



**ALTURAS MINERALS CORP.**  
**Management Discussion and Analysis**  
**Three months ended March 31, 2020**

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The following is management's discussion and analysis of the financial condition and results of operations ("MD&A") of Alturas Minerals Corp., (the "**Company**" or "**Alturas**"), for the three months ended March 31, 2020 ("**F2019**"), and its financial position as of the same date, and should be read in conjunction with the Company's consolidated financial statements as at March 31, 2020, including the notes thereto. The comparative reporting period is the three months ended March 31, 2019 ("**Q1 F2019**").

The consolidated financial statements of Alturas have been prepared in accordance with IFRS as issued by the IASB.

All figures are in US dollars, unless otherwise noted.

Additional information relating to the Company has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available online at [www.sedar.com](http://www.sedar.com) or at the Company's website at [www.alturasminerals.com](http://www.alturasminerals.com).

The Company's shares are listed on the TSX Venture Exchange under the trading symbol "ALT" and on the Bolsa de Valores de Lima (Lima Stock Exchange) under the symbol "ALT".

The date of this management's discussion and analysis is June 28, 2020.

***Cautionary Note Regarding Forward-looking Information and Statements:***

This MD&A may contain forward-looking statements that are based on the Company's expectations, estimates and projections regarding its business and the economic environment in which it operates. These statements speak only as of the date on which they are made, and there are not guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Examples of some of the specific risks associated with the operations of the Company are set out below under "Risk Factors". Actual outcomes and results may differ materially from those expressed in these forward-looking statements and readers should not place undue reliance on such statements.

Certain information included in this management's discussion and analysis may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as "may", "will", "should", "expect", "believe", "plan", "scheduled", "intend", "estimate", "forecast", "predict", "potential", "continue", "anticipate" or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of the Company. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

For expansion of certain risks and uncertainties that could contribute to a difference in results, please review those risks listed under the heading "Risks Factors" in this MD&A. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results



not to be as anticipated, estimated or intended. Forward-looking statements are not guaranteeing future performance and there can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company takes no responsibility to update them or to revise them to reflect new events or circumstances, except as required by law.

### ***Qualified Person***

The Company relies on Dr. Paul Pearson, F. AUSIMM as the Qualified Person as defined under National Instrument 43-101. Dr. Pearson has read and approved the technical and scientific information contained in this MD&A. Where provided, potential quantity and grade is conceptual in nature as the Company has not conducted sufficient exploration to define resources and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

## **Overall Performance**

### ***Principal Business and Corporate History***

Alturas is a Canadian corporation, and is the indirect parent of the Peruvian company, Alturas Minerals S.A. (“Alturas Peru”) and the Chilean company, Alturas Chile Limitada (“Alturas Chile”). Alturas Peru has been exploring various mineral projects in Peru since January 2004 and Alturas Chile conducted exploration activities between 2010 and 2014.

Alturas’ exploration strategy is focused on the discovery of large copper-gold porphyry/skarn deposits and epithermal gold mineralized deposits.

The Company has in previous years, disposed of its Pampa Colorada and San Antonio projects to arms’ length parties subject to certain conditions, and not renewed its exploration license for Callejones, Ccaccapaqui and Utupara. During F2016 Alturas granted an option for its Sombrero property to Auryn Resources Inc. and in January 2017, signed a definitive agreement with Compania Minera Milpo S.A.A.(“Milpo”) for Milpo to earn up to an 80% interest on its Huajoto property. During the first quarter of fiscal 2018 Milpo returned the Huajoto property to Alturas, and during the second quarter of fiscal 2019 the Company decided to discontinue its operations in Huajoto and returned the property.

### ***Corporate Developments***

The Company's ability to continue as a going concern is dependent upon its ability to fund its exploration, working capital and corporate requirements and eventually to generate positive cash flows, either from operations or sale of properties.

The realization of shareholder value continues to be our key objective. Obtaining appropriate financing to achieve the advancement of the Company’s projects will be fundamental to its ability to meet this objective. However, since the cash position of the Company is insufficient to currently cover exploration programs in any of its mineral projects, Alturas is actively seeking strategic partnering and funding to continue with its exploration programs.

### **Corporate financing**

The Company has not generated revenue from operations and had a working capital deficiency of \$2.5 million as at March 31, 2020. Additional financing is currently required to allow the Company to continue operating and to fund its planned exploration and development programs. These circumstances indicate the existence of material uncertainties that may cast significant doubt about the Company’s ability to



continue as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

The Company continues to pursue opportunities to raise additional capital through equity markets and strategic partnerships to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon fund securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or the sale of properties. The consolidated financial statements at March 31, 2020 do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption were inappropriate, and these adjustments could be material. See also "Liquidity and Capital Resources" section below.

**Notes payable and advances:**

*Andes Generating Corporation S.A.C. ("Ancorp"):*

On January 23, 2018 the Company entered into an agreement with Ancorp where the expiry date of the Note is extended to January 18, 2019 and carries an annual interest rate of 15%. In addition, the Note has the following conditions:

- Ancorp would have the right to convert its debt (in full or part of it), including accrued interest, into Alturas capital stock at a price equal to the average price of Alturas shares in the Toronto stock exchange (the Exchange) for the previous ten trading days, with a minimum price floor as established by the Exchange regulations;
- If Alturas entered into a share subscription agreement where more than 51% of the shares issued and outstanding at the time were to be issued, Alturas will, before the closing of the transaction, to fully repay the Note, including accrued interest;
- If Alturas receives cash proceeds exceeding \$200,000 from the sale of mineral concessions, royalty payments or other assets, the Company will repay 20% of the excess toward the amortization of the Note;
- In addition, the Company agreed to pay toward the outstanding amount of the Note the amount of \$15,336 (paid on January 24, 2018).

The agreement with Ancorp expired on January 19, 2019.

Subsequent to March 31, 2020, the Company settled its debt with Andes. See Subsequent events below.

*Auryn Resources Inc ("Auryn"):*

On March 29, 2019, the Company entered into a loan agreement with Auryn where Alturas issued a note payable to Auryn for the amount of CAD \$30,000 (US\$ 21,146 at March 31, 2020). The note bears no interest and is payable on demand.

*Hanaq Peru SAC ("Hanaq")*

As part of an exclusivity agreement between Alturas and Hanaq Peru SAC, on June 27, 2018 the Company received an advance of \$60,000 from Hanaq for the purpose of paying property rights due on its Huajoto property.



### ***Project Developments***

#### ***i) Sombrero - Peru***

On June 28, 2016 Alturas entered into a conditional option agreement with Auryn Resources Inc. (“Auryn”), where Alturas will grant Auryn the option to earn up to 100% interest in the Sombrero project (the “Sombrero Option”).

In order to earn the initial 80% interest in the Sombrero Property, Auryn must incur the following exploration expenditures within the stated dates, being the Closing Date the date in which the Definitive Agreement is signed:

	<b>Work expenditure</b>	<b>Interest earned</b>
Within 24 months after the Closing date	\$100,000	0%
Within 48 month after the Closing Date	\$500,000	0%
Within 60 month after the Closing Date	\$1,500,000	80%

In addition, Auryn paid Alturas \$140,000 in cash upon the signature of the conditional option agreement and \$60,000 on or before the first anniversary closing date of the signature of the Sombrero Option agreement, the latter in the event that Auryn elects to continue with the Sombrero Option (received during Q3 F2017).

Upon Auryn having completed its requirements to earn an 80% in the Sombrero Project, the parties shall form a customary 80:20 joint venture. For the first year after the formation of the joint venture (the “Free Carried” period) Alturas’ 20% interest shall be “free carried”. Also, during this Free Carried period, Auryn would have the right to acquire the remaining 20% interest in the Sombrero Project from Alturas for \$5 million.

On August 11, 2017, Alturas and Sombrero Minerals S.A.C (a subsidiary of Auryn Resources), signed the definitive agreement on the Sombrero property.

As at March 31, 2020 Auryn has spent approximately \$1.7 M in the property.

#### ***ii) Huajoto - Peru***

On December 28th, 2012 the Company and COMACSA signed a contract terminating the local mining option and assignment agreement and executing the transfer of the mining concession previously held by COMACSA to the Company. In consideration for the Esperanza Uno concession, COMACSA will be entitled to a 5% net profit interest royalty on all metals extracted from the Huajoto property block.

In compliance with the contract, the parties have agreed that: (i) If after four (4) years of having entered into this agreement, the construction of mining facilities within any of the Huajoto concessions has not started in order to proceed with the commercial production stage; or (ii) If after six (6) years of having entered into this agreement, the commercial production within any of the Huajoto concessions has not started, then Alturas shall pay COMACSA an annual amount of US\$ 50,000 as an advance on the net profit interest royalty. As the Company has not started the construction of a mining facility in any of the Huajoto concessions within four years of the signature of the agreement.



On June 28, 2016 the Company entered into an agreement with Compañía Minera Milpo S.A.A. (“Milpo”) which was subsequently superseded by a definitive agreement dated January 18, 2017, to grant Milpo the option to acquire an 80% interest in the concessions.

In order to acquire an 80% interest, Milpo was required to pay to the Company \$2,000,000 within three years of the initiation of exploration activities by Milpo. During this period, Milpo would pay the Company an annual cash payment of \$200,000 out of which the Company would pay the annual land fees on the concession, and an annual advanced royalty of \$50,000 to Compañía Agregados Calcareos S.A. The balance of the annual payment from Milpo was to be deducted from the final \$2,000,000 payment to acquire its 80%.

During the first quarter of fiscal 2018, Milpo terminated its option in Huajoto and returned the property to Alturas.

As a result of the increasing cash requirements that the Huajoto project demanded from the Company and its lack of liquidity, Alturas decided during the second quarter of fiscal 2019 to discontinue its operations in Huajoto and returned the project.

## Outlook

As a result of its efforts in seeking for strategic partners to advance its exploration projects, Alturas has signed an agreement with Sombrero Minerales S.A.C. (Aury’s subsidiary). The Company was able, until fiscal 2018, to pay its past mining licenses related to its two drilling-stage projects in Peru (Sombrero and Huajoto), as they were funded by their respective optionors.

As Milpo terminated its option in Huajoto during 2018, Alturas entered into an exclusivity agreement with Hanaq which funded Huajoto’s licenses for fiscal 2018 (see Notes payable and advances – above). During fiscal 2019 Hanaq decided to discontinue negotiations with Alturas and Alturas returned certain Huajoto designated areas to Comacsa and did not renew the remaining areas that it held directly.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected Alturas financial perspective as financial markets and world economies contract the ability of the Company to obtain sufficient financing to continue its operations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

Alturas is however discussing with strategic partners, financial alternatives which would allow continue its future viability and restructure its operations.

## Results of Operations

The Company has no operating revenues and relies on external financings to obtain capital. As a result of its activities, Alturas continues to incur annual net losses.

For the three months ended March 31, 2020, Alturas generated a net loss of \$36,488, compared to a loss of \$156,332 for the comparative period.

The most significant items impacting the first quarter of fiscal 2020, when compared to the same period of fiscal 2019, included a gain in foreign exchange of \$60,072 (Q1F2019: \$2,666) resulting from the decrease in value of certain Canadian dollar denominated liabilities, as the US currency increase by approximately 8.5% between December 31, 2019 and March 31, 2020.



Other Income also decreased during Q1F2020 when compared to Q1F2019 resulting for an adjustment to interest on a note payable during the first quarter of fiscal 2019.

**Exploration expenses:**

There were no significant exploration expenses incurred during the three months ended March 31, 2020 or March 31, 2019 as all properties are now optioned out and Alturas is being carried until its contribution is required by the current Sombrero option agreements, that requires Alturas to contribute its share after the Auryn Resources Inc. completes its 80% earning obligation and decides not to acquire the remaining 20% interest that Alturas currently owns..

**General and administration expenses:**

A detail of general and administration expenses, for the three months ended March 31, 2020 and 2019 is shown below:

Three months ended March 31,	2020			2019		
	Canada	Peru	Total	Canada	Peru	Total
Management fees	\$ 22,950	\$ 50,000	\$ 72,950	\$ 23,511	\$ 50,000	\$ 73,511
Professional fees	-	1,766	1,766	-	1,708	1,708
Directors Fees	11,500	-	11,500	11,500	-	11,500
Listing fees	4,878	841	5,719	8,019	638	8,657
Office and administration	440	63	503	790	502	1,292
Sale taxes	-	-	-	-	68	68
	\$ 39,768	\$ 52,670	\$ 92,438	\$ 43,820	\$ 52,916	\$ 96,736

There were no significant variations in general and administrative expenses for the three months ended March 31, 20120 when compared to the same period of fiscal 2019.

The most significant item in general and administration for both periods relate to management and director fees. The Company accrue management and director fees on a quarterly basis however no cash payment has been done since June 2013.

On November 2017, part of the accrued amount as of that date was settled in exchange for Alturas shares at an exchange ratio of \$0.05 per share.

The following schedule details the amounts converted in the transaction.



	Settled amount	Shares issued
<b>Directors:</b>		
Augusto Baertl	\$43,889	1,123,073
Roland Eschle	5,729	146,599
Paul Pearson	22,500	575,753
Walter Henry	114,111	2,919,989
	\$186,229	4,765,414
<b>Officers:</b>		
Miguel Cardozo	68,261	1,746,735
Mario Miranda	33,345	853,265
	\$101,606	2,600,000
<b>Total</b>	<b>\$287,835</b>	<b>\$7,365,414</b>

See also "Related Party Transactions" section for details of amounts still payable.

#### Share-based compensation:

The Company has a Stock Option Plan (the "Plan") to provide incentive for the directors, officers, employees, consultants and service providers of the Company. The maximum number of shares which may be set aside for issuance under the Plan is 8% of the outstanding common shares.

At March 31, 2020 there were 10,500,000 options outstanding and fully vested (2018: 10,500,000 options outstanding and 5,250,000 options vested), exercisable at CAD \$0.05 per share until December 12, 2022.

#### Summary of Quarterly Results

The following table summarizes the Company's financial results for each of the eight most recently completed quarters:

Quarter Ended	Net Revenue	Net Income ( loss)		Exploration expenses	General and administration
		Total	Per Share		
3/31/2020	Nil	\$ 36,488	(0.00)	\$ -	\$ 92,438
12/31/2019	Nil	(252,408)	(0.00)	960	200,649
9/30/2019	Nil	(109,210)	(0.00)	(120)	95,249
6/30/2019	Nil	(90,914)	(0.00)	-	89,354
3/31/2019	Nil	(156,332)	(0.00)	-	96,736
12/31/2018	Nil	(364,708)	(0.00)	2,710	130,648
9/30/2018	Nil	(95,689)	(0.00)	-	90,053
6/30/2018	Nil	(162,635)	(0.00)	78,859	89,077



## Liquidity and Capital Resources

Periods ended,	March 31, 2020	December 31, 2019
<b>Assets</b>		
Cash and cash equivalents	\$ 20,528	\$ 21,564
Other current assets	5,571	3,325
Property, plant and equipment	-	-
Total assets	26,099	24,889
<b>Liabilities</b>		
Current liabilities	2,527,419	2,489,721
Non-current liabilities	-	-
Total liabilities	\$ 2,527,419	\$ 2,489,721
<b>Shareholders' deficiency</b>	\$ (2,501,320)	\$ (2,464,832)
<b>Outstanding number of shares</b>	144,882,143	144,882,143

### Cash Flows

On June 27, 2018 the Company received an advance of \$60,000 from Hanaq for the purpose of paying property rights due on the Company's Huajoto property. The advance carries no interest, was due on December 27, 2018 and was secured by the mineral rights of the Huajoto property.

On March 29, 2019, the Company entered into a loan agreement with Aurn Resources Inc ("Aurn") where Alturas issued a note payable to Aurn for the Amount of CAD \$30,000 (US\$ 23,098 at December 31, 2019). The note bears no interest and is payable on demand.

During the first quarter of fiscal 2019 the Company received an advance from a company controlled by an officer of the Company for \$27,550. The loan was repaid during the second quarter of fiscal 2019.

Subsequent to quarter end, Alturas issued a note payable to Sombrero Minerals SAC, a subsidiary of Aurn resources for \$117,000. At the same time, Alturas settled its debt outstanding with Andes Generating Corporation SAC, which had a carrying value of \$178,069, for \$117,000 generating a gain in settlement of debt of \$61,069. See *Subsequent Events* section

### Cash and Cash Equivalents

At March 31, 2020 the Company had a cash balance of \$20,528. The majority of these funds are deposited with major Canadian chartered banks in Canada and Peru.

The Company will require substantial additional funds to maintain its property interests, further explore and, if warranted, develop one or more of its properties. The Company has limited financial resources and no current source of revenue, and there is no assurance that additional funding will be available to the Company to continue as a going concern and carry out the completion of its planned exploration activities, for additional exploration or for the substantial capital that is typically required in order to place a property into commercial production. The terms of any additional financing obtained by the Company will result in dilution to the existing shareholders of the Company. Various factors including the Company's exploration results could cause significant fluctuations in the price and volume of trading in the Common Shares of the Company.



The consolidated financial statements of the Company have been prepared in accordance with accounting principles applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from March 31, 2020. A different basis of measurement may be appropriate when a company is not expected to continue operations for the foreseeable future. For the three months ended March 31, 2020, cash generated by Company's operating activities was \$59,036 and the Company had an accumulated shareholders deficiency of approximately \$2.5 million at March 31, 2020. Furthermore, the Company had not generated revenue from operations (aside from revenue generated on the option or disposition of mineral properties) and had a working capital deficiency of \$2.5 million as at March 31, 2020. Additional financing is currently required to allow the Company to continue operating and to fund its planned exploration and development programs.

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern. In view of these circumstances, the Company requires additional financings to continue to operate and complete its planned exploration and development programs on properties in Peru, and will continue to explore financing alternatives to raise capital. Although Alturas has been successful in these activities in the past, the Company has no assurance on the success or sufficiency of these initiatives in the immediate future or that such financing will be available on acceptable terms.

#### ***Mineral Properties and Other Fixed Assets***

The Company considers all funds disbursed on exploration as expenses hence it does not capitalize any of these amounts. During the three months ended March 31, 2020 and 2019 the Company did not incur exploration expenses.

#### ***Current Assets***

As at March 31, 2020, total current assets other than cash were \$5,571 mainly composed by sales tax receivables, trade receivable and prepaid expenses.

#### ***Contractual Obligations and Commitments***

The Company's has no contractual obligations or commitments as its mining licenses for the Sombrero property are paid by Aury Resources, its optionor.

The Company is party to certain management contracts and severance obligations. These contracts contain clauses requiring additional payments up to \$587,500 to be made upon the occurrence of certain events such as change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been provided for in the above schedule.

#### ***Common Shares and Convertible Securities Summary***

As of the date of this report, the Company's share position consisted of:

Shares issued and outstanding	144,882,143
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#### ***Shares issued on debt settlement:***

On November 20, 2017 Alturas entered into debt settlement agreements with certain related parties totaling \$403,154, by agreeing to issue 10,316,300 shares of the Company at CND\$0.05. Shares related to these settlements were issued on January 2018.



In addition to the debt settlements outlined above, the Company entered during the first quarter of fiscal 2018 into additional debt settlement agreements with non-related parties, to issue 2,255,341 shares of the Company to settle debt valued at \$88,137. The shares were issued during the first quarter of fiscal 2018.

## Related Party Transactions

Key management includes directors (executive and non-executive), and senior officers (Chief Executive Officer and Chief Financial Officer). The compensation accrued to key management for employee services for the three months ended March 31, 2020 and 2019 is shown below:

<i>Three months ended March 31,</i>	<b>2020</b>	2019
Miguel Cardozo	\$ 50,000	\$ 50,000
Mario Miranda	22,950	24,038
	<b>\$ 72,950</b>	\$ 74,092
Directors fees	<b>\$ 11,500</b>	\$ 11,500

As described above, under “Shares issued on debt settlement”, in November 2017 the Company entered into debt settlement agreements with related parties for a total of \$403,154. Shares were issued during the first quarter of fiscal 2018.

The following schedule discloses the details of these settlements:

	<b>Amount</b>	<b>Shares issued</b>
Management fees	\$ 101,606	2,600,000
Director fees	186,229	4,765,414
Loans from related parties	115,319	2,950,892
<b>Total settled with related parties</b>	<b>\$ 403,154</b>	<b>10,316,306</b>

The amount payable to related parties as of December 31, 2019 and 2018 is described in the schedule below:

<b>March 31,</b>	<b>2020</b>	2019
<b><i>Payable to related parties:</i></b>		
Directors' fees and expenses payable	\$ 110,000	\$ 61,346
Management fees payable to officers	1,703,059	1,563,031
Advances payables to key management and entities controlled by/or them	-	27,550
	<b>\$ 1,813,059</b>	\$ 1,651,927

## Subsequent Events

*a) Note payable to Andes Generating Corporation SAC:*

Subsequent to quarter end the Company entered into a settlement agreement with Andes where Alturas paid \$117,000 to settle all the outstanding balance.

*b) Addendum to the Sombrero mining Option Agreement:*

Subsequent to quarter end, Alturas Minerals SA and Sombrero Minerals SAC (“Sombrero”), respectively



subsidiaries of Alturas Minerals Corp. and Auryr Resources Inc. (The “Parties”), entered into an addendum to the Sombrero mining Option Agreement where as part of a payment of \$117,000 made directly to Andes (see (a) above), the Parties agreed that Sombrero may, at its sole discretion and election, off-set such amount, totally or partially, in one or more installments, against any payment or investment obligation that Sombrero may have under the Option Agreement.

## **Off-Balance Sheet Transactions**

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

## **Proposed Transactions**

The Company, from time to time, reviews potential merger, acquisition, investments and joint venture opportunities. There are no proposed transactions as of December 31, 2019.

## **Critical Accounting Estimates and Changes in Accounting Policies**

### **Basis of presentation**

The Company prepares its financial statements in accordance with International Financial Reporting Standards (“IFRS”).

### **Critical accounting estimates and judgments**

The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Company has made in the preparation of the financial statements:

- The recoverability of accounts receivable and value-added taxes receivable is included in the consolidated statements of financial position. Alturas writes-off the majority of its foreign value-added taxes since the generation of sales tax credits from actual revenues are required for the recovery of sales tax receivables. The Company recognizes all sale tax debits generated in Canada. Alturas cannot be certain of the full recoverability of these amounts which could be material.
- The inputs used in accounting for derivative liabilities and convertible note payable, deferred losses related to and amortization charges to profit or loss. Alturas estimates the value of these options and warrants using the Black-Scholes valuation method. Several assumptions including volatility and risk-free interest rate and expected life of the derivative are significant assumptions used in determining their values.

## **Accounting Policies**

For a detailed overview of the Company’s accounting policies please see Note 3 to the December 31, 2019 consolidated audited financial statements.



## **Financial Instruments and Other Instruments**

### ***Net Fair Value of Financial Assets and Liabilities***

The Company's financial instruments comprise cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities and note payable.

Cash and cash equivalents have been designated as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

### ***Financial Instrument Risk Exposures***

It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments and that their fair values approximate their carrying value unless otherwise noted.

## **Controls and Procedures**

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and assessed the design and operating effectiveness of the Company's internal controls over financial reporting as of March 31, 2020, pursuant to the requirements of Multilateral Instrument 52-109.

Management has concluded that, as of March 31, 2020 such financial reporting disclosure controls and procedures and the design and operating effectiveness of the Company's internal controls over financial reporting were effective.

Management is not aware of any changes in its internal controls over financial reporting during the three months ended March 31, 2020 that would materially affect, or is reasonably likely to materially affect, its internal controls over financial reporting.

## **Risk Factors**

Alturas' business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future.

In addition to other information set forth elsewhere in the financial statements, readers should carefully consider the comprehensive list of risk factors, included in the Annual Information Form under "*Risk Factors*". This Annual Information Form is located on SEDAR ([www.sedar.com](http://www.sedar.com)).

The following represents the principal risks faced by the Company:

### ***Capital Requirements***

Alturas will require significant capital in order to fund its operating costs, to service future indebtedness and to explore and develop any project. Alturas has no revenues and is wholly reliant upon external financing to fund all of its capital requirements. Alturas will require additional financing from external sources to meet such requirements. There can be no assurance that such financing will be available to Alturas or, if it is, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of Alturas, the interests of shareholders in the net assets of Alturas may be diluted. Any failure of Alturas to obtain financing on acceptable terms could have a material adverse effect



on Alturas' financial condition, prospects, results of operations and liquidity and require Alturas to cancel or postpone planned capital investments.

### ***Dependence on Mineral Exploration Projects***

Any adverse development affecting the progress of Alturas' exploration projects such as, but not limited to, obtaining financing on commercially suitable terms, hiring suitable personnel and contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on Alturas and its business or prospects.

### ***Metal Prices***

The development and success of any project of Alturas will be primarily dependent on the future price of gold and other metals. Gold and base metal prices are subject to significant fluctuation and are affected by a number of factors, which are beyond the control of Alturas. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold and other precious and base metals has fluctuated widely in recent years, and future serious price declines could cause any future development of and commercial production from Alturas' properties to be impracticable. Depending on the price of gold and other metals, projected cash flow from planned mining operations may not be sufficient and Alturas could be forced to discontinue any development and may lose its interest in, or may be forced to sell, some of its properties. Future production from Alturas' mining properties is dependent on gold and base metal prices that are adequate to make these properties economic.

Furthermore, reserve calculations and life-of-mine plans using significantly lower gold and other metal prices could result in material write-downs of Alturas' investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting Alturas' possible future reserve estimates and its financial condition, declining commodity prices may impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

### ***Government Regulation, Permits and Licences***

Alturas' mineral exploration and potential development activities are subject to various laws governing prospecting, mining, development, production, taxes, labor standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration, development or production. Many of the mineral rights and interests of Alturas are subject to government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that Alturas will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained; Alturas may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Where required, obtaining necessary permits and licenses can be a complex, time consuming process and Alturas cannot assure that required permits will be obtainable on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict Alturas from proceeding with



the development of an exploration project or the operation or further development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of such mining activities, and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on Alturas and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### ***Currency Risks and Fluctuations***

Alturas' proceeds from offerings of its securities and other financing activities are typically received in Canadian dollars and United States dollars while a significant portion of its operating expenses will be incurred in United States dollars and Peruvian Soles. From time to time Alturas may borrow funds and will incur capital expenditures that are denominated in foreign currency. Accordingly, foreign currency fluctuations may adversely affect Alturas' financial position and operating results.

The effects on operating costs and, hence, on cash flows, of the foreign exchange rate and the escalation of the Peruvian Sol are significant. The appreciation of these currencies against the U.S. dollar would increase the costs of exploration and development, which could materially and adversely affect Alturas, results of operations and financial condition.

### ***Country Risk***

Alturas' management concentrates its exploration efforts in Latin-American countries with low country risks. The Company currently operates in Peru.

Peru's economy has shown strong growth over the past years, helped by market-oriented economic reforms and privatizations in the 1990's, and the measures taken since 2001 to promote trade and attract investment. Traditionally, the economy of Peru was based on natural resources in fields such as mining, farming fishing, and agriculture. Lately, though, there has been a noticeable increase in slight industries, services and high technologies. In the period 2007-2013, the Peruvian economy grew 6.5% annually in average, the largest growth rate in all of South America and averaged an inflation rate of 2.5%, the lowest rate in the region. In the period 2014-2017 the Peruvian GDP growth and the inflation rates varied between 2.4% and 3.9% and between 2.8% and 4.4% due to a lower growth of consumption and investment given the decline in terms of trade experienced by the country in the previous three years due to the global economic downturn.

<b>Year</b>	<b>Annual GDP %</b>	<b>Inflation rate %</b>
2014	2.4	3.2
2015	3.5	4.4
2016	3.9	3.6
2017	2.5	2.8
2018	4.0	2.2
2019	2.2	1.9



Forecasted rates for 2020-2021 by the Peruvian Central Bank (BRCP) in its December 2019 report:

Year	Annual GDP %	Inflation rate %
2020	3.8	2.0
2021	3.8	2.0

It should be noted that the positive economic growth in 2014 and 2015 has been favoured by a significant increase of the country copper production, which included a mining GDP of 15.7% in 2015 and a remarkable 30.5% increase in December 2016. Copper production increased from 1.4 million tons in 2014 to 2.6 million tons in 2017.

In 2016-2019, Peru has maintained its position as one of the world's top producer of minerals, second in silver, third in zinc, second in copper, sixth in tin, fourth in lead, fourth in molybdenum and fifth in gold. Mineral exports have consistently accounted for the most significant portion of Peru's export revenue, comprising 61% in 2016. Mining projects worth \$57 billion are either in construction or undergoing the permitting phase, though many have been subject to delays due to local community opposition.

#### ***Recent political changes in Peru***

Pedro Pablo Kuczynski resigned the presidency in March 2018, under the threat of impeachment, after mounting allegations of corruption. The vice-president, Martín Vizcarra, assumed the office, which should provide stability and support the ongoing economic recovery. On September 30th, 2019, President Martin Vizcarra announced the dissolution of Peru's national congress in accordance with Section 134 of the Constitution. This dissolution was officially enacted shortly thereafter by publication of Executive Order (Decreto Supremo) 165-2019-PCM. The order dissolved Congress and called for parliamentary elections in four months from then (Sunday, 26 January 2020). The election of the new congressmen was completed in March 2020 they will be formally appointed in April 2020 by the National Electoral Council.

In early October 2019, Eng. Juan Carlos Liu was appointed as Minister of Energy and Mines. More recently (February 13, 2020), was replaced again by Eng. Susana Vilca on February 13, 2020.

Minister Susana Vilca is a mining engineer graduated from the and a Master Degree in Technologies for Environmental Protection. Eng. Vilca has also been Vice Minister of Mining between August 2011 and January 2012 and a congresswoman in the 2006-2011 period.

#### ***Competition***

The mining industry is competitive in all of its phases. Alturas faces strong competition from other exploration and mining companies in connection with the acquisition of properties producing or capable of producing, precious and base metals. Many of these companies have greater financial resources, operational experience and technical capabilities than Alturas. As a result of this competition, Alturas may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the financial condition and any future revenues and operations of Alturas could be materially adversely affected.

#### ***Exploration, Development and Operational Risk***

The exploration for, and development of, mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties, which are explored, are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a



mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, metal prices which are highly cyclical, and government regulations including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Alturas not receiving an adequate return on invested capital.

Alturas does not currently operate a mine on any of its properties. There is no certainty that the expenditures made by Alturas towards the search for, and evaluation of, mineral deposits will result in discoveries of commercial quantities of ore.

Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration for, and development and production of gold and other precious or base metals. Such hazards and risks include unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

#### ***Joint Venture Strategy***

Alturas' business strategy includes continuing to seek new joint venture opportunities. In pursuit of such opportunities, Alturas may fail to select appropriate joint venture partners or negotiate acceptable arrangements, including arrangements to finance such opportunities or, where necessary, integrate the acquired businesses and their personnel into Alturas' operations. Alturas cannot assure that it can complete any business arrangement that it pursues on favorable terms, or that any business arrangements completed will ultimately benefit Alturas' business.

#### ***Reliance on Management and Key Employees***

The success of the operations and activities of Alturas is dependent to a significant extent on the efforts and abilities of its management, a relatively small number of key employees, outside contractors, experts and other advisors. Investors must be willing to rely to a significant extent on management's discretion and judgment, as well as the expertise and competence of its key employees, outside contractors, experts and other advisors. Alturas does not have in place formal programs for succession of management and training of management nor does it have key person insurance on its key employees. The loss of one or more of these persons, if not replaced, could adversely affect Alturas' operations and financial performance.

#### ***No Assurance of Titles, Boundaries or Approvals***

Titles to Alturas' properties may be challenged or impugned, and title insurance is generally not available. Alturas' mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, Alturas may be unable to operate its properties as permitted or to enforce its rights with respect to its properties. Alturas cannot assure that it will receive the necessary approval or permits to exploit any or all of its mineral projects in the future. The failure to obtain such permits could adversely affect Alturas' operations.

#### ***Environmental Risks and Hazards***

All phases of Alturas' operations are subject to environmental regulation in the jurisdiction in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more



stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Alturas' operations. Environmental hazards may exist on the properties in which Alturas holds interests which are unknown to Alturas at present and which have been caused by previous or existing owners or operators of the properties.

### ***Uninsured Risks***

Alturas' business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Alturas' properties or the properties of others, delays in development or mining, monetary losses and possible legal liability.

Although Alturas maintains insurance to protect against certain risks in such amounts as it considers commercially reasonable, its insurance will not cover all of the potential risks associated with its operations. Alturas may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration is not generally available to Alturas on affordable and acceptable terms. Alturas might also become subject to liability for pollution or other hazards which may not be insured against or which Alturas may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Alturas to incur significant costs that could have a material adverse effect upon its financial condition and results of operations.