



ALTALEY MINING CORPORATION

Management's Discussion and Analysis

For the Year Ended December 31, 2021

Report dated: April 29, 2022

(Expressed in thousands of Canadian dollars)

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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 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.

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2. - Operating and Financial Performance Highlights

2021 Annual

- Mine operating profit during the year ended December 31, 2021 was \$34,256 and net income totaled \$36,265
- Cash flow from operations of \$4,071
- Gross revenues during the year ended December 31, 2021 were \$98,452
- The Company processed 689,963 tonnes of ore (1,890 tonnes per day - "tpd") grading 4.27% zinc, 0.33% copper, 124 g/t silver and 1.06 g/t gold
- The Company produced 45,778 tonnes of zinc concentrate and 9,936 of lead concentrate
- Approximately 45,680 tonnes of zinc and 9,657 tonnes of lead concentrates were sold with an average grade of 46% and 21% respectively

2021 Fourth Quarter

- Mine operating profit during the Q4-2021 was \$10,125 and net income totaled \$20,610.
- Cash flow from operations of \$2,340
- Gross revenues during the three months ended December 31, 2021 were \$29,671
- The Company processed 183,091 tonnes of ore (1,990 tonnes per day - "tpd") grading 4.31% zinc, 0.31% copper, 118 g/t silver and 1.01 g/t gold
- The Company produced 12,209 tonnes of zinc concentrate and 2,691 of lead concentrate
- Approximately 12,552 tonnes of zinc and 2,804 tonnes of lead concentrates were sold with an average grade of 45% and 19% respectively

Board Changes

On May 10, 2021, the Company announced a restructuring of its Board of Directors which included the following incoming Board members: David Rhodes as Chairman of the Board, and Natascha Kiernan, Mark Bailey and Tom Kelly as independent Directors of the Company. In order to accommodate for this Board restructure, the Company also accepted the voluntary resignations as Board members of Rory Godinho, Enrique Margalef and Yao Sun.

3. - 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.

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



Campo Morado Mine

Altaley owns 100% of the Campo Morado which includes an underground multi-metal mine with infrastructure, installations 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 mine project 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 Mining 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 reached sustainable levels targeted by management, which contributed to improved operating results through the latter half of 2020 and have continued through 2021.

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.

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 2.55g/t gold, 50.06 g/t silver, 1.92% zinc, 1.11% lead, 0.26% copper. The report stated resources, inclusive with reserves calculated at Measured and Indicated (M&I) categories to 6.1 million tonnes grading 2.48 g/tonne gold, 42.8 g/tonne silver, 0.31% copper, 1.2% lead and 2.15% zinc plus Inferred Resources of 3.5 million tonnes grading 1.3 g/tonne gold, 37.5 g/tonne silver, 0.27% copper, 1.34% lead and 2.44% zinc.

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

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4. - Overall Operations Performance

2021 Annual and Quarterly Operational Performance Results

The following table and subsequent discussion provide a summary of the operating performance of the Company for the three months and years ended December 31, 2021, and 2020.

	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Operational				
Ore Processed	183,091	168,310	689,963	454,624
Zn concentrate produced (ton)	12,209	9,974	45,778	28,032
Average realized zinc price per tonne (US\$) \$	3,105 \$	2,360 \$	2,894 \$	2,220
Zn grade	46%	45%	46%	45%
Zn recovery	71%	69%	71%	69%
Pb concentrate produced (ton)	2,691	1,916	9,936	5,794
Average realized lead price per tonne (US\$) \$	2,348 \$	1,863 \$	2,177 \$	1,804
Pb grade	22%	23%	22%	22%
Pb recovery	30%	26%	29%	29%
Cost Analysis				
C1 Cash Cost (US\$/lb) \$	0.74 \$	1.28 \$	0.60 \$	1.01
All-in Sustaining Cost (US\$/lb) \$	0.95 \$	1.39 \$	0.83 \$	1.15
Financial				
Gross revenues \$	29,671 \$	18,960 \$	98,452 \$	44,443
Mine operating profit \$	10,125 \$	(189) \$	34,256 \$	(138)
Income (Loss) for the period \$	20,611 \$	(9,680) \$	36,265 \$	(11,624)
Cash \$	3,049 \$	257 \$	3,049 \$	257
Working capital deficiency \$	(3,114) \$	(60,334) \$	(3,114) \$	(60,334)
Shareholders				
Basic earnings (loss) per share \$	0.08 \$	(0.06) \$	0.15 \$	(0.07)
Diluted earnings per share \$	0.07 \$	(0.06) \$	0.13 \$	(0.07)

Operational Performance Results

Campo Morado Mine

Production and concentrate sales for the year ended December 31, 2021

During the year ended December 31, 2021, Campo Morado produced 45,778 tonnes of zinc concentrate grading an average of 46% zinc, 2.12 g/t gold, 658 g/t silver and sold approximately 45,680 tonnes of zinc concentrate generating 2021 revenue from zinc concentrate of US\$52.14 million. Additionally, produced 9,936 tonnes of lead concentrate grading an average of 22% lead, 1.65% copper, 6.08 g/t gold, 776 g/t silver and sold 9,657 tonnes generating 2021 revenue from lead concentrate of US\$8.96 million.

Approximately 689,963 tonnes of mineralized material were mined with average grades of 4.27% zinc, 1.09% lead, 124 g/t silver, 1.06 g/t gold achieving recoveries of 71.3% in zinc, 29.2% in lead, 21.5% in gold, and 44.30% in silver.

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An estimated 689,963 tonnes of mineralized material were processed through the processing plant at a C1 cash cost per lbs of US\$0.60.

Production and concentrate sales for the three months ended December 31, 2021

During the three months ended December 31, 2021, Campo Morado produced 12,209 tonnes of zinc concentrate grading an average of 46% zinc, 1.97 g/t gold, 665 g/t silver and sold approximately 12,552 tonnes of zinc concentrate generating Q4-2021 revenue from zinc concentrate of US\$14.29 million. Additionally, produced 2,691 tonnes of lead concentrate grading an average of 22% lead, 1.64% copper, 5.47 g/t gold, 768 g/t silver and sold 2,804 tonnes generating Q4-2021 revenue from lead concentrate of US\$2.45 million.

An estimated 183,091 tonnes of mineralized material were processed through the processing plant with average grades of 4.3% zinc, 1.08% lead, 118 g/t silver, 1.01 g/t gold achieving recoveries of 71.4% in zinc, 30.1% in lead, 20.9% in gold, and 47.0% in silver achieving a C1 cash cost per lbs of US\$0.74.

Tahuehueto Mining Project

There was no mining and/or ore processing during the three months and year ended December 31, 2021.

5. - Annual and Quarterly Financial Performance Results

Comparison of the three months and years ended December 31, 2021 and 2020

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

	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Mine operating income (loss)	\$ 10,125	\$ (189)	\$ 34,256	\$ (138)
General expenses*	14,194	(1,928)	7,883	(4,758)
Other income (expenses)	(3,709)	(7,563)	(5,874)	(6,728)
Net income (loss) for the year	20,610	(9,680)	36,265	(11,624)
Foreign currency translation adjustment	167	263	465	97
Total comprehensive income (loss) for the period	\$ 20,777	\$ (9,417)	\$ 36,730	\$ (11,527)

*Included in general expenses for 2021 is a recovery of previous impairment charges in the amount of \$16,340

During the year ended December 31 2021, the Company reported total mine operating income of \$34,256, total comprehensive income of \$36,730, and basic and diluted earnings per share of \$0.15, and \$0.13, respectively. In comparison, the Company reported total mine operating loss of \$138, total comprehensive loss of \$11,527, and basic and diluted loss per share of \$0.07 for the year ended December 31, 2020.

During the three months ended December 31, 2021, the Company reported total mine operating income of \$10,125, total comprehensive income of \$20,777, and basic and diluted earnings per share of \$0.08, and \$0.07, respectively. In comparison, the Company reported total mine operating loss of \$189, total comprehensive loss of \$9,417, and basic and diluted loss per share of \$0.06 for the three months ended December 31, 2020.

The overall performance of Campo Morado has improved quarter over quarter during the last 21 months as a result of various initiatives to improve mining and ore production as well as other cost reduction initiatives. When comparing the three months ended December 31, 2021 and 2020, plant production increased from 168,310 tonnes processed in the three months ended December 31, 2020 to 183,091 tonnes processed in the three months ended December 31, 2021. This translates into an increase of tonnes of concentrate produced and sold, which contributed to the increase in mine profit and total income for the period.

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Mine operating income for the three months and years ended December 31, 2021, and 2020, is comprised of:

	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Revenue				
Gross sales	\$ 29,671	\$ 18,960	\$ 98,452	\$ 44,443
Treatment and selling costs	(9,914)	(9,335)	(28,768)	(21,286)
	19,757	9,625	69,684	23,157
Cost of Sales				
Production cost	8,885	9,322	32,628	22,023
Royalties	599	365	2,262	827
Depreciation and amortization	148	127	538	445
	9,632	9,814	35,428	23,295
Mine operating income (loss)	\$ 10,125	\$ (189)	\$ 34,256	\$ (138)

During the year ended December 31, 2021, the Company generated revenues in the amount of \$98,452 (December 31, 2020 – \$44,443) as a result of, selling 45,680 tonnes of zinc concentrate with an average of 46% zinc and 676 g/t silver at an average selling price of zinc per tonne of US\$2,894 and US\$24.8/oz of silver. The Company also sold 9,657 tonnes of lead concentrate with an average of 21.3% lead, 784 g/t silver and 5.8 g/t gold at an average selling price per tonne of lead of US\$2,177, US\$24.9/oz silver and US\$1,803/oz gold. Net revenues of \$69,684 (December 31, 2020 – \$23,157) were inclusive of treatment charges and penalties in the amount of \$19,760 (December 31, 2020 – \$16,148) and freight and selling costs in the amount of \$9,008 (December 31, 2020 – \$5,138) reported during the year.

Total cost of sales incurred during the year ended December 31, 2021 were \$35,428 (December 31, 2020 – \$23,295), including production cost in the amount of \$32,628 (December 31, 2020 – \$22,023), which represents direct costs attributable to the production of concentrates. It also includes royalties paid and/or payable to the Servicio Geologico Mexicano in the amount of \$2,262 (December 31, 2020 – \$827), for a 2% and 3% discovery royalty and accretion, and depreciation expenses of \$538 (December 31, 2020 – \$445).

During the three months ended December 31, 2021, the Company processed 183,091 tonnes of mineral compared to approximately 168,310 tonnes of ore processed during the three months ended December 31, 2020. Other variables such as treatment and selling costs, production costs associated with the production of concentrates and royalties also increased accordingly on the same basis as production increased.

General and administration expenses for the three months and years ended December 31, 2021, and 2020 are comprised of:

	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
General Expenses				
Consulting fees, wages and benefits	\$ 770	\$ 217	\$ 2,402	\$ 1,974
Legal and professional fees	177	198	756	418
Office, rent and administration	(115)	601	2,219	1,092
Amortization of right-of-use assets	63	2	123	112
Regulatory, transfer agent and shareholder information	88	13	131	28
Travel, promotion and investor relations	200	3	808	216
Share-based compensation	963	19	2,018	42
(Reversal of) impairment of assets	(16,340)	876	(16,340)	876
	\$ (14,194)	\$ 1,929	\$ (7,883)	\$ 4,758

During the year ended December 31, 2021, the Company incurred general expenses, net of reversal of impairment of assets in the amount of \$8,457, compared to \$3,882 during the year ended December 31, 2020.

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The net increase of \$4,575 is mainly attributable to the following:

Share-based compensation recorded during the year ended December 31, 2021 related to stock options granted to certain directors, officers, employees and insiders of the Company for an aggregate amount of 9,325,000 stock options issued following the terms of the Company's stock option plan. These stock options are exercisable into one common share of the Company at an exercise price between \$0.20 and \$0.55 per common share for a period of five years. The stock options granted vest as to 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.

Office, rent, and administration costs increased \$1,127 due to \$740 in bank fees related to the arrangement of the Accendo Loan, in addition to \$444 increases in Campo Morado headquarters costs including surcharges, updates and professional fees. Consulting fees, wages, and benefits increased \$988 as a result of costs associated with the preparation of commercial production from the Tahuehueto mining project.

Other income and expenses for the three months and years ended December 31, 2021, and 2020 are comprised of:

	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Other income and expenses:				
Interest income	\$ 3	\$ 208	\$ (422)	\$ (39)
Change in fair value of financial instruments	499	1,218	2,371	697
Finance costs	1,342	1,173	3,215	2,440
Other income and expenses	4,254	3,967	3,429	3,967
Foreign exchange (gain)	(2,389)	997	(2,719)	(337)
	\$ 3,709	\$ 7,563	\$ 5,874	\$ 6,728

During the year ended December 31, 2021, the Company incurred net other expenses in the amount of \$5,874, compared to net other expenses of \$6,728 incurred during the year ended December 31, 2020. The total net other expenses incurred in the year is mainly attributable to the impairment of financial assets including \$3,663 held in deposit accounts with Accendo. These expenses were offset by gains as a result of substantial modification of long-term debt terms with Nyrstar and Trafigura, which resulted in a gain on extinguishment of the loans in the amount of \$189 and \$2,464, respectively. A substantial modification of terms of the line of credit with Escorfin resulted in a loss on extinguishment of \$139. Finance costs consisted of interest on debt of \$1,071 (December 31, 2020 – \$1,682), bank fees and penalties of \$199 (December 31, 2020 – \$70), interest on lease liabilities of \$37 (December 31, 2020 – \$40), amortization of deferred finance costs of \$761 (December 31, 2020 – \$274), accretion of provision for site reclamation and closure of \$464 (December 31, 2020 – \$374), and accretion on streaming arrangements of \$683 (December 31, 2020 – \$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.

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Selected Quarterly Financial Information

	2021				2020			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Gross revenues	\$ 29,671	\$ 23,076	\$ 24,489	\$ 21,216	\$ 18,960	\$ 11,148	\$ 6,608	\$ 7,727
Mine operating income (loss)	10,125	9,669	9,165	5,297	(189)	561	(668)	158
Net profit (loss)	20,610	4,284	7,568	3,802	(9,682)	4,377	(4,552)	(1,767)
Basic earnings (loss) per share	0.08	0.02	0.03	0.02	(0.06)	0.03	(0.03)	(0.01)
Diluted earnings (loss) per share	0.07	0.01	0.03	0.01	(0.06)	0.03	(0.03)	(0.01)
Cash	3,049	7,466	8,908	10,792	257	729	662	242
Total assets	108,805	81,265	69,207	64,125	52,924	52,862	50,766	52,355
Non-current liabilities	46,392	41,605	6,620	6,465	6,435	6,422	5,754	5,758
Equity (deficiency)	30,671	5,461	(903)	(12,316)	(26,711)	(23,493)	(25,078)	(24,531)
Working capital deficiency	(3,114)	(5,451)	(38,470)	(45,881)	(60,334)	(56,516)	(58,912)	(59,023)

The results for the year ended December 31, 2021 continue to reflect the overall economic and operations improvements of the Company since the change of management on February 18, 2020. Since then, many operational and administrative initiatives have been put in place resulting in improvements to the operations and all areas of the Company. Key indicators including mine and production rates, sales and other have significantly improved quarter over quarter which translates into higher revenues, lower costs and expenses, and higher profits.

Cash flow results

The following table provides a summary of cash flows for the three months and years ended December 31, 2021, and 2020:

	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Cash provided by (used in):				
Operating activities	\$ 2,340	\$ (1,376)	\$ 4,071	\$ (3,452)
Investing activities	(7,434)	2,809	(17,988)	1,272
Financing activities	(2,944)	(163)	16,982	2,852
Effect of foreign exchange rate changes on cash	(425)	(1,742)	(273)	(560)
(Decrease) increase in cash during the period	(8,463)	(472)	2,792	112
Cash beginning of period	11,512	729	257	145
Cash end of period	\$ 3,049	\$ 257	\$ 3,049	\$ 257

As of December 31, 2021, the Company had a cash balance of \$3,049 and a working capital deficiency of \$3,114. Current liabilities at the same date are in the amount of \$31,742, 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 year ended December 31, 2021, the Company generated net cash in operating activities in the amount of \$4,071, which included the impairment of financial assets held in Accendo deposit accounts and amounts receivable adjusted for expected credit losses. Cash used in operating activities during the same period of last year was \$3,452. The increase in cash is due to fully operational output at the Campo Morado mine during 2021 offset by changes in working capital items that used most of the available cash to pay for accumulated accounts payable and accrued liabilities.

The Company also used cash for \$17,988 in investing activities during the year ended December 31, 2021 compared to \$1,272 generated during the year ended December 31, 2020. The \$19,260 increase in cash used in investing activities was cash mainly used in development asset additions to continue the advancement of its Tahuehueto project and add to its fixed assets.

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During the year ended December 31, 2021, the Company generated \$16,982 in financing activities comprised mainly of newly acquired debt for proceeds of \$7,134 inclusive of the first and second tranches of the Accendo MTLF and proceeds from the private placement of \$9,958. Current available financing is being used 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

- 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 projects LOM.
- Mining rate of 2,500 tonnes per day ("tpd")

Campo Morado Mine resources estimate with effective date as at November 5th, 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
5.5	9.27	9,292,000	1.70	124	0.82	0.94	4.56
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
5.5	7.94	7,335,000	1.70	123	0.78	0.92	3.31
7.0	9.32	4,086,000	1.96	151	0.86	1.12	3.94

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Cut-off ZnEq (%)	ZnEq (%)	Tonnes	Au (g/t)	Ag (g/t)	Cu (%)	Pb %	Zn (%)
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
5.5	8.68	16,627,000	1.70	123	0.80	0.93	4.01
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
5.5	7.27	988,000	1.32	116	0.64	0.92	3.20
7.0	8.75	416,000	1.52	148	0.76	1.10	3.78

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, 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, investigation of ability to produce a copper concentrate, 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 also 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.

- An Imhoflot™ pneumatic flotation pilot plant was tested at its designed capacity for six weeks at Campo Morado during late 2021. This pilot plant testing did not return any significant results however, due to grinding equipment non-availability a microfine grind was not able to be achieved and therefore the company was unable to determine if the Imhoflot pneumatic technology is suitable for Campo Morado.

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- The Company has also 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 concert material is currently being transported to two groups for Albion and Leachox forced oxidation and leaching technologies testing. These two technologies are described below.
- Altaley is also in discussions with Woodgrove Technologies designing a pilot plant program utilizing Woodgrove Flotation Reactor technologies to test Woodgrove's patented technology for potential increases in both base and precious metal recoveries. The Company may test this technology in the coming months.

Forced Oxidation and Leaching Technologies

- As part of the extensive metallurgical testing program underway Altaley is moving into second phase testing with both the LeachOx Process and Albion Process. These two proven competing patented technologies effectively force oxidize material from a processing plant and subject the oxidized material to leaching to recover metals. Material to be oxidize can be metal concentrates and/or tailings material.
- The previous owner of the Campo Morado mining unit during 2013, conducted successful first phase testing of forced oxidation and leaching technologies with the LeachOx Process and the Albion process both demonstrating a potential pathway to increase precious metal recoveries at the mine.

ABOUT 2013 1ST PHASE LEACHOX TESTING AT CAMPO MORADO

- Previous First Phase Leachox testing was conducted very successfully on Campo Morado mineralization during 2013 by the mine's previous owner. (See the Company's press release dated [April 1, 2019](#) where historic Leachox testing showed recovery increases up to 65% gold and 86% silver are possible at Campo Morado).
- 2013 Leachox testing demonstrated that substantial increases in precious metal recoveries are available at Campo Morado using Maelgwyn Leachox Process. Very positive results were obtained in the 2013 testing of two separate mineralized zones where samples were submitted for testing. First phase Leachox testing returned recovery results of up to 65% gold and 75% silver at a grind size of 20 microns from the process tailings sample of the G9-Southwest Zone and recoveries of 45% gold and 81% silver at a grind of 40 microns were returned from the Reforma deposit sample. The consultant's 2013 report stated, "It should be noted that the above test work was scouting test work only and higher recoveries would probably be achieved with optimization work". Campo Morado current recoveries using only mechanical flotation are approximately 20% for gold and 40% for silver.

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ABOUT THE LEACHOX PROCESS:

- The Leachox process is a partial sulphide oxidation process for the recovery of gold and silver from sulphide minerals. Depending upon the mineralogy, several processes are used, but central to the Leachox process is the Aachen shear reactor. In the leach process, it enhances the kinetics and reduces reagent consumptions (oxygen, cyanide, and lime) which otherwise can be prohibitive. The reactor is designed to introduce a high degree of shear which removes passivating films that reduce recovery.

ABOUT ALBION PROCESS™

- Albion Process™ is a combination of ultrafine grinding and oxidative leaching at atmospheric pressure. The feed to the Albion Process™ are base or precious metal concentrates. The sulphides in the feed are oxidized and valuable metals liberated, with the economic metals recovered by conventional downstream processing. It was developed in 1994 by Glencore and is patented worldwide.

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.

During July 2021 the Campo Morado operations team completed work on the expansion of the Alto Tailings Storage Facility ("TSF"). This expansion work just completed provides an additional capacity of approximately 13 months. The next future expansions of the TSF incorporated in the original TSF design is just being initiated and will extend the TSF life by an additional 4 years.

Campo Morado operations team have been conducting a program of care and maintenance throughout the mill, rehabilitating flotation cells and various surface and underground equipment. During the past two months a copper recovery flotation circuit was installed in the mill and copper concentrate production is expected to commence within the next several weeks. Copper production will add an additional revenue source to the mining unit.



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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, new bulk underground mining method sub level long hole open stoping combined with lesser cut and fill mining method and an updated reserve and resource calculation. A summary of the PFS results is available in section **12. – Subsequent events**.

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

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.

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Underground Exploration

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.

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 steadily such that the first ball mill is installed and has successfully completed its initial dry testing phase and is deemed ready to process ore. The flotation circuit has been successfully wet tested, and various mill components such as thickening tanks, concentrate filters, tailings thickeners are ready and available to start production.



1st Ball Mill Being Installed

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Final work is in process and expected to be completed within during May 2022 on the waterline to supply water to the mill after which, the mill is expected to start pre-production ore processing operations using the first ball mill with up to 500 tpd capacity. The second ball mill will be installed in the coming months to allow the mine to ramp up to its build capacity of 1,000 tpd during Q3, 2022.

Underground development is well advanced with numerous working faces available to easily provide ongoing ore feed to the mill at 1,000 tpd. To date, previous pre-production mining plus current underground development mining has stockpiled approximately 24,000 tonnes of ore which is ready to feed the mill.



Mill Concentrate Filtration Area

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.

During the year ended December 31, 2021, the Company recorded a reversal of previous impairment charges of \$16,340, related to the value in use of the mineral interest and development assets at the Campo Morado mine. This impairment reversal represents a full reversal of prior impairments allocated to mineral interest and development assets, adjusted for depletion. The impairment reversal was primarily a result of increases in the Company's operational output, improved community relations, successful restructuring of long-term debt terms and increases in long-term commodity prices expected to be realized.

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As at December 31, 2021, the Company capitalized the following acquisition and developments costs:

		Tahuehueto		Campo Morado		Total
Balance as at December 31, 2020	\$	16,585	\$	-	\$	16,585
Costs incurred:						
Freight and related costs		237		-		237
Depreciation and amortization capitalized		1,579		-		1,579
Camp cost, equipment, and field supplies		443		-		443
Supplies, fuel, lubricants and other		328		-		328
Project general and office expenses		607		-		607
Permitting, environmental and community costs		313		-		313
Salaries and wages		585		-		585
Share-based compensation		148		-		148
Travel and accommodation		129		-		129
Gain on extinguishment of debt (Note 10b)		(1,368)		-		(1,368)
Interest capitalized, net		2,652		-		2,652
Total additions for the year	\$	5,653	\$	-	\$	5,653
Reversal of impairment		-		16,340		16,340
Change of provision for site reclamation and closure		1,574		(2,434)		(860)
Foreign currency movement		425		2,556		2,981
Balance, December 31, 2021	\$	24,237	\$	16,462	\$	40,699

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, CEO 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 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.

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	(Amounts in US dollars)			
	Three months ended December 31,		Years ended December 31,	
	2021	2020	2021	2020
Non GAAP reconciliation				
Production payable Zinc (1,000 lb)	10,272	8,198	38,229	23,225
Production cost per financial statements (US\$000)	\$ 7,052	\$ 7,227	\$ 26,047	\$ 16,646
Treatment and refining charges (US\$000)	5,980	5,595	15,737	12,148
Freight (US\$000)	1,888	1,569	7,192	3,863
By-product credits (US\$000)	(7,289)	(3,895)	(25,958)	(9,179)
C1 cash cost (US\$000)	\$ 7,631	\$ 10,497	\$ 23,018	\$ 23,478
C1 cash cost per payable pound of zinc (US\$/lb)				
Production Cost	\$ 0.69	\$ 0.88	\$ 0.68	\$ 0.72
Treatment and refining charges	0.58	0.68	0.41	0.52
Freight	0.18	0.19	0.19	0.17
By-product credits – estimated	(0.71)	(0.48)	(0.68)	(0.40)
C1 cash cost per payable pound of zinc (US\$/lb)	\$ 0.74	\$ 1.28	\$ 0.60	\$ 1.01
All-in Sustaining Costs				
C1 cash cost (US\$000)	\$ 7,631	\$ 10,497	\$ 23,018	\$ 23,478
Depletion, Depreciation & Amortization (US\$000)	118	141	429	376
Accretion (US\$000)	84	54	346	254
Corporate Costs (US\$000)	915	383	3,658	1,815
Royalties (US\$000)	475	280	1,805	623
Capital Expenditure (sustaining) (US\$000)	557	52	2,660	146
All-in Sustaining Costs (US\$000)	\$ 9,779	\$ 11,407	\$ 31,917	\$ 26,693
AISC per payable pound of zinc (US\$/lb)	\$ 0.95	\$ 1.39	\$ 0.83	\$ 1.15

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.

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

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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 December 31, 2021 of \$3,114 and an accumulated deficit of \$64,487. Current liabilities as of the same date are in the amount of \$31,742, 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 consolidated financial statements of the Company as at December 31, 2021, 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.

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.

As at December 31, 2021, the Company has an outstanding balance of \$4,736, which includes accrued and capitalized interest of \$254, additional accrued interest in the amount of \$229, and repaid principal and interest in the amount of \$nil. For accounting purposes and due to the extinguishment of LOC terms explained above, the Company recorded a loss on extinguishment of \$139.

Due to Breakwater Resources Ltd

As at December 31, 2021, the Company has a balance owing of \$5,488, which includes accrued interest of \$706 for the year, interest paid of \$2,556, and principal paid of \$1,452.

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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;
- ii. US\$2.7 million on or before September 12, 2017; and
- iii. US\$16.5 million on or before June 13, 2018 of which US\$4.3 million remains outstanding as at December 31, 2021 (December 31, 2020 – US\$5.5 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.

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.

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

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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 remain 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.

As at December 31, 2021, the Company has a balance owing of \$3,937 under the Loan Agreement Campo which includes accrued interest capitalized in the period in the amount of \$108, additional accrued interest of \$257, principal repayments of \$970, and interest repayments of \$124 during the year. Due to the substantial modification of terms above, the Company reported a gain on extinguishment of \$312.

As at December 31, 2021, the Company has a balance owing of \$17,704 under the Loan Agreement Real which includes accrued interest capitalized in the period in the amount of \$478, additional accrued interest of \$1,007, principal repayments of \$nil, and interest repayments of \$587 during the year. Due to the substantial modification of terms above, the Company reported a gain on extinguishment of \$1,352.

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 December 31, 2021 is \$812 (December 31, 2020 is \$1,354).

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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 December 31, 2021, the Company has a balance owing of \$8,169 under the Accendo MTLF which includes disbursements of \$7,146, accrued interest of \$456, principal repayments of \$35, and interest repayments of \$137 during the year.

Right of use assets and right of use liabilities

The continuity of right of use liabilities for the year ended December 31, 2021 and 2020, are as follows:

Balance lease liabilities, December 31, 2019	\$	1,927
Lease additions		303
Lease cancelations		(160)
Lease payments		(359)
Interest expense		102
Interest paid		(102)
Foreign currency movement		(90)
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, December 31, 2021	\$	10,021

9. - Capital resources

Common shares issued

Common share transactions:

Year ended December 31, 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.

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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. 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.
- iii. On July 30, 2021, the Company issued 500,000 common shares to Escorfin, a related party, in part for its efforts in amending the terms of the LOC.
- iv. During the year ended December 31, 2021, the Company issued 3,006,668 common shares for gross proceeds of \$408 in connection with stock options exercised. The fair value of the options exercised was \$390 and was transferred from the equity reserves and recorded against share capital. An additional fair value of \$497 was reclassified to share capital from the equity reserves upon cancellation or expiry of stock options.
- v. During the year ended December, 2021, the Company issued 6,287,250 common shares for gross proceeds of \$1,486 in connection with share purchase warrants exercised. There was no fair value allocated to 5,287,250 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.

Year ended December 31, 2020

- i. On October 15, 2020, the Company closed a debt settlement with Accendo in the amount of \$660 in connection to a portion of Tahuehueto mining project's suppliers debt. Accordingly, the Company issued 7,330,651 shares valued at \$0.09 per share at the time the negotiation was done. Subsequently when the shares were issued the fair value of these shares were \$0.28 per share and as a result the Company recorded a loss of \$1,393. In connection with the financing with Accendo, the Company, issued 15 million bonus warrants that were issued in lieu of a work fee but subject to cancelation if the loan facility does not close. In partial consideration of the waiver granted by Trafigura, during the reporting year Telson issued to Trafigura 12,000,000 share purchase warrants exercisable into one common share at an exercise price of \$0.175 per share. The warrants were valued using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate 0.24%, expected dividend yield \$nil, stock price volatility 112% and expected life in years of 3, which resulted in a fair value of \$2,492.
- ii. On February 4, 2020, the Company closed the first tranche of a non-brokered private placement offering, whereby gross proceeds of \$1,946 were raised by the issuance of 19,458,422 units at a price of \$0.10 per unit. Each unit is comprised of one common share and one half of one whole transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.25 within twenty-four (24) months from closing. The fair value of the warrants is \$10.

Escorfin, a related party to the Company, acquired 5,853,796 units.

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On May 27, 2020, the Company closed the second and final tranche of a non-brokered private placement offering, whereby gross proceeds of \$197 were raised by the issuance of 1,965,990 units at a price of \$0.10 per unit. Each unit is comprised of one common share and one half of one whole transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.25 within twenty-four (24) months from closing.

Escorfin, a related party to the Company, acquired 1,412,400 units.

In connection with the above private placement, the Company issued 361,239 units as finders fees. Each unit is comprised of one common share and one half of one whole transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.25 within twenty-four (24) months from closing. The finders' warrants were recorded at a fair value of \$6.

All securities issued under the private placement are subject to a hold period expiring four months and one day after the closing date.

- iii. On July 10, 2020, the Company closed a non-brokered private placement offering, whereby gross proceeds of \$1,400 were raised by the issuance of 13,996,145 units at a price of \$0.10 per unit. Each unit is comprised of one common share and one half of one whole transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at \$0.15 within twenty-four (24) months from closing. All securities issued under the private placement are subject to a hold period expiring four months and one day after the closing date. The share issuance cost associated with both private placements is \$64.
- iv. During the year ended December 31, 2020, the Company issued 75,000 common shares for gross proceeds of \$10 in connection with stock options exercised. The fair value of the options exercised was \$10 and was transferred from the equity reserves and recorded against share capital.

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Other sources of funds

As at December 31, 2021, 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 11, 2022	1,383,333	\$ 0.30	0.86	1,383,333
March 16, 2023	300,000	0.30	1.21	200,000
April 16, 2023	400,000	0.30	1.29	400,000
December 3, 2023	300,000	0.38	1.92	100,000
January 29, 2025	200,000	0.20	3.08	133,333
February 8, 2025	250,000	0.20	3.11	166,667
August 6, 2025	100,000	0.16	3.60	100,000
February 25, 2026	5,250,000	0.30	4.16	3,500,000
May 11, 2026	75,000	0.46	4.36	50,000
May 19, 2026	2,000,000	0.48	4.38	1,333,333
August 9, 2026	100,000	0.53	4.61	33,333
August 23, 2026	100,000	0.55	4.65	33,333
September 20, 2026	100,000	0.48	4.72	33,333
Outstanding, December 31, 2021	10,558,333			7,466,666

Share purchase warrants outstanding are as follows:

Expiry date	Outstanding		Remaining contractual life (years)
	Granted	Exercise price	
February 4, 2022	5,281,971	\$ 0.25	0.1
May 27, 2022	1,163,615	0.25	0.4
July 9, 2022	6,645,573	0.15	0.5
March 29, 2023	24,712,500	0.30	1.2
July 1, 2023	1,500,000	0.48	1.5
October 16, 2023	11,000,000	0.18	1.8
June 30, 2024	15,000,000	0.09	2.5
	65,303,659	\$ 0.21	1.4

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:

	December 31, 2021		December 31, 2020	
Short-term benefits	\$	850	\$	585
Share-based compensation		1,479		-
	\$	2,329	\$	585

b) Related party balances:

As at December 31, 2021, directors and officers or their related companies were owed \$168 (December 31, 2020 – \$615) 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 (Note 11(a)). 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 December 31, 2021:

	December 31, 2021		December 31, 2020	
Current portion	\$	1,357	\$	4,127
Long term portion		3,379		-
Balance	\$	4,736	\$	4,127

During the year ended December 31, 2021, the Company incurred interest in the amount of \$483 (2020 - \$436) of which \$nil was paid (2020 - \$nil).

Escorfin acquired the following Units in the private placement:

During the year ended December 31, 2021, Escorfin participated in private placements dated March 30, 2021, whereby 500,000 Units were acquired by the related party (2020 – 7,266,196).

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In addition to the Units acquired via private placement, Escorfin was granted 500,000 bonus shares and 1,500,000 bonus warrants in connection with the restructure of the LOC.

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 year ended December 31, 2021, the amount exchanged for currency denominated in the Mexican Peso at exchange rates at the time of the conversion was \$28,912 (US\$23.1 million) (2020 - \$nil). As at December 31, 2021, the amount owed to Bursimetrica was \$nil (2020 - \$nil).

12.- Subsequent events

Between January 1, 2022 and February 4, 2022, the Company issued 5,281,971 common shares for gross proceeds of \$1,320 through the exercise of 5,281,971 share purchase warrants.

On December 29, 2021, the Company executed a Loan Agreement (the "Loan Agreement") with Sail Natural Resources LP (the "Lender") whereby Lender will provide a US\$5 million loan facility to Altaley, 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 has a term of 4 years, bears interest at 13.5% per annum, and is payable in 12 quarterly installments commencing March 10, 2023.

On March 17, 2022, the Company announced a Private Placement, whereby the Company intends to sell up to 14,285,714 units from treasury (the "Units") at a price of \$0.35 per Unit for aggregate gross proceeds of up to \$5 million. Each Unit shall consist of one common share of the Company (a "Unit Share") and one half of one transferable share purchase warrant (each whole warrant a "Warrant"). Each Warrant shall entitle the holder thereof to acquire one additional common share (a "Warrant Share") at a price of \$0.55 per Warrant Share for a period ending two (2) years (the "Expiry Date") following the closing of the Private Placement (the "Closing Date") subject to an acceleration clause. On April 22, 2022 the Company closed a first tranche on the issuance of 12,116,296 units for gross proceeds of \$4,241.

NI 43-101 Compliant Pre-Feasibility Study

In March 2022, Altaley announced the results of an updated NI 43-101 compliant Prefeasibility Study (the "PFS") for Tahuehueto. This updated PFS builds off the previous 2017 PFS with an expansion of the mining operation to 1,000tpd, new bulk underground mining method sub level long hole open stoping 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, that will utilize contractor mining in a combination sub-level long hole open stope and cut and fill mining methods. 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 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, the Company in 2021 elected to proceed with construction of the project which, as of the date of this press release, 90% of required construction capital has been invested in the project, advancing construction past 95% completion with most capital expenditures completed and therefore capital equipment and construction costs are known with substantially increased accuracy.

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. 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

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

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

Table 2

FINANCIAL METRICS	2022 PFS	US\$
Total Net Smelter Return (Pb, Zn, Au, Ag, Cu)	645.4	\$Million
Gold Net Revenue	392.8	\$Million
Silver Net Revenue	87.5	\$Million
Lead Net Revenue	60.5	\$Million
Zinc Net Revenue	78.4	\$Million
Copper Net Revenue	26.2	\$Million
Pre-tax Net Cash flow	352.4	\$Million
Post tax Net Cash Flow	258.9	\$Million
Annual Average pre-tax net cash flow	98	\$Million
Pre-tax net cash flow per tonne of ore	72	\$/tonne ore
LOM Total Capital cost - Plant, mine development, infrastructure, working capital (no contingency)	56.9	\$Million
OPEX - Development Mining	1,278.1	\$/meter
OPEX - Ore Mining	35.0	\$/tonne ore
OPEX - Processing	22	\$/tonne ore
OPEX - General & Administrative (G&A)	3.0	\$/tonne ore
OPEX - Operating Cost - LOM	69.5	\$/tonne ore
All-In Sustaining Cost of Production - LOM	844	\$/AuEq oz
Pre-tax Net Present Value (NPV) at 5% discount	234.4	\$Million
Post-tax NPV at 5% discount*	161.3	\$Million
Post-tax NPV at 10% discount	130.8	\$Million
EBIDTA LOM	357.7	\$Million
Internal Rate of Return (IRR)**	65.5	%
Payback Period	2.0	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
1,650	204.4	161.3	130.8	65.5	2.0
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
95%	204.4	161.3	130.8	65.5	2.0
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
Subtotal	17.10	5.20	4.03	30.59	56.92
Contingency	-	-	1.19	3.06	4.25
Total	17.10	5.20	5.22	33.65	61.17

* 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 ⁽¹⁾	734	320.5
Sustaining Capital Expenditures ⁽²⁾	77	33.65
Corporate G&A	18	8.0
Reclamation	17	7.5
All-In Sustaining Costs ^{(3) (4)}	846	369.6
Capital Expenditures	32	13.8
All-In Costs ⁽⁴⁾	876	383.4

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

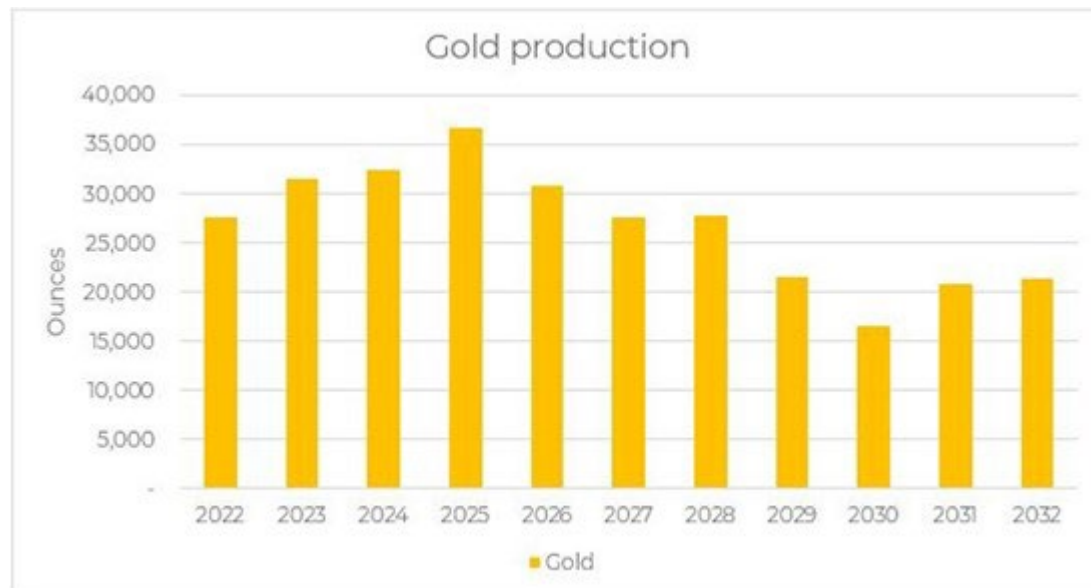


Chart 1- Gold production

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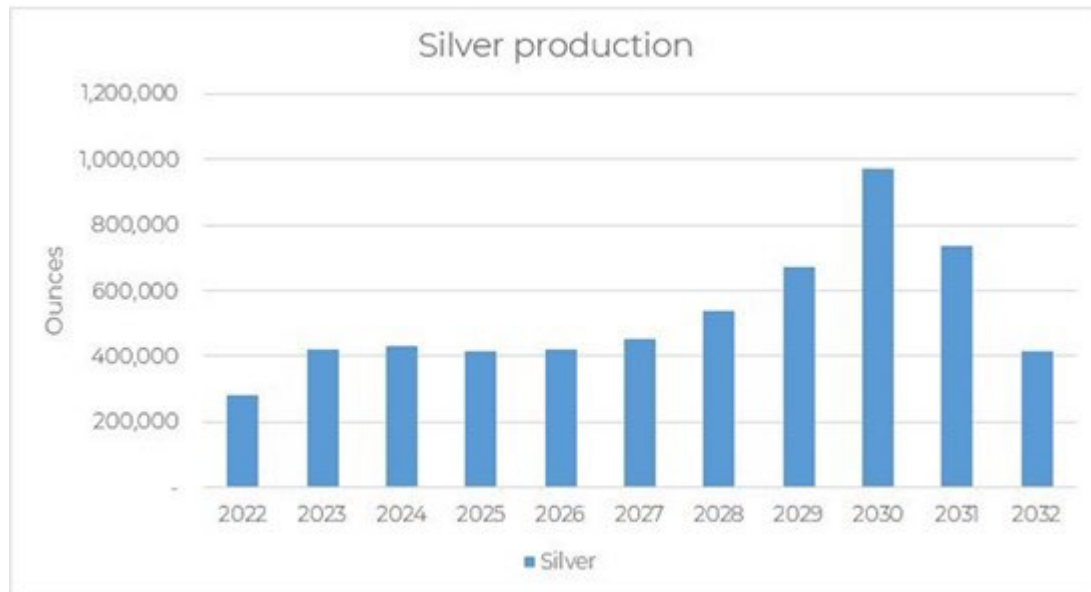


Chart 2 – Silver production

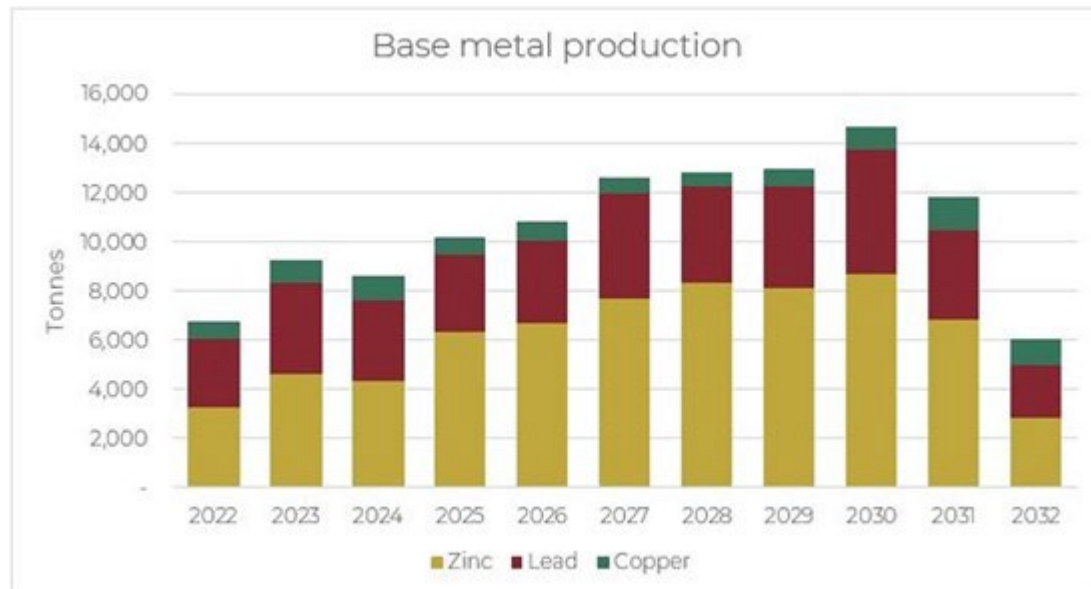


Chart 3 – Base metal production

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
Proven & Probable	3,585	50.06	5,770	2.55	294	0.26	20,550	1.11	87,357	1.92	151,640

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
M + I	6,260	46.97	9,454	2.11	425	0.27	36,594	0.90	123,872	1.98	273,364	4.47	900
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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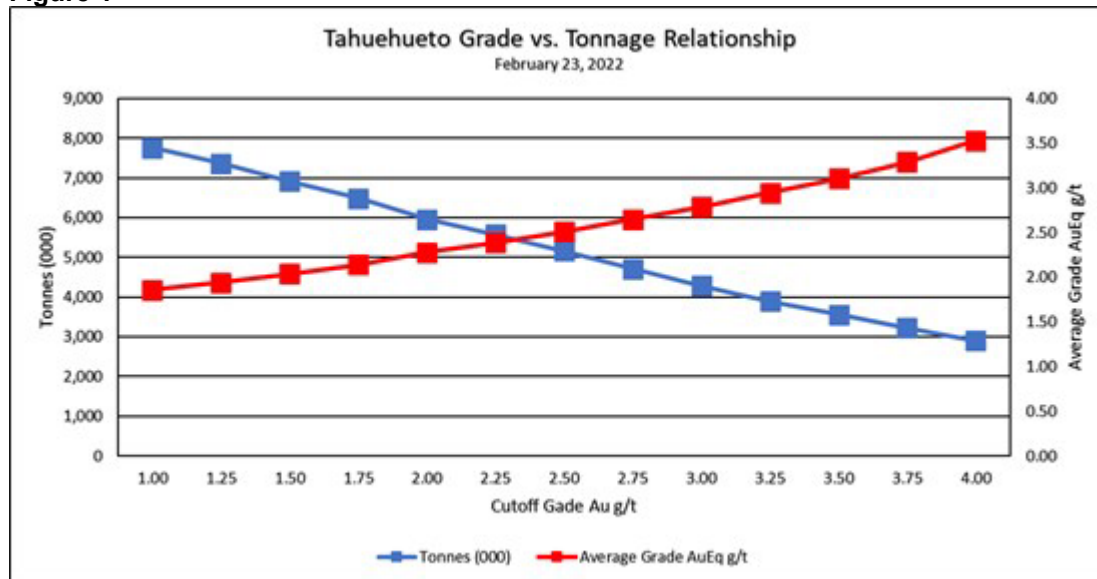
(Expressed in thousands of Canadian dollars, unless otherwise stated and per share amounts)

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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 on April 25, 2022 and is available on the Company's website 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.

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 December 31, 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 Nyrstar Mining, 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.

16.- Other requirements

Outstanding share data

Authorized: Unlimited number of common shares

Number of common shares issued and outstanding as at December 31, 2021: 257,560,537

Number of common shares issued and outstanding as at April 29, 2022: 274,958,804

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Stock options as at April 29, 2022:

Expiry date	Number of options	Outstanding		Exercisable	
		Exercise price	Remaining contractual life (years)	Number of options	
November 11, 2022	1,383,333	\$ 0.30	0.54	1,383,333	
March 16, 2023	300,000	0.30	0.88	300,000	
April 16, 2023	400,000	0.30	0.96	400,000	
December 3, 2023	300,000	0.38	1.60	100,000	
January 29, 2025	200,000	0.20	2.76	133,333	
February 8, 2025	250,000	0.20	2.78	166,667	
August 6, 2025	100,000	0.16	3.27	66,667	
February 25, 2026	5,250,000	0.30	3.83	3,500,000	
May 11, 2026	75,000	0.46	4.04	50,000	
May 19, 2026	2,000,000	0.48	4.06	1,333,333	
August 9, 2026	100,000	0.53	4.28	66,667	
August 23, 2026	100,000	0.55	4.32	66,667	
September 20, 2026	100,000	0.48	4.40	66,667	
Outstanding	10,558,333			7,633,333	

Share purchase warrants outstanding as at April 29, 2022:

Expiry date	Outstanding		
	Granted	Exercise price	Remaining contractual life (years)
May 27, 2022	1,163,615	0.25	0.1
July 9, 2022	6,645,573	0.15	0.2
March 29, 2023	24,712,500	0.30	0.9
April 21, 2023	6,058,148	0.55	1.0
July 1, 2023	1,500,000	0.48	1.2
October 16, 2023	11,000,000	0.18	1.5
June 30, 2024	15,000,000	0.09	2.2
	66,079,836	\$ 0.24	1.2

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 consolidated financial statements for the years ended December 31, 2021, and 2020, and this accompanying MD&A (together, the "Interim Filings").

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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.