$ 1,262	\$ 524	\$ 2,485	\$ 1,632
Legal and professional fees	296	231	707	579
Office, rent and administration	235	1,375	784	2,334
Amortization of right-of-use assets	29	33	90	60
Regulatory, transfer agent and shareholder information	19	24	84	43
Travel, promotion and investor relations	164	142	724	608
Share-based compensation	6	339	206	1,055
	\$ 2,011	\$ 2,668	\$ 5,080	\$ 6,311

During the three months ended September 30, 2022, the Company incurred general expenses in the amount of \$2,011, compared to \$2,668 during the three months ended September 30, 2021.

The net decrease of \$657 is mainly attributable to the following:

Prior to restructuring of the Company's debt in 2021 the Company realized concessions and surcharges on late payments of royalties resulting in increased administration fees which were recognized during Q3-2021. As a result of improved mine performance and successful restructuring of debt, such surcharges were not realized in Q3-2022 given the ability for the Company to make scheduled royalty payments, reducing office, rent, and administration expenses by \$1,140. Additionally, share-based compensation recorded during the period decreased by \$333 as no additional stock options were granted. The share-based compensation expense is commensurate with the vesting period, which follows a vesting period of one third on the date of the grant, one third after six months, and one third on the first-year anniversary; this represents a total vesting period of 12 months, whereby the expense is weighted toward the respective grant dates. These decreases in office, rent, and administration, and share-based compensation were partially offset by increases to consulting fees, wages, and benefits as a result of annual retainers approved to be paid to non-executive directors of the Company in addition to salaries and benefits of the newly appointed CEO, Mike Struthers.

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Other income and expenses for the three and nine months ended September 30, 2022, and 2021 are comprised of:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Other income and expenses:</b>				
Interest income	\$ (4)	\$ (212)	\$ (226)	\$ (425)
Change in fair value of financial instruments	2,637	135	2,716	1,343
Finance costs	1,130	731	3,243	1,873
Other income and expenses	65	1,912	153	(296)
Foreign exchange loss (gain)	918	151	1,145	(330)
	\$ 4,746	\$ 2,717	\$ 7,031	\$ 2,165

During the three months ended September 30, 2022, the Company incurred net other income and expenses in the amount of \$4,748, compared to \$2,717 incurred during the three months ended September 30, 2021. The total net other income and expenses incurred in the year is mainly attributable to the fair value changes of the Company's senior bond trusts, whereby the Company realized a loss of \$2,637 in the redemption of the bonds to facilitate working capital needs. Additionally, finance costs consisted of interest on debt of \$352 (September 30, 2021 – \$355), bank fees and penalties of \$5 (September 30, 2021 – \$9), interest on lease liabilities of \$7 (September 30, 2021 – \$11), amortization of deferred finance costs of \$266 (September 30, 2021 – \$238), accretion of provision for site reclamation and closure of \$142 (September 30, 2021 – \$118), and accretion on streaming arrangements of \$358 (September 30, 2021 – \$nil).

Additionally, foreign exchange variations are recorded in connection to fluctuations in exchange rates between the United States dollar, Mexican peso and Canadian dollar and the underlying assets or liability and the currency in which these are receivable or payable.

### Selected Quarterly Financial Information

	2022			2021				2020
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Gross revenues	\$ 23,472	\$ 19,210	\$ 21,534	\$ 29,671	\$ 23,076	\$ 24,489	\$ 21,216	\$ 18,960
Mine operating income (loss)	1,161	1,933	1,215	10,125	9,669	9,165	5,297	(189)
Net profit (loss)	(5,596)	(2,051)	(155)	20,610	4,284	7,568	3,802	(9,682)
Basic earnings (loss) per share	(0.02)	(0.01)	0.00	0.08	0.02	0.03	0.02	(0.06)
Diluted earnings (loss) per share	(0.02)	(0.01)	0.00	0.07	0.01	0.03	0.01	(0.06)
Cash	2,421	1,535	1,822	3,049	7,466	8,908	10,792	257
Total assets	131,964	125,149	114,541	108,805	81,265	69,207	64,125	52,924
Non-current liabilities	49,562	43,702	44,585	46,392	41,605	6,620	6,465	6,435
Equity (deficiency)	38,940	35,786	32,780	30,671	5,461	(903)	(12,316)	(26,711)
Working capital deficiency	(22,001)	(13,619)	(9,496)	(3,114)	(5,451)	(38,470)	(45,881)	(60,334)

The results for the three months ended September 30, 2022 reflect the continuation of improved operational performance at the Campo Morado Mine since commissioning the copper concentrate circuit in Q2-2022. This was prompted by a change in ore sources within the underground mine, as mining moved into areas with higher copper grade ores. Mine output throughout the quarter was maintained in the range of 60-65,000 tonnes per month, in line with budgets. Revenues from copper concentrate sales from Campo Morado comprised 33% of total revenues from the mine during the quarter.

Although the Tahuehueto Project is still under construction, pre-commissioning production from stockpiled ores continued through the quarter, albeit somewhat erratically as priority is given to construction activities. Working capital deficiencies continue to mount and is a reflection of long-term debts leveraged to complete construction at



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the Tahuehueto mine becoming due short term and is anticipated to reverse course following full commercial production at the project.

## Cash flow results

The following table provides a summary of cash flows for the three and nine months ended September 30, 2022, and 2021:

	Three months ended September 30, 2022		Nine months ended September 30, 2021	
	2022	2021	2022	2021
<b>Cash provided by (used in):</b>				
Operating activities	\$ (580)	\$ (4,513)	\$ 1,848	\$ (2,315)
Investing activities	(2,020)	(4,717)	(11,253)	(10,554)
Financing activities	2,979	7,252	8,170	19,926
Effect of foreign exchange rate changes on cash	507	536	607	152
<b>(Decrease) increase in cash during the period</b>	<b>886</b>	<b>(1,442)</b>	<b>(628)</b>	<b>7,209</b>
Cash beginning of period	1,535	8,908	3,049	257
<b>Cash end of period</b>	<b>\$ 2,421</b>	<b>\$ 7,466</b>	<b>\$ 2,421</b>	<b>\$ 7,466</b>

As of September 30, 2022, the Company had a cash balance of \$2,421 and a working capital deficiency of \$22,001. Current liabilities at the same date are in the amount of \$49,562, which have been incurred in connection with the acquisition and restart of Campo Morado mining project, the advancement of the Tahuehueto project into development and, maintaining the Company's public listing.

During the three months ended September 30, 2022, the Company used net cash in operating activities in the amount of \$580 (September 30, 2021 – \$467 used). The cash burn during Q3-2022 is primarily due to more aggressive servicing of short-term liabilities and trade payables. Additionally, the start of operations at the Tahuehueto mine is generating expected losses which were offset by operating profits at the fully operational Campo Morado mine.

The Company also used cash in the amount of \$2,020 in investing activities during the three months ended September 30, 2022 compared to \$4,717 used during the three months ended September 30, 2021. The \$2,697 decrease in cash used in investing activities is primarily due to capital spend reductions as the Tahuehueto mine nears commercial production.

During the three months ended September 30, 2022, the Company generated cash in the amount of \$2,979 (September 30, 2021 – \$7,252) in financing activities comprised of mainly \$6,579 related to funds received for a potential rights offering guarantee, the repayment of debt in the amount of \$2,588 and the repayment of interest for \$1,189. Current available financing is being used mainly to finalize the development activities at the Tahuehueto project and general working capital purposes.

## 6. – Campo Morado Mine and Tahuehueto Mining Project

### Campo Morado Mine

Summary of NI 43-101 compliant Mineral Resources and Preliminary Economic Assessment dated March 30, 2018, the "PEA"

The PEA Report was prepared by Eric Titley BSc, PGeo of Titley Consulting Ltd., William J. Lewis BSc, PGeo of Micon International Limited ("Micon"), Christopher Jacobs CEng, MIMMM of Micon, James W.G. Turner BSc(Hons) ACSM, MSc MCSM, MIMMM CEng of Micon and Eur Ing Bruce Pilcher CEng, FIMMM, FAusIMM (CP) of Micon.

Campo Morado PEA Highlights

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- Undiscounted cash flow before income and mining taxes of US\$114M
- Pre-tax Net Present Value ("NPV") at an 8% discount rate of US\$81M
- Undiscounted cash flow after income and mining taxes of US\$91M
- After-tax NPV at a discount rate of 8% of US\$65M
- Life of mine ("LOM") of 12 years, with 9.7 million tonnes of potential mill feed at an average grade of 4.33% zinc grade, 1.00% lead grade, 0.78% copper grade, 131.9 grams per tonne ("g/t") of silver and 1.71 grams per tonne ("g/t") of gold.  
Note – only potential mill feed resources located in close proximity to existing underground mine workings that are easily accessible with limited mine development are currently included in the PEA mine plan. There are additional measured and indicated resources of approximately 6.9 million tonnes available that could extend the project's LOM.
- Mining rate of 2,500 tonnes per day ("tpd")

Campo Morado Mine resources estimate with effective date as at November 5<sup>th</sup>, 2017:

Cut-off ZnEq (%)	ZnEq (%)	Tonnes	Au (g/t)	Ag (g/t)	Cu (%)	Pb %	Zn (%)
Measured							
3.0	6.94	17,004,000	1.34	91	0.73	0.67	3.17
4.0	7.87	13,412,000	1.49	104	0.76	0.78	3.71
<b>5.5</b>	<b>9.27</b>	<b>9,292,000</b>	<b>1.70</b>	<b>124</b>	<b>0.82</b>	<b>0.94</b>	<b>4.56</b>
7.0	10.71	6,318,000	1.88	143	0.87	1.11	5.44
Indicated							
3.0	5.78	16,848,000	1.25	85	0.68	0.61	2.25
4.0	6.62	12,324,000	1.42	99	0.72	0.73	2.68
<b>5.5</b>	<b>7.94</b>	<b>7,335,000</b>	<b>1.70</b>	<b>123</b>	<b>0.78</b>	<b>0.92</b>	<b>3.31</b>
7.0	9.32	4,086,000	1.96	151	0.86	1.12	3.94
Measured + Indicated							
3.0	6.36	33,852,000	1.29	88	0.70	0.64	2.71
4.0	7.27	25,736,000	1.46	102	0.74	0.76	3.22
<b>5.5</b>	<b>8.68</b>	<b>16,627,000</b>	<b>1.70</b>	<b>123</b>	<b>0.80</b>	<b>0.93</b>	<b>4.01</b>
7.0	10.16	10,404,000	1.91	146	0.87	1.11	4.85
Inferred							
3.0	5.03	3,316,000	0.98	76	0.52	0.58	2.10
4.0	5.85	2,152,000	1.11	90	0.55	0.71	2.54
<b>5.5</b>	<b>7.27</b>	<b>988,000</b>	<b>1.32</b>	<b>116</b>	<b>0.64</b>	<b>0.92</b>	<b>3.20</b>
7.0	8.75	416,000	1.52	148	0.76	1.10	3.78

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## Campo Morado Operations

Altaley purchased Campo Morado in September 2017 and during August 2017, Altaley commenced underground pre-production mining operations at Campo Morado. Mining development commenced within the El Largo Zone with mineralized mined development material transported and stockpiled at the mill site.

On August 14, 2019, the Company suspended mining operations at Campo Morado placing the mine into care and maintenance as a result of weak zinc prices.

Altaley brought the mine out of care and maintenance and reinitiated mining and milling operations during late January 2020, but subsequently during April and May 2020 the Company temporarily suspended operations as mandated by the Mexican Government for COVID-19 precautions, and re-initiated Mining operations September 4, 2020, after mining was declared an essential service in Mexico.

As of the date of this MD&A mining operations are continuing.

Management initiated an extensive metallurgical test work program to investigate technologies for potentially increasing both base metal recoveries and precious metal recoveries at Campo Morado, which, if successful, will enable Campo Morado to increase revenues and will create additional mine flexibility to target precious metal rich zones in times of reduced base metal pricing. This metallurgical test work program commenced during mid-July 2021 and is ongoing. Testing includes exploring pneumatic flotation at micro fine grinding, ability to produce a precious metals rich pyrite concentrate from both legacy tailings and fresh tailings, investigating forced oxidation and leaching technologies described below and ongoing metallurgical testing on various ore bodies within the global resource.

Successful testing results from these technologies may allow the Company to improve recoveries of all payable metals and reprocess the existing tailings stored in the historic tailings facility to potentially recover a portion of the precious and base metals contained within the tailings.

The Company engaged Glencore Technologies to test the possibilities of increased metal recoveries utilizing pneumatic flotation Jamison Cell Technology. A Jamison Cell pilot plant operated at Campo Morado for approximately three months testing a number of process streams within the processing plant and also tested the potential metal recoveries from historic tailings material stored within the legacy Naranjo Bajo tailings storage facility. This pilot plant was able to test recoveries at microfine grind levels. Encouraging results were obtained during the flotation cleaning process where higher grade base metal concentrates were generated within the pilot plant. In addition, the Jamison cell successfully produced a precious metal rich pyrite concentrate from the historic legacy tailings. This pyrite concentrate material was submitted to Glencore Technologies for Albion Process™ testing, a forced oxidation and leaching technology for enhanced precious metal recoveries. These two technologies are described below.

## Forced Oxidation and Leaching Technologies

- As part of the extensive metallurgical testing program underway Altaley is moving into second phase testing with Albion Process. The Albion Process™ effectively force oxidize material from a processing plant and subjects the oxidized material to leaching to recover metals.

Altaley also intends to initiate metallurgical testing utilizing other potential recovery methods such as bioleaching and the SART process to test the effectiveness of these technologies to improve recoveries from ongoing operations and potentially reprocessing the existing precious metal rich tailings stored within the historic Naranjo Bajo Tailings Storage Facility. Budget constraints have postponed testing of these alternative technologies.

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During Q3 2022, Campo Morado operations team completed work on an expansion of the Alto Tailings Storage Facility ("TSF"). This expansion will provide an additional capacity of approximately 4 years. The Knight Piesold original design of the TSF allows further expansion that will extend the life of the TSF.



During May 2022 the Company commenced producing copper concentrate at Campo Morado. Copper concentrate production is ongoing however, as a result of copper and lead recoveries competing with one another, lead concentrate production was curtailed. Metallurgical studies designed to effectively separate copper and lead are underway and if concluded successfully, lead concentrate production could resume.

## Tahuehueto Mining Project

### NI 43–101 Compliant Pre-Feasibility Study

In January 2017, Altaley announced the results of a NI 43–101 compliant Prefeasibility Study (the "PFS") for Tahuehueto. The PFS was prepared by Metal Mining Consultants Inc. based in Highlands Ranch, Colorado. And authored by Scott E. Wilson of MMC along with contributions from other industry experts. This PFS has been prepared in compliance with Form 43-101F1 (Technical Report) and Companion Policy 43-101CP with an effective date of the report is November 18, 2016.

On April 25, 2022, the Company released an update to the NI 43–101 compliant PFS for Tahuehueto. This updated PFS builds off the previous 2017 report with an expansion of the mining operation to 1,000tpd, adoption of the sub-level long hole open stoping mining method, combined with lesser cut and fill mining method and an updated reserve and resource calculation.

The Project configuration evaluated in the updated 2022 PFS is a conventional, owner-operated underground mine, which will utilize contractor mining. Mill feed will be processed in a 1,000 tonnes per day comminution circuit consisting of primary and secondary crushing, wet grinding to an initial two-circuit flotation/concentration plant producing precious metal rich lead and zinc concentrates and subsequently, in the second year of operation a third circuit added to produce copper concentrates.

The PFS was prepared by independent third-party consultants, Resource Development Associates Inc. ("RDA") and integrated updated geological interpretations based on expanded knowledge of the mineral deposit, geological modeling, an optimized mine plan and production schedule, additional metallurgical work, a mill currently under construction and updated cost estimates, all of which de-risk the Project.

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The PFS provides information on the optimized Project with higher throughput rates, updated resource estimate, and capital and operating cost estimates as compared to the project evaluated in the National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI43-101") January 2017 Technical Report (the "2017 Report"). The final version of the NI 43-101 technical report containing the PFS will be filed on SEDAR within 45 days. As a result of the changes to the Project as evaluated in the PFS, including differences in mineral resource estimation methodology and changes to the economic parameters applied to the geologic block model (metal selling prices, recovery, CAPEX, and OPEX), all of which resulted in a change in mineral resources, the Project as evaluated in the 2017 Report is no longer considered current and the 2017 Report should therefore not be relied upon by investors.

The engineering design to estimate capital costs used in the PFS are within a 20% accuracy. However, in 2021 the Company elected to proceed with construction of the project. In August 2022, following some significant delays, the status of the project and expenditure to date was reviewed in detail, and budgets and schedules re-set to complete the 500 tpd project. As of the date of this MD&A the 500 tpd project is approximately 85% complete.

The Company cautions that the PFS is preliminary in nature and is based on technical and economic assumptions which could be further refined and evaluated in a full feasibility study. The PFS is based on an updated project reserve and resource estimate effective as of February 23, 2022. As the Company has elected to bring the Tahuehueto Mining Project into production without the projects mineral reserves supported by a full feasibility study, the Company cautions that this could result in a higher risk of economic or technical failure of the operation that if a full feasibility study had been prepared demonstrating economic and technical viability to a greater degree of accuracy. There are no assurances that the Tahuehueto Mining Project will be found to be economic.

The following is a summary of the material aspects and assumptions of the PFS. Investors are urged to review the complete NI 43-101 report following its filing on SEDAR for complete details of the PFS.

## Project Location

The Tahuehueto Project is located in the northwest portion of the state of Durango, Mexico, approximately 250 km northwest of the capital city of Durango. The Project is located about 25 km north of the Topia polymetallic-silver mine, 48 km northwest of the La Cienega gold, silver, base metal mine, 85 km southwest of the Guanacevi silver district, 280 km southeast of the Palmarejo silver and gold mine, and 150 km northwest of the San Dimas mining district, most notable for the Tayoltita silver and gold mine.

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## Summary of Results of the 1,000 Tonnes Per Day PFS

Table 1

<b>OPERATING METRICS</b>		<b>2022 PFS</b>
<b>Mill Throughput</b> (tonnes/day)		1,000
<b>Mine Life</b> (years)		10.9
<b>Total Ore Processed</b> (tonnes)		3.55M
<b>Annual Mining Rate</b> (tonnes)		336,000
<b>Development-to-ore ratio</b> (waste:ore)		0.6
<b>Head Grade (average for the LOM)</b>		
<b>Pb</b> (%)		1.1
<b>Zn</b> (%)		1.9
<b>Au</b> (g/tonne)		2.58
<b>Ag</b> (g/tonne)		50.5
<b>Cu</b> (%)		0.3
<b>AuEq</b> (g/tonne)		6
<b>Recovery (average for the LOM)</b>		
<b>Pb</b> (%)		85
<b>Zn</b> (%)		68
<b>Au</b> (%)		87
<b>Ag</b> (%)		85
<b>Cu</b> (%)		85

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<b>Metal Produced (total for the LOM)</b>	
<b>Pb</b> (tonnes)	33,911
<b>Zn</b> (tonnes)	65,821
<b>Au</b> (troy ounces)	279,359
<b>Ag</b> (troy ounces)	4,879,980
<b>Cu</b> (tonnes)	8,893
<b>Average Monthly Production – LOM</b>	
<b>Pb</b> (tonnes)	263
<b>Zn</b> (tonnes)	510
<b>Au</b> (troy ounces)	2,166
<b>Ag</b> (troy ounces)	37,829
<b>Cu</b> (tonnes)	69

**Table 2**

<b>FINANCIAL METRICS</b>	<b>2022 PFS</b>	<b>US\$</b>
Total Net Smelter Return (Pb, Zn, Au, Ag, Cu)	<b>645.4</b>	\$Million
Gold Net Revenue	<b>392.8</b>	\$Million
Silver Net Revenue	<b>87.5</b>	\$Million
Lead Net Revenue	<b>60.5</b>	\$Million
Zinc Net Revenue	<b>78.4</b>	\$Million
Copper Net Revenue	<b>26.2</b>	\$Million
Pre-tax Net Cash flow	<b>352.4</b>	\$Million
Post tax Net Cash Flow	<b>258.9</b>	\$Million
Annual Average pre-tax net cash flow	<b>98</b>	\$Million
Pre-tax net cash flow per tonne of ore	<b>72</b>	\$/tonne ore
LOM Total Capital cost – Plant, mine development, infrastructure, working capital (no contingency)	<b>56.9</b>	\$Million
OPEX – Development Mining	<b>1,278.1</b>	\$/meter
OPEX – Ore Mining	<b>35.0</b>	\$/tonne ore
OPEX – Processing	<b>22</b>	\$/tonne ore
OPEX – General & Administrative (G&A)	<b>3.0</b>	\$/tonne ore
OPEX – Operating Cost – LOM	<b>69.5</b>	\$/tonne ore
All-In Sustaining Cost of Production – LOM	<b>844</b>	\$/AuEq oz
Pre-tax Net Present Value (NPV) at 5% discount	<b>234.4</b>	\$Million
Post-tax NPV at 5% discount*	<b>161.3</b>	\$Million
Post-tax NPV at 10% discount	<b>130.8</b>	\$Million
EBIDTA LOM	<b>357.7</b>	\$Million
Internal Rate of Return (IRR)**	<b>65.5</b>	%
Payback Period	<b>2.0</b>	Years

\*5% discount considered reasonable due to advanced state of Tahuehueto construction where 90% of required capital has been invested in the project, advancing construction past 95% completion with most capital expenditures completed and therefore capital costs are known with substantially increased accuracy.

\*\*IRR is calculated with approximately \$34 million of pre-Jan 2022 expenses on the project. \$19 million of pre-2015 costs of exploration, acquisition and carrying costs have been treated as sunk costs.

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## Sensitivity Analysis

Table 3 below shows the after-tax sensitivity of NPV, IRR to varying gold prices (US Currency)

**Table 3**

Gold Price (\$/oz)	After Tax NPV 0% (\$M)	After Tax NPV 5% (\$M)	After Tax NPV 10% (\$M)	IRR (%)	Payback (Years)
1,450	171.6	134.2	107.8	50.5	2.6
1,550	187.7	146.9	118.2	55.9	2.3
<b>1,650</b>	<b>204.4</b>	<b>161.3</b>	<b>130.8</b>	<b>65.5</b>	<b>2.0</b>
1,750	219.7	172.3	139.0	66.7	2.0
1,850	237.7	185.1	149.4	72.2	1.9

Table 4 below shows the after-tax sensitivity of NPV, IRR to various gold mill recoveries. (US Currency)

**Table 4**

Mill Recovery Gold (%)	After Tax NPV 0% (\$M)	After Tax NPV 5% (\$M)	After Tax NPV 10% (\$M)	IRR (%)	Payback (Years)
85%	170.2	134.1	108.5	53.3	2.4
90%	190.1	149.9	121.4	60.5	2.2
<b>95%</b>	<b>204.4</b>	<b>161.3</b>	<b>130.8</b>	<b>65.5</b>	<b>2.0</b>
97%	210.4	166.0	134.7	67.6	2.0

## Capital Costs

Key capital expenditures for initial and sustaining capital requirements are identified in the following Table 5. (All figures in US\$ Millions)

**Table 5**

	Initial investment up to Feb. 28, 2022	Investment remaining as at Feb. 28, 2022 to generate positive cash flow*	Investment to reach continuous & sustainable production **	Sustaining capital expenditures***	Total capital costs****
Processing facilities	10.29	1.86	0.93	0.13	13.21
Infrastructure facilities	2.22	2.17	0.85	0.15	5.39
Mine equipment	4.05	0.09	0.78	0.53	5.45
Tailings	0.06	0.83	0.38	1.50	2.77
Mine development	0.48	0.25	0.98	27.18	28.89
Mining rights	-	-	0.11	1.10	1.21
<b>Subtotal</b>	<b>17.10</b>	<b>5.20</b>	<b>4.03</b>	<b>30.59</b>	<b>56.92</b>
Contingency	-	-	1.19	3.06	4.25
<b>Total</b>	<b>17.10</b>	<b>5.20</b>	<b>5.22</b>	<b>33.65</b>	<b>61.17</b>

\* From Feb 28, 2022 to positive cash flow date

\*\* From reaching positive cash-flow date to January 2023

\*\*\* From Jan 2023 to end of mine life

\*\*\*\* Life of mine capital costs and Pre-Jan 2022 capitalized costs



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## All-in Sustaining Costs

Table 6 highlights the all-in sustaining costs and the all-in cost over the life of the Project.

**Table 6**

	Life of Mine	
	US\$/AuEq Oz	US\$ Million
Operating Costs <sup>(1)</sup>	734	320.5
Sustaining Capital Expenditures <sup>(2)</sup>	77	33.65
Corporate G&A	18	8.0
Reclamation	17	7.5
<b>All-In Sustaining Costs <sup>(3) (4)</sup></b>	<b>846</b>	<b>369.6</b>
Capital Expenditures	32	13.8
<b>All-In Costs <sup>(4)</sup></b>	<b>876</b>	<b>383.4</b>

*Rounding of some figures may lead to minor discrepancies in totals.*

*(1) Includes streaming, penalties, and shipping costs.*

*(2) Includes all mine development capital expenditures after the first 12 months of production.*

*(3) Includes initial capital expenditures for the first 12 months of production.*

*(4) All-In Sustaining Costs and All-In-Costs are non-GAAP measures. See reference to "Non-GAAP" below.*

## Annual Metal Production

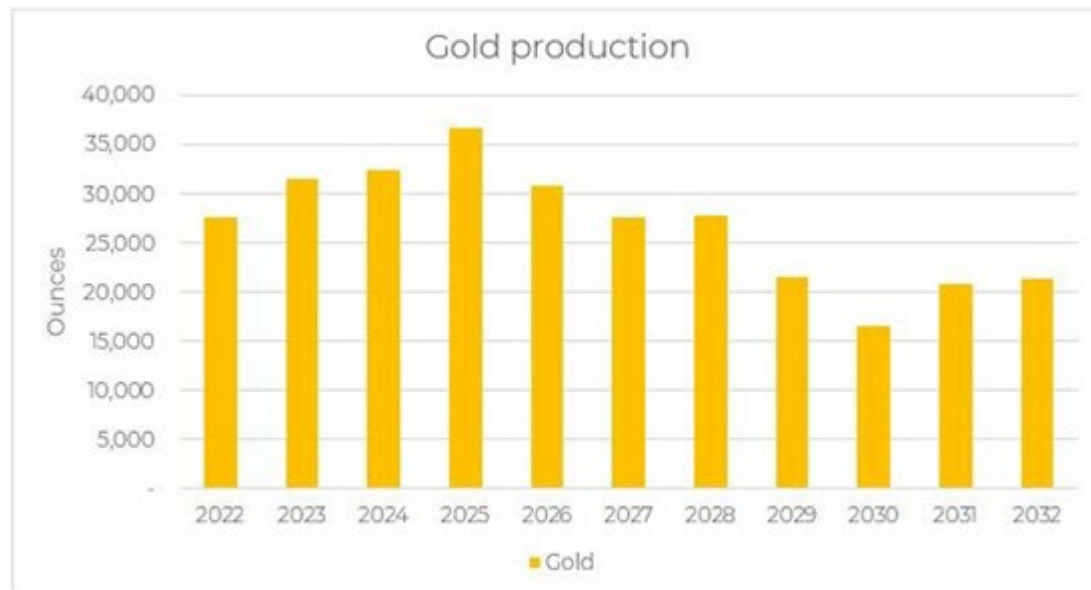


Chart 1- Gold production

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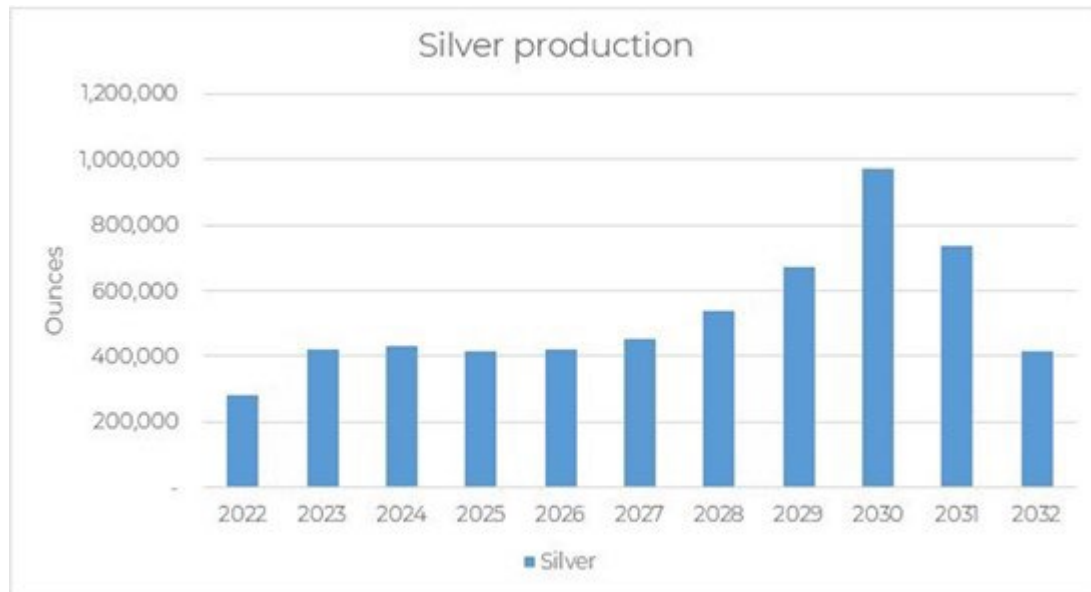


Chart 2 – Silver production

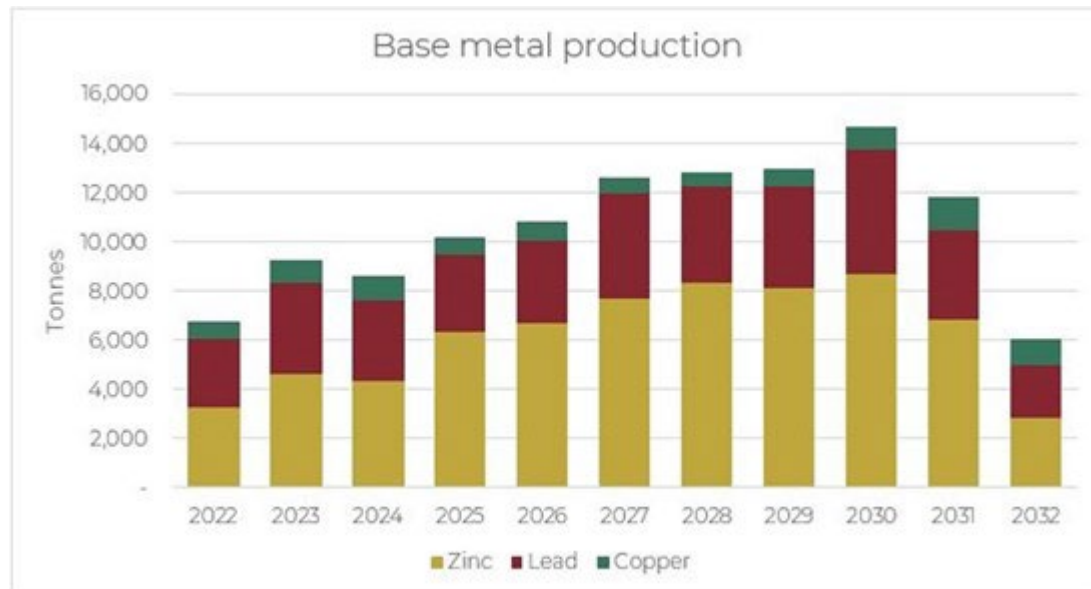


Chart 3 – Base metal production

## Project Mineral Reserves

Table 7 below presents the Mineral Reserve estimate for the Project as of February 23, 2022. These Proven and Probable Mineral Reserves formed the basis of the economic evaluation of the Project and are based on a metal selling prices of \$1,647.50 USD/Au oz, \$21.64 USD/Ag oz, \$0.92 USD/Pb lb, \$1.14 USD/Zn lb, and \$3.60 USD/lb Cu. The economic assumptions and parameters used for the calculation of reserves are the same as those used for the PFS financial model.

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## Tahuehueto Project Mineral Reserve Estimate

Table 7

Classification	Tonnes (x1000)	Ag Grade (g/t)	Ag Oz (x1000)	Au Grade (g/t)	Au Oz (x1000)	Cu Grade (%)	Cu Lbs (x1000)	Pb Grade (%)	Pb Lbs (x1000)	Zn Grade (%)	Zn Lbs (x1000)
Proven	2,358	51.93	3,937	2.89	219	0.27	14,246	1.18	61,429	2.07	107,515
Probable	1,227	46.48	1,834	1.90	75	0.23	6,304	0.96	25,929	1.63	44,125
<b>Proven &amp; Probable</b>	<b>3,585</b>	<b>50.06</b>	<b>5,770</b>	<b>2.55</b>	<b>294</b>	<b>0.26</b>	<b>20,550</b>	<b>1.11</b>	<b>87,357</b>	<b>1.92</b>	<b>151,640</b>

## Project Mineral Resources

The mineral resource estimates set forth in the PFS ("2022 MRE") have been prepared by Resource Development Associates Inc. ("RDA").

## Tahuehueto Project Mineral resource Estimate

Table 8

Classification	Tonnes (x1000)	Ag Grade (g/t)	Ag Oz (x1000)	Au Grade (g/t)	Au Oz (x1000)	Cu Grade (%)	Cu Lbs (x1000)	Pb Grade (%)	Pb Lbs (x1000)	Zn Grade (%)	Zn Lbs (x1000)	AuEq Grade (%)	AuEq Oz (x1000)
Measured	3,875	48.54	6,047	2.42	302	0.27	23,215	1.11	94,967	2.01	171,481	4.84	603
Indicated	2,385	44.43	3,407	1.60	123	0.25	13,379	0.55	28,905	1.94	101,883	3.87	297
<b>M + I</b>	<b>6,260</b>	<b>46.97</b>	<b>9,454</b>	<b>2.11</b>	<b>425</b>	<b>0.27</b>	<b>36,594</b>	<b>0.90</b>	<b>123,872</b>	<b>1.98</b>	<b>273,364</b>	<b>4.47</b>	<b>900</b>
Inferred	918	28.46	840	1.02	30	0.15	3,077	1.16	23,571	1.96	39,755	3.05	90

Scott Wilson CPG is the qualified person for the above estimate, effective date February 23, 2022. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. Mineral Resource estimated at a 1.35 g/tonne gold equivalent cut-off grade. Gold equivalent calculations used the metal selling prices of US\$1,650/Oz Au, US\$21.02/Oz Ag, US\$0.91/Lb Pb, US\$1.15/Lb Zn and US\$3.70/Lb Cu.

Resources were estimated using assay results from 37 reverse circulation drill holes, 215 diamond core drill holes and 2,714 channel samples. Mineralization was identified in 9,599 assays. Assays were composited to nominal 1.5-meter lengths totalling 2,213 composites which were used to estimate mineralization into the vein system at Tahuehueto. A block model was constructed around the Tahuehueto vein system. Mineralization was estimated using Inverse Distance Cubed (ID3) interpolation parameters. The selective mining unit for the project is 1.5-meters. Therefore, mineralization was estimated into blocks no smaller than 1.5-meters to determine mineralization that has the reasonable prospects for eventual economic extraction.

## Grade and Tonnage Sensitivity to Cut-off Grades

Mineral resources at Tahuehueto are sensitive to the selection of reporting cut-off grade. To illustrate this sensitivity, the block model quantities and grade estimates within the mineral deposit are presented in table 9 at linear increases in cut-off grades for measured, indicated, and inferred mineralization. The same results are presented graphically in Figure 1. Mineralization is constrained to material that meets the reasonable prospects test. The numbers presented in Table 9 should not be misconstrued with a mineral resource statement. The figures are only presented to show the sensitivity of block model estimates to the selection of a cut-off grade. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

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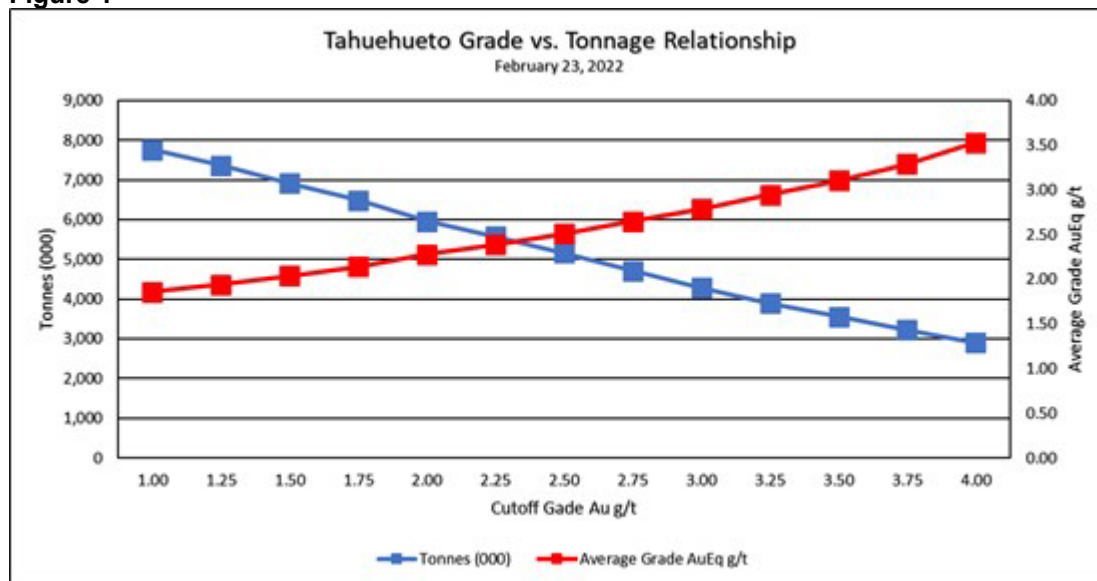
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**Table 9**

Cut-off AuEq g/t	Measured			Indicated			Measured & Indicated			Inferred		
	Tonnes (000)	Grade Au g/t	Au Oz. (000)	Tonnes (000)	Grade Au g/t	Au Oz. (000)	Tonnes (000)	Grade Au g/t	Au Oz. (000)	Tonnes (000)	Grade Au g/t	Au Oz. (000)
1.00	4,149	2.28	305	2,566	1.52	126	6,715	1.99	430	1,040	0.98	33
1.25	3,964	2.37	302	2,453	1.58	125	6,417	2.07	427	946	1.04	32
1.50	3,744	2.49	299	2,294	1.67	123	6,038	2.18	422	875	1.08	30
1.75	3,509	2.62	296	2,165	1.74	121	5,674	2.28	417	810	1.13	29
2.00	3,233	2.79	290	1,994	1.85	118	5,227	2.43	408	724	1.20	28
2.25	3,077	2.89	285	1,847	1.95	116	4,924	2.53	401	652	1.27	27
2.50	2,894	3.01	280	1,693	2.04	111	4,587	2.65	391	571	1.36	25
2.75	2,693	3.14	272	1,520	2.16	106	4,213	2.79	378	501	1.44	23
3.00	2,503	3.28	264	1,345	2.28	99	3,848	2.93	362	431	1.48	21
3.25	2,346	3.41	257	1,196	2.45	94	3,542	3.08	351	353	1.59	18
3.50	2,207	3.54	251	1,082	2.58	90	3,289	3.23	341	267	1.58	14
3.75	2,055	3.71	245	963	2.76	86	3,018	3.40	330	205	1.57	10
4.00	1,907	3.89	239	830	3.05	81	2,737	3.64	320	161	1.69	9

**Figure 1**



Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates include inferred mineral resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is also no certainty that these inferred mineral resources will be converted to measured and indicated categories through further drilling, or into mineral reserves once economic considerations are applied.

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## Detailed Report

A NI 43-101 compliant technical report that summarizes the results of the PFS has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) on April 25, 2022 and is available on the Company's website [www.altaleymining.com](http://www.altaleymining.com).

Mr. Scott E. Wilson, CPG, President of Resource Development Associates Inc., is an independent consulting geologist specializing in Mineral Reserve and Resource calculation reporting, mining project analysis and due diligence evaluations. He is acting as the Qualified Person, as defined in NI 43-101, for the overall technical report, and the Mineral Resource and Mineral Reserve Statement. Mr. Wilson has over 32 years' experience in the mining industry and is a Registered Member (#4025107RM) of Society for Mining, Metallurgy and Exploration, Inc. Mr. Wilson and Resource Development Associates Inc. are independent of the Company under NI 43-101.

## Tahuehueto Bulk Sample and Pre-production Testing

On February 23, 2017, the Company announced that it had finalized the sale of lead and zinc concentrates produced from its industrial scale bulk sample collected from the El Creston zone during late 2016 and 2017, on its 100% owned Tahuehueto project.

The collection and processing of this industrial test provided proof of concept that the selective mining method utilized in the bulk sample collection to be employed at Tahuehueto in future mining operations resulted in industry-standard mining costs and metal recovery processes utilized at the sulphide flotation toll mill were very successful in producing saleable lead and zinc concentrates.

## Tahuehueto Pre-production Program 2019

Based upon the successful results of the above referenced industrial-scale bulk sample, Management initiated a program of pre-production during the Tahuehueto mine development and construction phase. Pre-production mining commenced early September 2017 and continued throughout 2018 and part of 2019. Management curtailed pre-production at Tahuehueto during Q3 2019.

Tahuehueto Pre-production operations during 2019, produced a total of 32,558 tonnes of ore. During 2019, an estimated 12,316 tonnes of ore were shipped to the Atocha Toll Mill. Mineral processing at the Atocha Toll mill processed 13,574 tonnes of ore producing:

- 436 tonnes of lead concentrate with average grades of 90.08 grams per tonne gold, 879 grams per tonne silver, 39% lead, and 4.80% copper.
- 547 tonnes of zinc concentrate with average grades of 12.23 grams per tonne gold, 158 grams per tonne silver, and 45% zinc.

Overall average metal recoveries achieved during pre-production operations in 2019 were 83.83% gold, 84.56% silver, 88.89% lead, 82.02% zinc, and 93.37 copper.

## Underground Exploration 2019

Tahuehueto underground development along the major mineralized structure, El Perdido, extended approximately 225 meters along strike to the north-east from the Level 12 access decline. The first 60 meters of this development was designed to prepare reserves identified by previous drilling for mining, however, the development drift was extended in continuous mineralization beyond known reserves/resources outlined by previous drilling and exposed an additional 165 meters of continuous mineralization beyond the known drilling. This development is effectively serving as both mine development and underground exploration and is adding new resources at Tahuehueto. Underground exploration drilling is planned to further explore this newly exposed mineralization within the El Perdido structure.



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Channel sampling results from this newly exposed El Perdido mineralization are the subject of corporate news releases dated June 25, 2019 available on the Company's web site and are verifying the continuity of mineralization along the El Perdido structure helping to prove managements assumption that the El Perdido Zone connects with the Santiago Zone on the same structure and if continuously mineralized will allow new exploration along approximately 800 meters of unexplored structure which could add significant additional resources to the project.

## Mine Construction and Underground Development

Altaley initiated construction activities on-site at Tahuehueto in 2018. In 2018 and 2019 construction was advanced to within an estimated 50-60% of completion. However, as a result of reduced cash flows from the Company's Campo Morado operations, Altaley management curtailed, on a temporary basis, its construction efforts at Tahuehueto.

Upon securing funding, the Company reinitiated construction efforts at Tahuehueto during 2021. As of the date of this Management Discussion, construction efforts at Tahuehueto have advanced such that the Company has initiated pre-production mining and mill commissioning operations at Tahuehueto. Although construction is not yet fully complete, the mine is currently producing between 300-375 tonnes per day and generating saleable zinc and lead concentrates. Construction efforts at the mine site have advanced to allow the startup and commission of one ball mill capable of processing up to 500 tpd.



*1<sup>st</sup> Ball Mill Being Installed*

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*Mill Concentrate Filtration Area*

Although the first ball mill is currently capable of operating at 500 tpd, construction delays occurred on finalizing the permanent crushing circuit, permanent water pumping station and tailings storage facility. The permanent crushing circuit, currently with 400 tpd capacity until additional screens and cyclones are installed, is now operational. Crushing over the past months was being handled by a limited capacity provisional crushing circuit. The project's backup diesel powered water pumping system is providing water to the mill and the permanent water pumping station, although substantially built, requires a limited amount of work and connection to electrical power over the coming months.

Tailings are being stored in a temporary facility until the permanent dry stack tailings facility is fully constructed. Work here was temporarily suspended over the past four months as a result of an uncharacteristically heavy rainy season complicating tailings construction but is scheduled to resume imminently and is expected to be completed to receive dry stack tailings within the next three months.

Electrical power generation is being supplied by Aggreko International Power Projects Limited who have installed power generation equipment capable of supplying power to the mining unit for 1,000 tpd sustained production. The water pumping backup system and pipeline is operational to supply processing water to the mine at planned capacity of 1,000 tpd. The permanent water pumping system requires final installation and electrical power hook-up. The permanent crushing circuit in the mill is installed and operational at 400 tpd, and will shortly achieve full operational capacity of 500 tpd. Over the past several months, Tahuehueto has been processing mostly stockpiled ore mined in 2018-19 during the projects toll milling campaign, plus a limited amount of freshly mined development ore.

Altaley's underground mining contractor has recently re-commenced mining of fresh ore from underground, and has developed access to mining stopes, two on the El Creston structure and two on the Perdido structure, providing multiple working faces more than fully capable to supply adequate mill feed for the mine's initial production phase of up to 500 tpd. Underground development was temporarily suspended over the past several months as there was adequate stockpiled ore feed for operations with the first ball mill. Underground development and ore production

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was reinitiated during the last week of October 2022.

The second phase of construction will be to expand the mine to a capacity of 1,000 tpd. The major elements of the 1000 tpd expansion are a second 500 tpd ball mill; a third tailings filter press; and a modest material handling solution in the form of an ore pass within the mine to relieve expected traffic congestion issues when operating at 1000 tpd. Installation of the projects second 500 tpd ball mill, a key element in the 1000 tpd project is temporarily postponed, as it requires the permanent tailings facility to be available to receive the increased load of tailings that will be generated. Civil works for the second ball mill will commence as soon as the 500 tpd project is fully commissioned and delivering consistent revenues. A definitive timetable for delivery of the 1000 tpd project will be communicated in subsequent Company announcements.

## Mineral Properties and Development Assets

Effective January 1, 2017, the Company commenced capitalization of all direct costs related to the development of the Tahuehueto project to property, plant and equipment under IAS 16, as management determined the technical feasibility and commercial viability were established through the positive results associated with the pre-feasibility study, thereby moving it into a development stage asset under IFRS.

As at September 30, 2022, the Company capitalized the following acquisition and developments costs:

		<b>Tahuehueto</b>
Balance as at December 31, 2021	\$	<b>24,237</b>
<b>Costs incurred:</b>		
Freight and related costs		458
Depreciation and amortization capitalized		1,697
Camp cost, equipment, and field supplies		729
Development costs		2,207
Supplies, fuel, lubricants and other		1,126
Project general and office expenses		617
Permitting, environmental and community costs		312
Salaries and wages		753
Share-based compensation		6
Travel and accommodation		200
Loss on modification of debt (Note 10b)		199
Interest capitalized, net		2,751
Total additions for the period	\$	11,055
Foreign currency movement		2,000
<b>Balance, September 30, 2022</b>	<b>\$</b>	<b>37,292</b>

## Qualified Person

The Qualified Person who has reviewed and approved all technical disclosure in this MD&A is Ralph Shearing, P. Geol, who is the Company's President and Director.

## 7. – Non-GAAP measures

The Company has included certain non-GAAP performance measures throughout this MD&A. These performance measures are employed by management to assess the Company's operating and financial performance and to assist in business decision-making. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors and other stakeholders use this information to evaluate the Company's operating and financial performance; however, as explained elsewhere herein, these non-GAAP performance measures do not have any standardized meaning. Accordingly, these performance measures are intended to



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provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

## C1 cash cost per pound of payable zinc

C1 cash costs per pound of payable zinc for the Campo Morado Mine operation are estimated by adding the total cost to produce concentrate (mining, milling, site general and administration), adding the cost of transporting concentrate to the point of sale, adding the cost of smelter treatment and refining charges, subtracting the by-product credits estimated from sales of lead, silver, gold and dividing by the pounds of payable zinc. By-product credits are calculated using the realized weighted average metal price, during the year.

## All-in sustaining costs (“AISC”)

The Company believes that AISC more fully defines the total costs associated with producing zinc. The Company calculates all-in sustaining costs as the sum of total cash costs (as described above), corporate general and administrative expense (net of stock-based compensation), reclamation cost accretion and amortization and sustaining capital, all divided by the zinc pounds produced to arrive at a per pound figure.

Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus growth capital.

(Amounts in US dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
<b>Non GAAP reconciliation</b>				
Production payable Zinc (1,000 lb)	7,757	8,888	22,911	38,229
Production cost per financial statements (US\$000)	\$ 8,342	\$ 5,757	\$ 25,187	\$ 26,047
Treatment and refining charges (US\$000)	4,678	2,664	12,685	15,737
Freight (US\$000)	1,698	1,593	4,766	7,192
By-product credits (US\$000)	(6,961)	(6,035)	(16,763)	(25,958)
<b>C1 cash cost (US\$000)</b>	<b>\$ 7,757</b>	<b>\$ 3,979</b>	<b>\$ 25,874</b>	<b>\$ 23,018</b>
<b>C1 cash cost per payable pound of zinc (US\$/lb)</b>				
Production Cost	\$ 1.08	\$ 0.65	\$ 1.10	\$ 0.68
Treatment and refining charges	0.60	0.30	0.55	0.41
Freight	0.22	0.18	0.21	0.19
By-product credits – estimated	(0.90)	(0.68)	(0.73)	(0.68)
<b>C1 cash cost per payable pound of zinc (US\$/lb)</b>	<b>\$ 1.00</b>	<b>\$ 0.45</b>	<b>\$ 1.13</b>	<b>\$ 0.60</b>
<b>All-in Sustaining Costs</b>				
C1 cash cost (US\$000)	\$ 7,757	\$ 3,979	\$ 25,874	\$ 23,018
Depletion, Depreciation & Amortization (US\$000)	259	115	754	429
Accretion (US\$000)	62	88	186	346
Corporate Costs (US\$000)	804	939	2,107	3,778
Royalties (US\$000)	407	511	1,149	1,805
Capital Expenditure (sustaining) (US\$000)	1,078	632	2,748	2,660
<b>All-in Sustaining Costs (US\$000)</b>	<b>\$ 10,368</b>	<b>\$ 6,263</b>	<b>\$ 32,819</b>	<b>\$ 32,037</b>
<b>AISC per payable pound of zinc (US\$/lb)</b>	<b>\$ 1.34</b>	<b>\$ 0.70</b>	<b>\$ 1.43</b>	<b>\$ 0.84</b>

Note: Amounts in the table above are presented in thousands of US dollars. These amounts were translated into US dollars using the average foreign exchange rate or the true US dollar amounts if available.

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## 8. – Liquidity

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, development, exploration and evaluation of assets. The Board does not impose quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

The Company's principal business activity is the production of base metals and the acquisition, exploration and development of resource properties in Mexico, with a focus on the mine operation of Campo Morado and the development of Tahuehueto mine project. Effective May 16, 2018, the Company completed commissioning of Campo Morado mine and declared commercial production. On February 23, 2021, the Company executed a letter of intent with Accendo Banco S.A. de C.V., Empress Royalty Corp., & Endeavour Financial (the "Accendo Syndicate") to provide up to US\$25 million of financing to complete the construction and ramp-up of Tahuehueto mining project, meet debt service obligations and working capital purposes. On September 29, 2021, the Mexican National Banking and Securities Commission revoked Accendo's banking license and started its liquidation. The Company has a US\$5.8 million balance to be drawn down from its executed Medium Term Loan Facility ("MTLF") which is now considered impaired and was part of the total US\$25 million Accendo Syndicate financing. Notwithstanding, subsequent to completing the necessary financing to place Tahuehueto into commercial production there can be no assurances that the Company will meet its production targets and that realized metal prices will be sufficient to cover the cost of operations. In addition, the business of mineral development involves a high degree of risk and there can be no assurance that the Company's current operations, including development programs, will result in profitable mining operations. The recoverability of the carrying value of mineral interests, and the Company's continued ongoing existence is dependent upon the preservation of its interest in the underlying properties, the achievement of profitable operations, the ability of the Company to raise additional sources of funding, and/or, alternatively, upon the Company's ability to dispose of some or all of its interests on an advantageous basis. These conditions may cast significant doubt upon the Company's ability to continue as a going concern. The Company has a working capital deficit as at September 30, 2022 of \$22,001 and an accumulated deficit of \$72,289. Current liabilities as of the same date are in the amount of \$49,562, which have been incurred in connection with the acquisition and restart of Campo Morado mining project, the advancement of the Tahuehueto project into development and maintaining the Company's public listing in good standing. The condensed interim consolidated financial statements of the Company as at September 30, 2022, have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business.

There are inherent risks to mining that may affect the Company's liquidity. The ability to generate revenue and positive cash flow will depend on the ability of the Company to meet its production targets, ship concentrates and realize economic commodity prices for zinc, lead, gold and silver. Exchange rates could also have a significant impact on the Company's profitability since some of its costs and expenses are denominated in currencies other than the US dollar.

The Company has received the following sources of capital:

### Line of Credit

On July 22, 2016, the Company entered into an agreement with Estrategica Corporativa en Finanzas, S.A.P.I. de C.V. ("Escorfin"), for a line of credit for up to \$9.2 million (MXN\$150 million) (the "LOC"). The funds from the LOC were used towards the Company's investment plan established in its completed Internal Scoping Study. The funds drawn down under the LOC accrue interest at a rate of 15% per annum, payable monthly after a grace period of 12 months. Interest generated during the grace period will be subsequently paid in 12 consecutive monthly instalments. Furthermore, the Company is required to pay back any cash advances in 24 equal consecutive monthly instalments following a 36-month grace period and no later than July 28, 2022. In case of default any payment under the LOC, the Company will pay a moratorium interest rate of 30% per annum. The Company has drawn down from its LOC a total amount of \$2.8M (MXN\$46 million) primarily to further its Tahuehueto project.

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Effective July 1, 2021, the Company and Escorfin agreed to amend the LOC agreement resulting in a substantial modification whereby the outstanding balance including interest was capitalized and converted to United States dollars at current exchange rates. The remaining term was extended 36 months from the date of amendment with a grace period equal to 12 months on principal and interest. The amended interest rate was decreased to 10% per annum from 15% per annum and as consideration for LOC modification, the Company has agreed to issue Escorfin, 500,000 bonus shares and 1,500,000 bonus warrants. Each bonus warrant is exercisable within a period of two years at a price of \$0.475. The shares issued were valued at the date of issuance, July 30, 2021 and the bonus warrants were fair valued using the Black-Scholes option pricing model, together totaling \$1,197 which was recorded in other assets.

On May 26, 2022, the Company and Escorfin agreed to amend the terms of the LOC Agreement in which the maturity dates of the LOC Agreement were extended to September 1, 2024, with 24 equal instalments beginning on October 1, 2022.

As at September 30, 2022, the Company has an outstanding balance of \$5,339, which includes interest accrued of \$148 during Q3-2022.

## Due to Breakwater Resources Ltd

As at September 30, 2022, the Company has a balance owing of \$4,261, which includes accrued interest of \$117 during Q3-2022, and principal and interest repayments of \$540 and \$98, respectively.

On June 13, 2017, the Company acquired Campo Morado mine for a total purchase price of US\$20 million paid as follows:

- i. US\$0.8 million at signing of the agreement (paid);
- ii. US\$2.7 million on or before September 12, 2017 (paid); and
- iii. US\$16.5 million on or before June 13, 2018 of which US\$3.1 million remains outstanding as at September 30, 2022 (December 31, 2021 – US\$4.3 million).

On June 12, 2018, the Company renegotiated the terms for the remaining US\$8.5 million balance on the Campo Morado Agreement and entered into a loan agreement with Nyrstar (“Campo Morado Loan Agreement”).

Effective June 17, 2021, the Company and Nyrstar agreed to amend the Campo Morado Loan Agreement with the following terms: the Company will repay the interest owing, a portion of the principal of the loan and the incurred VPP for a total of US\$3.2 million (paid) upon the execution and funding of the Accendo MTLF. The remaining outstanding balance of the loan will be paid in twenty-six equal monthly instalments accruing interest at a rate of 10% per annum.

In addition to the aforementioned monthly principal repayments, Altaley will pay at the end of each quarter succeeding the grace period, 70% of any excess cash above US\$7 million generated by Altaley on the Campo Morado mining project.

The above loan amendments resulted in a substantial modification of the obligation, with the terms outlined above. As a result of the amendment of terms, the Company recognized a gain on extinguishment totaling \$25 impacting the valuation in relation to the Campo Morado Loan Agreement.

Effective April 13, 2021, the Company exercised its option to settle the US\$4 million VPP obligation under the Campo Morado Agreement. As consideration, it was agreed that the obligation was settled with 14,600,000 common shares of Altaley valued at \$0.38 per common share based on the share price at the date of issuance. The Company recorded a loss of \$2,148 which represents the change in the fair value of common shares issued at \$5,548 and the VPP cash settlement of \$1,629 contingent consideration settled with Nyrstar.

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Effective September 30, 2021, Breakwater Resources Ltd. (“Breakwater”) acquired from Nyrstar the rights and obligations associated with the Campo Morado Loan Agreement. The Deed of Novation between the Company, Nyrstar, and Breakwater effectively releases and discharges the Company and Nyrstar from further obligations to each other with respect to the Campo Morado Loan Agreement and their respective rights against each other thereunder are cancelled. In respect to the Deed of Novation, the Company and Breakwater each undertake liabilities and obligations towards the other and acquire rights against each other effectively replacing Nyrstar with Breakwater as the lender in relation to the Campo Morado Loan Agreement.

On May 1, 2022, the Company and Breakwater agreed to amend the terms of the Campo Morado Loan Agreement in which the maturity dates of the Campo Morado Loan Agreement were extended to December 2023, with twenty-six equal instalments beginning August 2021 with a three-month principal grace period between May 2022 and July 2022.

## Loan Facilities

On September 11, 2017, the Company entered into a loan agreement (“Loan Agreement Campo”) with Trafigura in the amount of US\$5 million for financing working capital to initiate the restart of continuous mining operations at the Campo Morado mining facility. The loan bears interest at an effective annual rate equivalent to LIBOR (3M) plus 5%, it has a three-year term with nine months grace period followed by thirty monthly repayments. In connection to the loan agreement the Company’s subsidiary, Minas de Campo Morado, S.A. de C.V., also entered into an Offtake agreement with Trafigura, (“Offtake Agreement Campo”) in which the Company will sell all its zinc and lead concentrates for a fifty-one-month term starting October 2017.

On December 7, 2017, the Company entered into an additional loan agreement (“Loan Agreement Real”) with Trafigura Mexico, S.A. de C.V. in the amount of US\$15 million for financing working capital, rehabilitation and operation of the Tahuehueto mining project. The Loan Facility is available in three tranches, the first tranche equivalent to US\$7.5 million was received upon signing of the agreement. The second tranche equal to US\$5 million was received on November 6, 2018. The third tranche for US\$2.5 million was available in nine months after the signing of the agreement but shall not pass nine months after the signing of the agreement subject to securing additional funding of US\$2.5 million in the form of equity and/or a loan and at least US\$2 million of these funds are invested on capital expenditures. The loan bears interest at an effective annual rate equivalent to LIBOR (1 year) plus 6%, it has a three-year term with a twelve-month grace period followed by twenty-four repayments. In connection to the loan agreement the Company’s subsidiary Real de la Bufa, S.A. de C.V., also entered into an Offtake agreement with Trafigura., (“Offtake Agreement Real”) in which the Company will sell all its zinc and lead concentrates for a sixty-month term, starting January 2018.

Under the terms of the Loan Agreement Campo and Loan Agreement Real (collectively the “Trafigura Loans”), the Company is subject to covenants. The Company was not in compliance and on July 1, 2021, the Company and Trafigura agreed to amend the terms of the Trafigura Loans. The loan amendments resulted in a non-substantial modification whereby the interest rates remained unchanged and the outstanding balances including interest were capitalized. The terms of the Loan Agreement Campo and Loan Agreement Real were extended to September 30, 2023 and September 30, 2024, respectively, with 26 equal instalments beginning August 30, 2021 for the Loan Agreement Campo and 32 equal instalments beginning February 1, 2022 for the Loan Agreement Real. As a result of the amendment of terms, the Company recognized a loss on modification totaling \$1,087 impacting the valuation of the Trafigura Loans.

On April 1, 2022, the Company and Trafigura agreed to amend the terms of the Trafigura Loans in which the maturity dates of the Loan Agreement Campo and Loan Agreement Real were extended to December 31, 2023 and December 31, 2024, respectively, with twenty-six equal instalments beginning August 30, 2021 and a three-month principal grace period between April 1, 2022 and June 30, 2022 for the Loan Agreement Campo and thirty-two equal instalments beginning February 1, 2022 with a three month principal grace period between April 1, 2022 and June 30, 2022 for the Loan Agreement Real.

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As at September 30, 2022, the Company has a balance owing of \$3,124 under the Loan Agreement Campo which includes accrued interest during the period of \$309, and principal and interest repayments of \$1,192 and \$169, respectively during the period.

As at September 30, 2022, the Company has a balance owing of \$17,737 under the Loan Agreement Real which includes accrued interest during the period in of \$1,624, and principal and interest repayments of \$2,209 and \$1,117, respectively during the period.

## Accendo Loan

On July 1, 2021, the Company and Accendo executed a US\$12 million Medium Term Loan Facility (“MTLF”) for the purpose of funding the construction of Altaley Mining’s Tahuehueto mining project and several working capital purposes. First and second funding were received in the amount of US\$3.2 million and US\$2.5 million on July 19, 2021 and August 23, 2021, respectively. Additionally, an amount of US\$500,000 was advanced during the year ended December 31, 2020.

The main terms and conditions of Accendo's MTLF are as follows:

- Loan facility amount - US\$12 million
- Repayment term - 4 years including a one-year grace period on principal
- Repayable in 36 equal monthly payments starting 12 months after closing
- Interest rate of 13.5% per annum payable quarterly in arrears calculated on the drawn amount
- Secured by second ranking security interest over all assets of the Company
- An arrangement fee of 2.5% of the facility amount payable from the proceeds upon first draw down at the closing
- An origination fee of 2.5% of the facility amount payable from the proceeds upon first draw down at the closing

Altaley issued 15 million bonus warrants at an exercise price of \$0.09 per common share for a period of 48 months. The bonus warrants were issued in lieu of a work fee but subject to cancelation if the loan facility is fully drawn. The bonus warrants were fair valued using the Black-Scholes option pricing model and their value is \$1,628 which was recorded in other assets. The assumption used for determining the fair value of the warrants were risk-free interest rate 0.33%, expected dividend yield \$nil, stock price volatility 128% and expected life of 4 years. The unamortized balance at September 30, 2022 is \$405 (December 31, 2021 is \$812).

On September 29, 2021 the Mexican National Banking and Securities Commission revoked Accendo’s operating license to organize and operate as a multiple banking institution and started a liquidation process to protect the savings of the bank’s clients. The Company has a US\$5.8 million balance to be drawn down from the MTLF, however due to recent events the Company anticipates that its ability to draw any future funds is impaired. The Company recorded an impairment of financial assets associated with funds held in deposit accounts with Accendo and receivable amounts due from the financial institution for an aggregate of \$3,846.

As at September 30, 2022, the Company has a balance owing of \$9,223 under the Accendo MTLF which includes interest accrued during the period of \$366.

## Calu Loan

On December 29, 2021, the Company executed a loan agreement (“Calu Loan”) with Calu Opportunity Fund, LP (“Calu”) whereby Calu will provide a US\$5 million loan facility to Altaley, with proceeds to be used to fund the final costs of construction and working capital at the Company’s Tahuehueto Gold Mine Project. The Company received US\$1.7 million on January 7, 2022 and US\$645,000 in February 2022 for a total amount drawn from the facility of US\$2.345 million. The loan is unsecured, has a term of 4 years, bears interest at 13.5% per annum, and is payable in 12 quarterly instalments commencing March 10, 2023.

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On August 31, 2022, the Company and Calu agreed to amend the terms of the Calu Loan whereby US\$144,088 of interest accrued as of June 30, 2022 was capitalized to the loan principal. One payment of interest only on the outstanding amount shall be made on December 21, 2022, with thirty-seven blended principal and interest payments to be made monthly commencing December 21, 2022.

As at September 30, 2022, the Company has a balance owing of \$3,468 under the Calu Loan which includes interest accrued during the period of \$292.

## Right of use assets and right of use liabilities

The continuity of right of use liabilities for the three and nine months ended September 30, 2022 and year ended December 31, 2021 are as follows:

		<b>Amount</b>
Balance lease liabilities, December 31, 2020	\$	1,621
Lease additions		9,554
Lease amendments		9
Lease cancelations		(733)
Lease payments		(528)
Interest expense		226
Interest paid		(226)
Foreign currency movement		98
Balance lease liabilities, December 31, 2021	\$	10,021
Lease amendments		15
Lease payments		(465)
Interest expense		764
Interest paid		(764)
Foreign currency movement		778
<b>Balance, September 30, 2022</b>	<b>\$</b>	<b>10,349</b>

## 9. – Capital resources

### Common shares issued

For the period ended September 30, 2022

- i. On April 20, 2022, the Company closed the first tranche of a non-brokered private placement for gross proceeds of \$4,241. The Company issued 12,116,296 units (each, a “Unit”) of the Company at a price of \$0.35 per Unit. Each Unit is comprised of one common share (a “Common Share”) and one-half of one common share purchase warrant (each whole such warrant, a “Warrant”). Each Warrant entitles the holder thereof to purchase one additional Common Share of the Company at a price of \$0.55 per Common Share within twenty-four months from April 20, 2022 (the “Closing Date”). All securities issued under the private placement were subject to a hold period expiring four months and one day after the Closing Date.

On May 12, 2022, the Company closed the second and final tranche of a non-brokered private placement, whereby gross proceeds of \$759 were raised through the issuance of 2,169,418 Units.

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In connection with the above private placement, the Company incurred \$179 of share issue costs consisting of finders' fees of \$68, issuance of 42,000 finders' Units with a fair value of \$15, and legal fees of \$96.

- ii. During the period ended September 30, 2022, the Company issued 7,056,171 common shares for gross proceeds of \$1,659 in connection with share purchase warrants exercised. The fair value of the warrants exercised was \$6 and was transferred from equity reserves and recorded against share capital. As a result of the share purchase warrants exercised, Escorfin, a related party to the Company, was issued 3,633,098 common shares.

For the period ended September 30, 2021

- i. On March 30, 2021, the Company closed a non-brokered private placement for gross proceeds of \$10,080. The Company issued 50,400,000 units (each, a "Unit") of the Company at a price of \$0.20 per Unit. Each Unit is comprised of one common share (a "Common Share") and one-half of one common share purchase warrant (each whole such warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Common Share of the Company at a price of \$0.30 per Common Share within twenty-four months from March 29, 2021 (the "Closing Date"). All securities issued under the private placement were subject to a hold period expiring four months and one day after the Closing Date.

Escorfin, a related party to the Company, acquired 500,000 Units.

In connection with the above private placement, the Company incurred in \$478 of finders' fees and \$28 of legal fees.

- ii. Effective April 13, 2021, the Company exercised its option to settle the US\$4 million VPP obligation under the Campo Morado Agreement (Note 9). As consideration, it was agreed that the obligation was settled with 14,600,000 common shares of Altaley valued at \$0.345 per common share.
- iii. On July 30, 2021, the Company issued 500,000 common shares to Escorfin, a related party to the Company, in part for its efforts in amending the terms of the LOC (Note 10(a)).
- iv. During the period ended September 30, 2021, the Company issued 3,073,335 common shares for gross proceeds of \$428 in connection with stock options exercised. The fair value of the options exercised was \$401 and was transferred from the equity reserves and recorded against share capital.
- v. During the period ended September 30, 2021, the Company issued 3,165,000 common shares for gross proceeds of \$687 in connection with share purchase warrants exercised. There was no fair value allocated to 2,165,000 of these share purchase warrants. The fair value of the remaining 1,000,000 warrants exercised was \$208 and was transferred from the equity reserves and recorded against share capital.

# Altaley Mining Corporation

Management Discussion and Analysis

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## Other sources of funds

As at September 30, 2022, the other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants with terms as follows:

Stock options outstanding are as follows:

Expiry date	Outstanding		Exercisable	
	Number of options	Exercise price	Remaining contractual life (years)	Number of options
November 13, 2022	1,383,333	\$ 0.30	0.1	1,383,333
March 16, 2023	300,000	0.30	0.5	300,000
April 16, 2023	400,000	0.30	0.5	400,000
December 3, 2023	300,000	0.38	1.2	200,000
January 29, 2025	200,000	0.20	2.3	200,000
February 8, 2025	250,000	0.20	2.4	250,000
August 6, 2025	100,000	0.16	2.9	100,000
February 25, 2026	5,083,333	0.30	3.4	5,083,333
May 11, 2026	75,000	0.46	3.6	75,000
May 19, 2026	2,000,000	0.48	3.6	2,000,000
August 9, 2026	100,000	0.53	3.9	100,000
August 23, 2026	100,000	0.55	3.9	100,000
<b>Outstanding, September 30, 2022</b>	<b>10,291,666</b>			<b>10,191,666</b>

Share purchase warrants outstanding are as follows:

Expiry date	Outstanding		Remaining contractual life (years)
	Granted	Exercise price	
March 29, 2023	24,712,500	0.30	0.5
July 1, 2023	1,500,000	0.48	0.8
October 16, 2023	11,000,000	0.18	1.0
April 20, 2024	6,058,148	0.55	1.6
May 12, 2024	350,000	0.55	1.6
May 30, 2024	755,709	0.55	1.7
June 30, 2024	15,000,000	0.09	1.8
	<b>59,376,357</b>	<b>\$ 0.26</b>	<b>1.0</b>

In the future, the Company may have capital requirements in excess of its currently available resources and may be required to seek additional financing. There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

## 10.– Off-balance sheet arrangements

The Company does not utilize off-balance sheet arrangements.



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## 11.– Transactions between related parties

The Company's related parties consist of the Company's directors, officers and companies associated with them including the following:

- Estrategica Corporativa en Finanzas, S.A.P.I. DE C.V. ("Escorfin") with Roberto Guzman as a Director in common.
- Bursametrica Casa de Bolsa, S.A. de C.V. ("Bursametrica") with Roberto Guzman as a Director in common.

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management.

a) Compensation of key management personnel:

Key management personnel include members of the Board of Directors and officers of the Company. The net aggregate compensation paid, or payable and related party transactions are shown as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Short-term benefits	\$ 863	\$ 224	\$ 1,370	\$ 581
Share-based compensation	-	135	162	536
	\$ 863	\$ 359	\$ 1,532	\$ 1,117

b) Related party balances:

As at September 30, 2022, directors and officers or their related companies were owed \$791 (December 31, 2021 – \$168) included in accounts payable and accrued liabilities mainly in respect to reimbursement of expenses and labour obligations. These amounts are unsecured, non-interest bearing and have no specific terms of settlement.

c) Estrategica Corporativa en Finanzas, S.A.P.I. DE C.V. ("Escorfin")

Effective November 6, 2018, the Company appointed Roberto Guzman to the Board of Directors. Roberto is also the president, director and shareholder of Escorfin. Escorfin is a private equity fund that specialize in real estate development, energy innovations, and tourism investment in Mexico.

The following summarizes the transactions and balances owing to Escorfin as at September 30, 2022:

	September 30, 2022		December 31, 2021	
Debt current portion	\$	2,946	\$	1,357
Debt long term portion		2,393		3,379
<b>Balance</b>	<b>\$</b>	<b>5,339</b>	<b>\$</b>	<b>4,736</b>

During the three and nine months ended September 30, 2022, the Company incurred interest in the amount of \$148 and \$384, respectively (September 30, 2021 –\$149 and \$398) of which \$nil was paid (September 30, 2021 – \$nil and \$nil).

During the three and nine months ended September 30, 2022, no Units were acquired by the related party via private placement (September 30, 2021 – nil and 500,000 Units).

During the three and nine months ended September 30, 2022, the Company issued nil and 3,633,098 common shares, respectively to Escorfin as a result of share purchase warrants exercised (September 30, 2021 – nil and nil).

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## d) Bursametrica Casa de Bolsa, S.A. de C.V. (“Bursametrica”)

On April 4, 2021, the Company entered into a service agreement with Bursametrica whereby the financial institution would provide foreign exchange services primarily for the exchange of funds denominated in US dollars for funds denominated in the Mexican Peso. A director was deemed to have economic influence in the financial institution. During the three and nine months ended September 30, 2022, the amount exchanged for currency denominated in the Mexican Peso at exchange rates at the time of the conversion was \$6,588 (US\$5.16 million) and \$22,192 (US\$17.29 million), respectively (September 30, 2021 - \$9,010 (US\$7.2 million) and \$16,932 (US\$13.6 million)). As at September 30, 2022, the amount owed to Bursametrica was \$nil (December 31, 2021 - \$nil).

## 12.– Subsequent events

On October 27, 2022, the Company cancelled 15 million warrants exercisable at \$0.09 per Common Share.

On October 31, 2022, the Company arranged to issue 3,920,990 common shares at a deemed price of \$0.30 per common share in settlement of outstanding accounts payable and accrued liabilities.

On November 23, 2022, the Company received US\$1 million as an advance on a potential rights offering guarantee.

## 13.– Proposed transaction

The Company has not engaged in any proposed transactions that have not been executed.

## 14.– Accounting policies and critical accounting estimates and judgements

Full disclosure of the Company’s accounting policies and significant accounting estimates and judgments in accordance with IFRS can be found in note 2 and 3 of its audited consolidated financial statements as at December 31, 2021. Key estimates and judgements include going concern assumptions, functional currency, economic recoverability, impairment and probability of future economic benefits of mineral property interests, commencement of commercial production, accounting policies for streaming arrangements, mineral reserves and mineral resource estimates, operating levels intended by management, provisions for site reclamation and closure, assumptions in inventory, accounts receivable, and stock based compensation valuation, depreciation and amortization rates, and deferred tax assets and liabilities.

## 15.– Financial Instruments

As at September 30, 2021, the Company’s financial instruments consist of cash, marketable securities, amounts receivable, accounts payable and accrued liabilities, obligation under share purchase obligation, current portion of the long-term debt, and amounts due to Breakwater Resources, Ltd. The fair values of these financial instruments approximate their carrying values due to their short-term to maturity. Marketable securities are classified as level one and recorded at fair value using quoted market prices. The fair value of the long-term debt have been determined based on Level 1 of the fair value hierarchy and approximates their carrying values as the cost of the long-term debt is consistent with market rates.

The Company’s financial instruments are exposed to certain financial risks including, credit risk, liquidity risk, foreign currency risks, interest rate risk, commodity and equity price risk and capital risk management. Details of each risk are laid out in the notes to the Company’s consolidated financial statements.

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## 16.– Other requirements

Outstanding share data

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at September 30, 2022: 278,944,422

Number of common shares issued and outstanding as at November 29, 2022: 278,944,422

Stock options as at November 29, 2022:

Expiry date	Number of options	Outstanding		Exercisable	
		Exercise price	Remaining contractual life (years)	Number of options	
March 16, 2023	300,000	0.30	0.3	300,000	
April 16, 2023	400,000	0.30	0.4	400,000	
December 3, 2023	300,000	0.38	1.0	200,000	
January 29, 2025	200,000	0.20	2.2	200,000	
February 8, 2025	250,000	0.20	2.2	250,000	
August 6, 2025	100,000	0.16	2.7	100,000	
February 25, 2026	5,083,333	0.30	3.2	5,083,333	
May 11, 2026	75,000	0.46	3.4	75,000	
May 19, 2026	2,000,000	0.48	3.5	2,000,000	
August 9, 2026	100,000	0.53	3.7	100,000	
August 23, 2026	100,000	0.55	3.7	100,000	
<b>Outstanding</b>	<b>8,908,333</b>	<b>\$ 0.34</b>	<b>2.9</b>	<b>8,808,333</b>	

Share purchase warrants outstanding as at November 29, 2022:

Expiry date	Outstanding		Remaining contractual life (years)
	Granted	Exercise price	
March 29, 2023	24,712,500	\$ 0.30	0.3
July 1, 2023	1,500,000	0.48	0.6
October 16, 2023	11,000,000	0.18	0.9
April 20, 2024	6,058,148	0.55	1.4
May 12, 2024	350,000	0.55	1.5
May 30, 2024	755,709	0.55	1.5
	<b>44,376,357</b>	<b>\$ 0.32</b>	<b>0.6</b>

# Altaley Mining Corporation

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## **17.– Disclosure Controls and Procedures and Internal Controls over Financial Reporting**

Disclosure controls and procedures are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized, and reported within the time periods specified by securities regulations and that the information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2022, and 2021, and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company on SEDAR at [www.sedar.com](http://www.sedar.com).