



ALTURAS MINERALS CORP.

(A development stage company)

Consolidated Financial Statements

**Year ended September 30, 2007 and
Nine months ended September 30, 2006**

(Expressed in US dollars unless otherwise stated)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Alturas Minerals Corp. were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The members of the Audit Committee are not officers of the Company. The Audit Committee meets with management to review the internal controls over the financial reporting process, the consolidated financial statements and the auditors' report. The Audit Committee also reviews the Annual Report to ensure that the financial information reported therein is consistent with the information presented in the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)

Miguel Cardozo Goytizolo
President and Chief Executive Officer

(signed)

Ernest M. Cleave
Chief Financial Officer

Toronto, Canada
January 8, 2008

Auditors' Report

**To the Shareholders of
Alturas Minerals Corp.**

We have audited the consolidated balance sheets of Alturas Minerals Corp. as at September 30, 2007 and 2006 and the consolidated statements of loss and comprehensive loss, changes in shareholders equity and cash flows for the year ended September 30, 2007 and the nine months ended September 30, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and 2006 and the results of its operations and its cash flows for the year ended September 30, 2007 and the nine months ended September 30, 2006 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
January 8, 2008

ALTURAS MINERALS CORP.
(A development stage company)
CONSOLIDATED BALANCE SHEETS
(Expressed in US\$ unless otherwise stated)

	September 30, 2007	September 30, 2006
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	7,876,501	5,171,506
Accounts receivable	30,333	51,949
Prepayments	34,387	32,612
	7,941,221	5,256,067
Mineral properties (Note 4)	240,000	240,000
Property, plant and equipment (Note 3)	60,687	39,748
	8,241,908	5,535,815
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	138,734	218,547
Non-current liabilities		
Due to Equinox Minerals Limited (Note 5)	375,000	750,000
	513,734	968,547
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	14,393,129	6,873,219
Warrants (Note 8)	1,451,234	345,920
Contributed surplus	2,890,972	2,313,723
Deficit	(11,007,161)	(4,965,594)
	7,728,174	4,567,268
	8,241,908	5,535,815

See accompanying notes to consolidated financial statements.

Nature of operations and going concern (Note 1)

Commitments (Note 10)

Approved by the Board of Directors:

(Signed) Miguel Cardozo Goytizolo
Miguel Cardozo Goytizolo, Director

(Signed) Paul Pearson Patten
Paul Pearson Patten, Director



ALTURAS MINERALS CORP.**(A development stage company)****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****(Expressed in US\$ unless otherwise stated)**

	Year ended September 30, 2007	Nine months ended September 30, 2006	Cumulative from inception on January 14, 2004
	\$	\$	\$
Expenses			
Exploration	4,751,489	1,560,781	8,652,687
General and administration	913,478	339,302	2,025,713
Amortization of property, plant and equipment	13,042	3,418	28,155
Stock-based compensation (Note 7)	547,109	289,642	836,751
Other expense (income) (Note 13)	(183,551)	(355,857)	(536,145)
Net loss and comprehensive loss for the year and period	6,041,567	1,837,286	11,007,161
Basic and diluted loss per share (Note 12)	0.15	0.10	
Weighted average number of shares outstanding	39,915,657	17,949,007	

See accompanying notes to consolidated financial statements.

ALTURAS MINERALS CORP.
(A development stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in US\$ unless otherwise stated)

	Year ended September 30, 2007	Nine months ended September 30, 2006	Cumulative from inception on January 14, 2004
	\$	\$	\$
Cash Provided By (Used In)			
Operations			
Net loss for the year and period	(6,041,567)	(1,837,286)	(11,007,161)
Items not involving cash:			
Stock-based compensation (Note 7)	547,109	289,642	836,751
Amortization of property, plant and equipment	13,042	3,418	28,155
Foreign exchange gain	(2,703)	(270,028)	(269,320)
	(5,484,119)	(1,814,254)	(10,411,575)
Changes in non-cash working capital			
Accounts receivable and prepayments	19,841	12,318	32,037
Accounts payable and accrued liabilities	(79,813)	84,423	48,420
	(5,544,091)	(1,717,513)	(10,331,118)
Financing			
Contributions from shareholders	-	-	2,032,799
Proceeds on issuance of securities, net of share issue costs	8,655,364	6,119,255	14,957,435
Acquisition costs net of cash acquired	-	161,907	161,907
Advances from (repayments to) Equinox Minerals Limited (Note 5)	(375,000)	279,285	875,000
	8,280,364	6,560,447	18,027,141
Investing			
Purchase of property, plant and equipment	(33,981)	(34,326)	(88,842)
Net change in cash and cash equivalents	2,702,292	4,808,608	7,607,181
Cash and cash equivalents, beginning of year and period	5,171,506	92,870	-
Effect of exchange rate changes on cash held in foreign currencies	2,703	270,028	269,320
Cash and cash equivalents, end of year and period	7,876,501	5,171,506	7,876,501
See accompanying notes to consolidated financial statements.			
Interest paid	-	-	-
Taxes paid	-	-	-

Non-cash financing and investing activities: Note 14



ALTURAS MINERALS CORP.
(A development stage company)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in US\$ unless otherwise stated)

	Year ended September 30, 2007	Nine months ended September 30, 2006	Cumulative from inception on January 14, 2004
	\$	\$	\$
Share capital			
Balance, beginning of year and period	6,873,219	422,816	-
Initial share allotment	-	-	1
Shares issued to acquire subsidiaries	-	-	240,001
Fair value warrant reallocation	-	(30,140)	(30,140)
Shares issued to Equinox Minerals Limited	-	500,000	500,000
Share exchange to effect RTO, net of costs	-	168,351	168,351
Proceeds from private placements, net of issue costs	8,603,878	5,480,726	14,267,418
Fair value of compensation options and broker warrants issued, net of issue costs	(186,078)	(38,780)	(224,858)
Fair value of warrants issued under private placements, net of issue costs	(949,376)	(277,000)	(1,226,376)
Exercise of stock options	-	13,217	13,217
Transfer from contributed surplus	-	8,718	8,718
Exercise of warrants	51,486	625,311	676,797
Balance, end of year and period	14,393,129	6,873,219	14,393,129
Warrants			
Balance, beginning of year and period	345,920	-	-
Transfer of warrants from share capital	-	30,140	30,140
Fair value of compensation options and broker warrants issued, net of issue costs	186,078	38,780	224,858
Fair value of warrants issued under private placements, net of issue costs	949,376	277,000	1,226,376
Transfer to contributed surplus on expiry of warrants	(30,140)	-	(30,140)
Balance, end of year and period	1,451,234	345,920	1,451,234
Contributed surplus			
Balance, beginning of year and period	2,313,723	2,032,799	-
Shareholder contributions	-	-	2,032,799
Stock-based compensation (Note 7)	547,109	289,642	836,751
Transfer to share capital on exercise of stock options	-	(8,718)	(8,718)
Transfer from warrants	30,140	-	30,140
Balance, end of year and period	2,890,972	2,313,723	2,890,972
Deficit			
Balance, beginning of year and period	(4,965,594)	(3,128,308)	-
Net loss for the period	(6,041,567)	(1,837,286)	(11,007,161)
Balance, end of year and period	(11,007,161)	(4,965,594)	(11,007,161)
Total	7,728,174	4,567,268	7,728,174

See accompanying notes to consolidated financial statements.



ALTURAS MINERALS CORP.
(A development stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US\$ unless otherwise stated)

Year ended September 30, 2007 and nine months ended September 30, 2006

1. NATURE OF OPERATIONS AND GOING CONCERN

Alturas Minerals Corp. ("Alturas" or the "Company") is a Canadian corporation that has been actively exploring various mineral projects in Peru since January 2004. The principal assets of the Company are four mineral exploration projects located in southern Peru, being the Huilacollo Gold Project, the Baños del Indio Gold Project, the Utupara Copper-Gold Project and the Huajoto Gold-Silver-Zinc Project. In addition, Alturas Peru has interests in fourteen other exploration projects in Peru. The exploration strategy of the Company is to focus on the discovery of large epithermal gold mineralized deposits and copper-gold porphyry/skarn deposits. To date, the Company has not earned mining revenues and is considered to be in the development stage.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. For the year ended September 30, 2007, the Company has a loss of approximately \$6.0 million and an accumulated deficit of approximately \$11.0 million. In addition to its working capital requirements, the Company must secure sufficient funding to meet its spending and purchase option obligations with respect to its mineral properties in order to keep legal title and advance the projects. There are approximately \$4.6 million in existing commitments as at September 30, 2007. In due course, the Company will have to secure additional financing to carry out planned and future exploration and development activities. Such circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

The Company has raised capital by way of a private placement during the year and has approximately \$7.9 million in cash and cash equivalents at September 30, 2007 to fund exploration and meet contractual obligations. The Company's financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management expects that the Company will be able to secure the necessary financing through a combination of the exercise of existing options and warrants for the purchase of common shares and issue of new equity or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of properties. These financial statements 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 were the going concern assumption inappropriate, and these adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been presented in accordance with Canadian generally accepted accounting principles ("GAAP"). Summarized below are the significant accounting policies used in these consolidated financial statements:

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by the Company. The effects of all transactions between entities in the consolidated group are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of operations and deficit from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.



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Year ended September 30, 2007 and nine months ended September 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes. Significant areas where management's judgment is applied include the carrying value of mineral properties, future income tax assets and fair value estimates for stock options and warrants. Actual results may differ from those estimates.

(c) Income Tax

The Company accounts for income taxes in accordance with the asset and liability method. The determination of future income tax assets and liabilities is based on the differences between the financial statement and the income tax bases of assets and liabilities, using substantively enacted tax rates in effect for the period in which the differences are expected to reverse. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

(d) Exploration and Evaluation Costs

Exploration and evaluation expenditure costs incurred by the Company are accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead and foreign exchange movement on loans directly attributable to the project, but does not include general overheads or administrative expenditure.

Mineral property acquisition costs are capitalized. Exploration and evaluation expenditure for each area of interest is expensed as incurred, unless such costs are expected to be recovered through successful development and exploitation of the area of interest or, alternatively, by its sale. Expenditure is not deferred in respect of any area of interest or mineral resource unless the Company's rights of tenure to that area of interest are current. Although the Company has taken steps to verify title to its areas of interest, these procedures do not guarantee the Company's title. Such areas of interest may be subject to prior undetected agreements or transfers, and title may be affected by such defects.

Deferred exploration and evaluation costs will be amortised over the estimated useful life of the ore body, on a units of production basis, from the commencement of commercial extraction, or written off if the property is sold or abandoned.

Borrowing costs included in exploration and evaluation expenditure are those costs that would have been avoided if the expenditure had not been incurred.

If there is an indication of impairment, management considers the recoverable value of mineral properties based on undiscounted cash flows and where these are lower than the carrying values, the carrying values will be written down to fair value accordingly. Management's estimate of cash flows is subject to risks and uncertainties affecting the recoverability of the Company's investment in these areas. Although management have made their best estimate of these factors based on current conditions, it is possible that changes could occur which could adversely affect this estimate of the recoverability of deferred exploration and evaluation costs.



ALTURAS MINERALS CORP.
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(Expressed in US\$ unless otherwise stated)

Year ended September 30, 2007 and nine months ended September 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign Currency Translation

The Company employs the temporal method of translation for its integrated operations. Under this method, monetary assets and liabilities are translated at the year-end rates and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized in income, with the exception of amortization which is translated at the historical rate for the associated asset. Realized exchange gains and losses and currency translation adjustments are included in income. The Company does not have any self sustaining operations.

(f) Property, plant and equipment

The cost of each item of property, plant and equipment is amortized on a straight line basis over its expected useful life to the Company. The expected useful lives of plant and equipment held are between two and ten years.

The carrying value of property, plant and equipment is reviewed and where there is an indication of impairment and the carrying values exceed their recoverable amount, they are written down to fair value.

(g) Cash and cash equivalents

Cash and cash equivalents are comprised of highly liquid investments with maturity of 3 months or less at the date of original issue.

(h) Loss per Share

Basic loss per share is determined by dividing the net loss by the weighted average number of ordinary shares outstanding during the financial period. Diluted loss per share is the same as basic loss per share as the effect of potential issues of shares under option or from warrant exercises would be anti-dilutive.

(i) Asset Retirement Obligations

Future costs to retire an asset including dismantling, remediation and ongoing treatment, and monitoring of the site are recognized and recorded as a liability at fair value. The liability is accreted, over time through periodic charges to earnings. In addition, asset retirement costs are capitalized as part of the asset's carrying value and amortized over the asset's useful life.

The Company has no obligations relating to retirement of its assets as at September 30, 2007 and September 30, 2006 and no liability has been recognized.



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Year ended September 30, 2007 and nine months ended September 30, 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Change in accounting policy

On October 1, 2006, the Company adopted CICA Handbook Sections 1530, "Comprehensive Income", Section 3251 "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3865, "Hedges." Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated except for the requirement to restate currency translation adjustment as part of other comprehensive income. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to Equinox Minerals Limited are classified as other financial liabilities, which are measured at amortized cost.

The adoption of these Handbook Sections had no impact on opening deficit.



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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

(l) Future accounting changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on October 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

(m) Accounting changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.



ALTURAS MINERALS CORP.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in US\$ unless otherwise stated)

Year ended September 30, 2007 and nine months ended September 30, 2006

3. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2007	September 30, 2006
	\$	\$
Property, plant and equipment - at cost	88,842	54,861
Less: accumulated amortization	(28,155)	(15,113)
	60,687	39,748

4. MINERAL PROPERTIES

	September 30, 2007	September 30, 2006
	\$	\$
Utupara (a)	190,000	190,000
Huilacollo (b)	20,000	20,000
Baños del Indio (c)	30,000	30,000
	240,000	240,000

- (a) **Utupara** copper-gold project – 100% owned by Alturas.
(b) **Huilacollo** gold project – Alturas holds an option on this advanced exploration project in the department of Tacna in the Peru-Chile border region.
(c) **Baños del Indio** gold project – Alturas holds an option to acquire the property located near Huilacollo in the Department of Tacna.

5. DUE TO EQUINOX MINERALS LIMITED

On March 31, 2006, Alturas issued a \$750,000 promissory note to Equinox Minerals in order to recognize the over contribution Equinox Minerals had made with respect to shareholdings in Alturas Peru. This promissory note is non-interest bearing and due on March 31, 2010. Alturas has the right to repay Equinox Minerals the owed amount in whole at any time, and the promissory note is non-assignable. Details of the movement in the note balance are as follows:

	\$
Opening balance, September 30, 2006	750,000
Reduction of promissory note through cash payments to Equinox Minerals	(375,000)
Ending balance, September 30, 2007	375,000

On November 27, 2006, \$375,000 was voluntarily repaid to Equinox Minerals towards the promissory note. The fair value of the promissory note has been estimated by management to be approximately \$338,779.



ALTURAS MINERALS CORP.
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(Expressed in US\$ unless otherwise stated)

Year ended September 30, 2007 and nine months ended September 30, 2006

6. SHARE CAPITAL

- (a) Authorized capital
The number of authorized common shares and preferred shares is unlimited.
- (b) Issued capital

	Number of Shares	Amount
		\$
Balance, December 31, 2005, former Alturas Minerals Corp.	10,430,566	422,816
Fair value warrant reallocation	-	(30,140)
	10,430,566	392,676
Shares issued to Equinox Minerals Limited	1,000,000	500,000
	11,430,566	892,676
Cancellation of former Alturas Minerals Corp. common shares at April 10, 2006	(11,430,566)	-
ILM common shares issued and outstanding at April 10, 2006	19,196,666	-
Share exchange to effect RTO, net of costs	40,006,978	168,351
	59,203,644	1,061,027
Private placement, net of issue costs (i)	32,527,582	5,480,726
Fair value of compensations options issued (i)	-	(38,780)
Fair value of warrants under private placement (i)	-	(277,000)
Reverse stock split upon amalgamation (ii)	(61,154,157)	-
Exercise of stock options	50,000	13,217
Transfer from contributed surplus	-	8,718
Exercise of warrants	2,333,337	625,311
	32,960,406	6,873,219
Private placement, net of issue costs (iii)	20,000,000	7,468,424
Exercise of warrants	166,667	51,486
	53,127,073	14,393,129
Balance, September 30, 2007	53,127,073	14,393,129



ALTURAS MINERALS CORP.
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(Expressed in US\$ unless otherwise stated)

Year ended September 30, 2007 and nine months ended September 30, 2006

6. SHARE CAPITAL (continued)

(b) Issued capital (continued)

(i) Former Alturas Minerals Corp., by way of private placement, issued 32,527,582 special warrants at Canadian \$0.215 each for gross proceeds of \$5,991,971 (Canadian \$6,993,430). Issue costs, including commission, amounted to \$511,245 (Canadian \$596,691). The special warrants consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitled the holder to acquire an additional common share at a price of Canadian \$0.25, expiring two years from the date of issue. The market value of each warrant was estimated on the date of grant using the Black-Scholes option pricing model. The market value was estimated to be \$277,000. Former Alturas Minerals Corp. issued 2,276,931 compensation options in connection with the private placement. The market value of \$38,780 was estimated using the Black-Scholes pricing model.

As a result of the completion of the amalgamation 32,527,582 former Alturas Minerals Corp. special warrants were exchanged for the same number of special warrants of Alturas, each of which were immediately automatically exercised in accordance with their terms for units of Alturas, each such unit consisting of one common share of Alturas and one half of one common share purchase warrant. 2,276,931 compensation options of former Alturas Minerals Corp. issued in connection with the private placement were exchanged for an equal number of compensation options of Alturas.

(ii) On April 5, 2006, securities of the Company, were subject to a consolidation on the basis of one post-consolidation common share for every three pre-consolidation common shares such that a total 30,577,069 common shares of the Company (91,731,226 pre-consolidation) were issued and outstanding as of April 10, 2006.

(iii) On May 29, 2007, Alturas completed a brokered private placement (the "Issue") of 20,000,000 units (the "Units"), at \$0.50 (Canadian) per Unit for aggregate gross proceeds to the Company of \$10,000,000 (Canadian). Each Unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant will entitle the holder thereof to acquire one common share at an exercise price of \$0.65 (Canadian) for a period of 18 months (November 29, 2008) from the closing of the Issue. The Company also issued broker warrants to agents entitling them to acquire 1,400,000 common shares at \$0.50 (Canadian) each for a period of 18 months (November 29, 2008) from the closing of the Issue.

Total cash costs associated with the Issue amounted to \$782,269.

The fair value of each common share was determined to be \$0.59 (Canadian) (the May 29, 2007 closing price of the common shares of the Company, on the principal stock exchange on which the shares trade). The fair value of the warrants and broker warrants was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 54.6%; risk-free interest rate of 4.67% and an expected average life of 1.5 years. The estimated fair value of each warrant and broker warrant was determined to be \$0.15 (Canadian) and \$0.21 (Canadian) respectively. The fair value allocation of common shares, warrants and broker warrants, net of costs, is summarized as follows: (i) common shares - \$7,468,424 (\$7,956,859 Canadian); (ii) warrants - \$949,376 (\$1,011,465 Canadian); and (iii) broker warrants - \$186,078 (\$198,247 Canadian).



ALTURAS MINERALS CORP.
(A development stage company)
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7. STOCK OPTIONS

The Company has a Stock Option Plan (the "Plan") to provide incentive for the directors, officers, employees, consultants and service providers of the Company (and its subsidiary). The maximum number of shares which may be set aside for issuance under the Plan is 10% of the outstanding common shares (1,682,707 maximum common shares in addition to options in issue as at September 30, 2007) (2006 - 1,346,041 maximum common shares).

The following table reflects the continuity of stock options for the year ended September 30, 2007 and the nine months ended September 30, 2006:

	Number of Stock options	Weighted average exercise price (\$) (In Canadian Dollars)
Balance, December 31, 2005	-	-
Stock options issued and outstanding (1)	390,000	0.30
Exercised during the period	(50,000)	0.30
Granted during the period (2)(3)(4)	1,900,000	0.72
Cancelled	(290,000)	0.30
Balance, September, 2006	1,950,000	0.71
Granted (5)(6)(7)(8)	1,870,000	0.63
Cancelled	(190,000)	(1.29)
Balance, September 30, 2007	3,630,000	0.63

(1) April 10, 2006 balance pertains to ILM stock options which for accounting purposes were retired and re-issued after the completion of the amalgamation and RTO. For the purposes of the 390,000 options, the fair value of each option was estimated on June 14, 2006 using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 4.19% and an expected average life of .25 years. The options vested immediately on the grant date. The impact on 2007 expenses is \$nil (2006 - \$68,000).

(2) On June 14, 2006, Alturas granted an aggregate of 1,635,000 incentive stock options to directors, officers and key employees, pursuant to the Company's Stock Option Plan, at an exercise price of \$0.65 (Canadian) per share. The options are exercisable for a period of five years. For the purposes of the 1,635,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 4.19% and an expected average life of 5 years. The estimated value of \$473,349 will be classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over two years as to one-third immediately, and one-third per year thereafter. The impact on 2007 expenses is \$197,231 (2006 - \$216,953).



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7. STOCK OPTIONS (continued)

(3) On July 5, 2006, Alturas granted 75,000 incentive stock options to a consultant, pursuant to the Company's Stock Option Plan, at an exercise price of \$0.70 (Canadian) per share. The options are exercisable for a period of fifteen months. For the purposes of the 75,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 4.42% and an expected average life of 15 months. The estimated value of \$9,377 will be classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over one year as to one-third immediately, one-third after six months and one-third after twelve months. The impact on 2007 expenses is \$4,688 (2006 - \$4,689).

(4) On September 23, 2006, Alturas granted 190,000 incentive stock options to a consultant for investor relation services. The incentive stock options are valid for five years, priced as follows: 50,000 shares at \$0.75 per share; 50,000 shares at \$1.25 per share; 50,000 shares at \$1.50 per share; and 40,000 shares at \$1.75 per share. For the purposes of the 190,000 options, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 3.89% and an expected average life of 5 years. The estimated value of \$54,413 will be classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over one year as to one-quarter after three months, one-quarter after six months, one-quarter after nine months and one-quarter after twelve months. The impact on 2007 expenses is \$54,413 (2006 - \$nil). As of September 30, 2007, the services of the consultant were terminated and the 190,000 incentive stock options issued to the consultant were forfeited.

(5) On January 19, 2007, Alturas granted an aggregate of 300,000 incentive stock options to a director and a key employee, pursuant to the Company's Stock Option Plan, at an exercise price of \$0.65 (Canadian) per share. The options are exercisable over a period of five years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 4.04% and an expected average life of 5 years. The estimated value of \$111,132 will be classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over two years as to one-third immediately, and one-third per year thereafter. The impact on 2007 expenses is \$74,086 (2006 - \$nil).

(6) On June 30, 2007, Alturas granted an aggregate of 500,000 incentive stock options to officers of the Company, pursuant to the Company's Stock Option Plan, at an exercise price of \$0.50 (Canadian) per share. The options are exercisable over a period of five years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 4.57% and an expected average life of 5 years. The estimated value of \$168,951 will be classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over two years as to one-third immediately, and one-third per year thereafter. The impact on 2007 expenses is \$77,436 (2006 - \$nil).



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7. STOCK OPTIONS (continued)

(7) On September 7, 2007, Alturas granted an aggregate of 920,000 incentive stock options to directors and employees of the Company, pursuant to the Company's Stock Option Plan, at an exercise price of \$0.68 (Canadian) per share. The options are exercisable over a period of five years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 4.19% and an expected average life of 5 years. The estimated value of \$321,023 will be classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over two years as to one-third immediately, and one-third per year thereafter. The impact on 2007 expenses is \$120,384 (2006 - \$nil).

(8) On September 29, 2007, Alturas granted an aggregate of 150,000 incentive stock options to a key employee of the Company, pursuant to the Company's Stock Option Plan, at an exercise price of \$0.68 (Canadian) per share. The options are exercisable over a period of five years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 4.19% and an expected average life of 5 years. The estimated value of \$56,604 will be classified as stock-based compensation and credited to contributed surplus as the options vest. The options vest over two years as to one-third immediately, and one-third per year thereafter. The impact on 2007 expenses is \$18,871 (2006 - \$nil).

The following table reflects the actual stock options issued and outstanding as of September 30, 2007:

Expiry Date	Exercise price (\$) (In Canadian Dollars)	Number of Options Outstanding	Number of Options Vested	Number of Options Unvested
September 10, 2010	0.30	50,000	50,000	-
June 14, 2011	0.65	1,635,000	1,090,000	545,000
October 29, 2007	0.70	75,000	75,000	-
January 19, 2012	0.65	300,000	100,000	200,000
June 30, 2012	0.50	500,000	166,667	333,333
September 7, 2012	0.68	920,000	306,667	613,333
September 29, 2012	0.68	150,000	50,000	100,000
		3,630,000	1,838,334	1,791,666



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7. STOCK OPTIONS (continued)

The following table reflects the actual stock options issued and outstanding as of September 30, 2006:

Expiry Date	Exercise price (\$) (In Canadian Dollars)	Number of Options Outstanding	Number of Options Vested	Number of Options Unvested
September 10, 2010	0.30	50,000	50,000	-
June 14, 2011	0.65	1,635,000	545,000	1,090,000
October 29, 2007	0.70	75,000	25,000	50,000
August 31, 2011	0.75	50,000	-	50,000
August 31, 2011	1.25	50,000	-	50,000
August 31, 2011	1.50	50,000	-	50,000
August 31, 2011	1.75	40,000	-	40,000
		1,950,000	620,000	1,330,000

8. WARRANTS

The following table reflects the continuity of warrants for the year ended September 30, 2007 and the nine months ended September 30, 2006:

	Number of Warrants	Weighted average exercise price (In Canadian Dollars)	Fair Value
		\$	\$
Balance, September 30, 2006	7,627,012	0.72	345,920
Warrants issued on private placement (Note 6(b)(iii))	10,000,000	0.65	949,376
Broker warrants issued (Note 6(b)(iii))	1,400,000	0.50	186,078
Exercised during the period	(166,667)	(0.36)	-
Expiry of warrants	(502,326)	(0.75)	(30,140)
Balance, September 30, 2007	18,358,019	0.67	1,451,234



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8. WARRANTS (continued)

The following table reflects the actual warrants outstanding as of September 30, 2007:

Expiry Date	Number of warrants	Exercise price (\$) (In Canadian Dollars)	Fair Value
			\$
March 31, 2008	5,421,264	0.75	277,000
March 31, 2008	758,977	0.645	38,780
April 10, 2008	777,778	0.60	-
November 29, 2008	10,000,000	0.65	949,376
November 29, 2008	1,400,000	0.50	186,078
	18,358,019		1,451,234

The following table reflects the actual warrants outstanding as of September 30, 2006:

Expiry Date	Number of warrants	Exercise price (\$) (In Canadian Dollars)	Fair Value
			\$
October 15, 2006	166,667	0.36	-
April 21, 2007	502,326	0.75	30,140
March 31, 2008	5,421,264	0.75	277,000
March 31, 2008	758,977	0.645	38,780
April 10, 2008	777,778	0.60	-
	7,627,012		345,920



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9. INCOME TAXES

The Company's income tax provision (recovery) has been calculated as follows:

	Year ended September 30, 2007	Nine months ended September 30, 2006
	\$	\$
Loss from ordinary activities before income tax expense	6,041,567	1,837,286
Income tax recovery (provision) at Canadian federal and provincial rates	(2,174,964)	(661,423)
Effect of difference in foreign tax rates	322,993	102,445
Current year losses not recognized	1,655,012	472,950
Permanent differences	196,959	86,028
Income tax expense	-	-

The Company's future income tax assets are summarized as follows:

	September 30, 2007	September 30, 2006
	\$	\$
Non-capital losses carried forward	207,485	22,501
Other	356,067	217,534
Net future income tax assets	563,552	240,035
Valuation allowance	(563,552)	(240,035)
Net future income tax asset recorded	-	-

The Company has recorded a full valuation allowance for all of its net future income tax assets because management believes that the future income tax assets in respect of such losses are not, more likely than not, to be realized in the carryforward period. Adjustments have been made in the prior period primarily to eliminate future income tax assets relating to Iron Lake Minerals no longer available to Alturas.

As of September 30, 2007, the Company has available non-capital loss carryforwards in the amount of \$643,365 for Canadian Federal and Ontario purposes that will expire as follows:

2026	\$	69,771
2027		573,594
	\$	643,365



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10. COMMITMENTS

The Company's contractual obligations to maintain its mineral property interests over the next five years are as follows:

<u>Commitment</u> <u>Type</u>	<u>Property</u>	<u>September 30,</u>					<u>Total</u>
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
		\$	\$	\$	\$	\$	\$
Property fees	(1)	13,729	13,729	37,045	41,187	41,187	146,877
Mining rights	(2)	1,200,000	1,500,000	-	-	-	2,700,000
Property fees	(2)	46,000	46,000	46,000	46,000	46,000	230,000
Exploration	(2)	750,000	-	-	-	-	750,000
		1,996,000	1,546,000	46,000	46,000	46,000	3,680,000
Property fees	(3)	133,376	133,376	138,465	138,465	138,465	682,147
Property fees	(4)	20,859	20,859	32,250	32,250	32,250	138,468
<u>Totals</u>							
Mining rights		1,200,000	1,500,000	-	-	-	2,700,000
Property fees		213,964	213,964	253,760	257,902	257,902	1,197,492
Exploration		750,000	-	-	-	-	750,000
		2,163,964	1,713,964	253,760	257,902	257,902	4,647,492

- (1) Utupara
(2) Huilacollo
(3) Banos del Indio
(4) Huajoto

The Company leases premises under a lease that expires on June 30, 2008. Under the lease agreement, the Company has a commitment amounting to \$1,250 per month.

11. RELATED PARTY TRANSACTIONS

(a) Exploandes SRL, a company in which a director of the Company is the principal, has provided certain technical, managerial and exploration services to the Company. The cost of such services for the year ended September 30, 2007 and the nine months ended September 30, 2006 were \$805,576 and \$225,410, respectively.



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11. RELATED PARTY TRANSACTIONS (continued)

(b) Oreforming Solutions SRL, a company in which a director of the Company is the principal, has provided certain technical services to the Company. The cost of such services for the year ended September 30, 2007 and the nine months ended September 30, 2006 were \$437,054 and \$189,210, respectively.

(c) Gestora de Negocios e Inversiones SA, a company in which a director of the Company is the principal, has provided certain technical services to the Company. The cost of such services for the year ended September 30, 2007 and the nine months ended September 30, 2006 were \$34,272 and \$25,704, respectively.

(d) All amounts included in Note 11(a)(b)(c) are included in exploration in the consolidated statements of loss and comprehensive loss.

(e) For the year ended September 30, 2007, the Company also paid \$132,599 (nine months ended September 30, 2006 - \$277,205) to a legal firm in which a director of the Company is a partner.

12. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is determined by dividing the net loss by the weighted average number of ordinary shares on the assumption that the 3 for 1 share consolidation had taken place on January 1, 2006, and that the 7,000,000 shares issued on the transfer of Equinox Peru to Alturas Private had been in issue for all periods presented. Diluted loss per share is the same as basic loss per share as the effect of potential issues of shares under option arrangements or from warrant exercises would be anti-dilutive.

13. OTHER EXPENSE (INCOME)

	Year ended September 30, 2007	Nine months ended September 30, 2006	Cumulative from inception on January 14, 2004
	\$	\$	\$
Interest income	(180,848)	(85,829)	(266,825)
Foreign exchange gain	(2,703)	(270,028)	(269,320)
	(183,551)	(355,857)	(536,145)



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14. NON-CASH FINANCING ACTIVITIES AND INVESTING

	Year ended September 30, 2007	Nine months ended September, 2006
	\$	\$
Shares issued to effect RTO	-	539,473

15. SEGMENTED INFORMATION

The Company operates in one reportable operating segment, being the exploration and development of mineral properties in Peru. The Company has administrative offices in Toronto, Canada. Geographical information is as follows:

September 30, 2007	Cash and cash equivalents	Other assets	Total assets
	\$	\$	\$
Canada	7,151,605	63,812	7,215,417
Peru	724,896	301,595	1,026,491
	7,876,501	365,407	8,241,908
September 30, 2006	Cash and cash equivalents	Other assets	Total assets
	\$	\$	\$
Canada	4,876,844	74,389	4,951,233
Peru	294,662	289,920	584,582
	5,171,506	364,309	5,535,815





ALTURAS MINERALS CORP.

Management Discussion and Analysis

For the year ended September 30, 2007

The following is management's discussion and analysis of the financial condition and results of operations of Alturas Minerals Corp., (the "**Company**", or "**Alturas**"), for the year ended September 30, 2007 ("**2007**"), and its financial position as at September 30, 2007, and should be read in conjunction with the Company's audited consolidated financial statements for 2007, including the notes thereto.

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("**GAAP**"). All figures are in US dollars, unless otherwise noted.

Additional information relating to the Company and subsequent press releases, have been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available online at www.sedar.com or at the Company's website at www.alturasminerals.com.

The Company's shares are listed on the Toronto Stock Exchange Venture Exchange (the "**TSX-V**") under the trading symbol "ALT".

The date of this management's discussion and analysis is January 29, 2008.

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, 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 guarantees of 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, Vice President-Exploration of the Company, 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. Disclosure on mineralization on adjacent properties has not been verified by Dr. Pearson and is not necessarily indicative of the Company's anticipated results. 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**"). Alturas Peru has been actively exploring various mineral projects in Peru since January 2004. The principal assets of Alturas are the four mineral exploration projects described below. In addition, Alturas Peru has interests in ten other exploration projects in Peru. Alturas' exploration strategy is focused on the discovery of large epithermal gold mineralized deposits and copper-gold porphyry/skarn deposits.

On April 10, 2006 Iron Lake Minerals Inc. ("**ILM**"), 6516521 Canada Inc. (a wholly owned subsidiary of ILM), and the former Alturas Minerals Corp. completed a three-cornered amalgamation to form Alturas Holdings Ltd.

Immediately on completion of the amalgamation, ILM was renamed Alturas Minerals Corp. and began trading on the TSX Venture Exchange on April 10, 2006 under the symbol "ALT".

Private Placement

During May 2007, Alturas raised gross proceeds of C\$10 million through the completion of a private placement of 20,000,000 units at a price of C\$0.50 per unit. Each unit was comprised of one common share of the Company and one half of one common share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional common share at a price of C\$0.65 for a period of 18 months, commencing May 29, 2007.

Corporate Developments

Alturas announced the appointment of Mr. Augusto Baertl as Chairman of the Board of the Company effective on July 3rd, 2007. Mr. Baertl has been one of the founding shareholders and a Director of Alturas Minerals since inception of the Company in 2004. Mr. Baertl is a mining engineer who graduated from the Universidad de Ingeniería, Peru, and who has participated in various programs at Harvard and Northwestern Universities in the United States. Mr. Baertl has had a distinguished career serving as an executive and board member of major Peruvian and International resource companies, which have included his position as President of Compañía Minera Antamina, where he successfully managed the exploration, development, construction and startup of the world-class Antamina zinc-copper project.



Projects and Recent Developments

Alturas' principal properties are four mineral exploration projects located in southern Peru, which includes the Huilacollo Gold Project, the Baños del Indio Gold Project, the Utupara Copper-Gold Project and the Huajoto Gold-Silver-Zinc Project. Since listing on the TSX-V in April 2006, the company has made significant advances in assessing its project portfolio.

Huilacollo Gold Project, Peru

Alturas holds an option to acquire 100% of the 2,000 hectare Huilacollo high-sulphidation epithermal gold project. At the end of 2006, the Company completed a first phase systematic diamond drilling program at the property and reported positive results. Gold and silver assay results confirm strong mineralization at depth that correlates with the mineralization reported from surface trenching and previous holes, including zones of higher gold and silver grade controlled by steep "feeder" structures and breccia zones, which previously had been unrecognized. To date we have a drill indicated gold-silver zone exceeding 400 meters by 200 meters in plan to depths of up to 100 meters from surface. The mineralization at Cerro Andamarca is still open in several directions, and several other untested targets have been identified within the property.

Preliminary results from bottle roll cyanide leach test work on drill samples of the Huilacollo project conducted by Plenge Laboratories of Lima confirmed 78.1 to 88.8% extraction of gold and 31.3 to 48.2% extraction of silver in 96 hours using a concentration of 0.5 g/L cyanide.

Alturas is currently evaluating the results obtained to date and considering a number of possibilities for the future of the project, including seeking a partner to further advance the detailed exploration required to bring the project to feasibility and production.

Baños del Indio Gold Project, Peru

Alturas has recently exercised an option to acquire 100% rights to the 6,536 hectare Baños del Indio property, subject to certain royalty and success fee payments to the previous owner. The property hosts a large (>6 x 5 kilometers) high-sulfidation epithermal system with at least seven gold- and silver-prospective siliceous alteration centers. Like the nearby Huilacollo property, the strong high sulfidation alteration and gold anomalism confirm the affinity of this system with large low grade gold deposits of this style elsewhere in Peru.

High grade gold-silver feeder structures were identified in the northern part of the project and were drilled by previous explorers in 1997 with best intercept reporting 6.1 meters averaging 10.75 grams per tonne gold. Alturas' study suggests that these feeder structures underlay, and merge southwards into structurally higher target areas, where silicified breccia structures showing strong pathfinder element geochemistry signature most likely represent the upper levels of a larger, disseminated epithermal gold-silver system. The geophysics provided very encouraging targets, highlighting an area of generally low magnetics and various nested flat-lying resistivity highs centered on the Laurimorco and Carapifa hydrothermal centers. These high resistive bodies are interpreted as gold prospective silicic alteration and constitute our primary drill targets. They are approximately 1.0-1.5 kilometers in diameter and extend from surface to 200 to 300 meters depth. Drill testing of targets is programmed to start in January 2008, weather permitting.

Utupara Copper-Gold Project, Peru

The 5,276 hectare Utupara property is held 100% by Alturas and is located within the emerging copper-gold belt in southern Peru that hosts important deposits such as Tintaya and Las Bambas (Xstrata), Los Chancas (Southern Copper Corporation) and new exploration projects like Constancia (Norsemont), Antilla and Cotabambas (Panoro), Antabamba (International Mineral Corporation / Oro Vega) and Pinaya (Acero-Martin).

Alturas has recognized three different styles of copper-gold mineralization on the Utupara property over an area exceeding 4 x 4 kilometers: (i) porphyry style disseminated mineralization; (ii) high-grade breccia



pipes and (iii) magnetite-rich skarn bodies. Structurally-controlled gold-silver veins occur in a broad arcuate-shaped zone around the periphery of the porphyry system.

A phase one drilling program of approximately 5,500 meters was commenced at Utupara on July 2007. Two diamond drilling rigs are currently active on site and the program is due to finish in February-March 2008. At the Cachorro Norte target, the Company has completed eight widely spaced drill holes that have intersected disseminated low grade mineralization over wide intervals extending up to 410 meters, with several tens of meter intervals of higher copper and gold grades (greater than 0.25 % copper and 0.10 grams/tonne gold) within intrusive breccias of the Cachorro Corridor. Drilling was moved to the southern continuation of the Cachorro Corridor, which comprises greater than 1,000 meters strike length of altered intrusive breccias hosting numerous copper and gold showings..

At Cerro Añasino, Alturas has also identified a large zone of contact skarn mineralization exposed over 2 x 1 kilometers exhibiting discrete zones of strong copper and gold on surface with corresponding geophysical anomalies at depth. At the time of writing, 848 meters of drilling have been completed on this target. In addition, at the Cerro Utupara prospect, an historic gold mining zone hosting high grade gold veins along the contact between intrusive rocks and quartzites has been targeted for 650 meters of drilling, which is currently in progress.

Huajoto Gold-Silver-Zinc-REE Project, Peru

The Huajoto Property is located in the Department of Huancavelica in central Peru and is subject to a joint venture between Alturas and Teck Cominco Peru S.R.L. The joint venture area is comprised of six contiguous concessions with a total area of 3,700 hectares. Each party has contributed claims to the joint venture and Alturas has been granted an option to acquire an initial 65% interest by investing \$1.5 million on the properties over a period of three years. Further funding of \$ 1.5 million will be on a pro rata basis according to each party's interest over a maximum of additional 3 years. If the joint venture proceeds further, Teck Cominco can elect to earn an additional 30% of the project by completing a feasibility study.

The joint venture covers an area approximately 7.0 kilometers in a north-south direction and 4.5 kilometers in an east-west direction. There are indications of two different styles of mineralization on the Huajoto Property: high-sulfidation epithermal and zinc skarn and replacement. Gold anomalism in soils and rocks is extensive and is intimately associated with both the epithermal and skarn styles. Radiometric anomalies reported from airborne geophysics by Teck Cominco and strong rare-earth elements anomalism from surface rock geochemistry and previous drilling also require follow up. Re-logging of a key drillhole previously executed by Teck-Cominco indicates that disseminated zinc- rare earth mineralization is concentrated in altered tuff horizons cut by a garnetiferous felsic intrusive. Assay pulps have been sent for further assaying, including uranium.

An intensive surface exploration program was initiated in August 2007 and will be completed in January 2008. The company aims to advance data interpretation to the point of defining specific targets, programmed to be drill tested during the second quarter of 2008.

Other Projects

In addition to its four main properties, Alturas has the rights to explore another ten projects totaling 13,398 hectares of ground comprising gold and copper-gold targets elsewhere in Peru.

Alturas has significantly advanced the preliminary surface exploration of several of these projects, with reconnaissance geological mapping and geochemical sampling. Detailed ground geophysics was completed for some priority projects during the second half of 2007.

Recent relevant results include:

- At the **Sombrero copper-gold project** in south-central Peru the confirmation of the high potential for partly concealed copper-gold contact skarn zones. Additional claiming by Alturas has now secured 80% of the prospective ground of the Sombrero skarn system, bringing the total project area to 3,800



hectares. Geological mapping, geochemical sampling and a large high resolution ground magnetic survey have been completed, with the aim of defining targets for a drilling campaign programmed for mid-2008;

- At the **Ccaccapaqui gold-silver project** in south-central Peru the definition of a 2.0 x 0.5 kilometer epithermal system featuring preserved siliceous sinters and structurally-controlled zones of higher gold and silver grade;
- At the **Pampa Colorada copper-gold project** in northern Peru the identification of a largely concealed porphyry copper-gold system akin to those in northern Peru and southern Ecuador, confirmed by the presence of potassically altered intrusive rocks reporting gold geochemical anomalism;
- At the **Callejones gold-silver-zinc-copper project** in northern Peru, an 8 kilometers long NE-SW striking belt of strongly altered felsic volcanic rocks has been recognized, with strong copper, zinc, gold and silver anomalism over large areas. The area was previously explored and shallowly drilled for gold by third parties. However, Alturas assessment suggests a Volcanogenic Massive Sulphide (VMS) search model. Potential massive sulphide bodies are likely to be concealed by the overlying andesite sequence.

Four other properties were evaluated, downgraded and discarded from the Company's property portfolio during 2007.

Detailed exploration and drilling results are available on the Company's website at www.alturasminerals.com

SELECTED ANNUAL INFORMATION

	Year Ended		
	September 2007 (12 months)	September 2006 (9 months)	December 2005 (12 months)
Total Revenues	\$ Nil	\$ Nil	\$ Nil
Net Loss	(6,041,567)	(1,837,286)	(1,716,684)
Loss Per Share	(0.15)	(0.10)	(0.18)
Cash	7,876,501	5,171,506	92,870
Total Assets	8,241,908	5,535,815	341,832
Total Liabilities	513,734	968,547	1,014,525
Shareholders' Equity (deficit)	7,728,174	4,567,268	(672,693)
General and Administration	913,478	339,302	262,530
Exploration Expenses	4,751,489	1,560,781	957,943
Stock based compensation	547,109	289,642	Nil

RESULTS OF OPERATIONS

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

Results of operations for 2007 represent 12 months of operating activity, compared with 9 months of operating activity for the comparative reporting period ended September 30, 2006. The variance in



reporting timeframes is a further factor to consider when analyzing the variances in operational results between these reporting periods.

For the year ended September 30, 2007, Alturas incurred a net loss of \$6,041,567 compared to \$1,837,286 for the nine months ended September 30, 2006. The increase of \$4,204,281 is attributable predominantly to an increase of \$3,190,708 in exploration expenditures, an increase of \$574,176 in general and administrative costs, an increase of \$257,467 in stock-based compensation and a decrease in foreign exchange gains realized of \$267,325.

The increase in exploration expenses are a result of exploration activities on projects Utupara, Huilacollo, Baños del Indio and regional exploration in Peru.

General office and administration expenses for 2007 and for the 9 months ended September 30, 2006 are reflected in the following table.

General and Administration Subcategories	12 Months ended September 30, 2007	9 Months ended September 30, 2006
Management Fees	\$ 102,816	\$ -
Administrative	68,087	20,352
Bank Fees and Charges	15,353	3,852
Consulting Fees	25,920	16,573
Director Fees	5,868	-
Investor Relations	79,978	8,789
Insurance	39,466	6,497
Professional Fees	285,044	215,054
Stock Exchanges Charges	9,518	17,960
Rental	26,378	6,168
Salaries and Wages	21,155	9,307
Telephone	10,604	2,818
Travel	63,342	9,955
Tax Payments	32,939	-
Other	19,106	-
Recharge of administration costs from Equinox Minerals	107,904	21,977
	\$ 913,478	\$ 339,302

As the Company grows, general expenses can be expected to increase through office expansion, increases reporting issuer costs and expanded shareholder communications. The Company continues to assess administration costs to ensure that cost effective choices are being made for day-to-day management of the office and administrative activities.

Cash Flows

Cash flow used in operating activities for 2007 was \$5,484,119 (nine months ended September 2006: \$1,814,254). The increase is predominantly attributable to increased exploration costs and the increased cost of running both the Peruvian and Canadian corporate offices.

Cash generated through financing activities for 2007 was \$8,280,364 (nine months ended September 30, 2006: \$6,560,447). The increase in cash is due to proceeds from private placements.



Cash used in investment activities for 2007 was \$33,981 (nine months ended September 30, 2006: \$34,326), used in the purchase of property, plant and equipment for mineral exploration purposes.

SUMMARY OF QUARTERLY RESULTS

Three Months Ended	Net Revenue \$	Net loss		Exploration Expenses \$	General and Administration \$
		Total \$	Per Share \$		
September 30, 2007	Nil	(1,430,943)	(0.03)	1,118,413	317,742
June 30, 2007	Nil	(1,532,284)	(0.04)	1,258,223	153,430
March 31, 2007	Nil	(1,313,087)	(0.04)	946,161	266,077
December 31, 2006	Nil	(1,765,253)	(0.05)	1,428,692	176,229
September 30, 2006	Nil	(1,082,668)	(0.03)	963,891	231,832
June 30, 2006	Nil	(495,078)	(0.02)	353,463	93,141
March 31, 2006	Nil	(259,540)	(0.02)	243,427	14,329
December 31, 2005	Nil	(593,959)	(0.06)	427,260	70,633

LIQUIDITY AND CAPITAL RESOURCES

	September 30 2007	September 30 2006
	\$	\$
Assets		
Cash and cash equivalents	7,876,501	5,171,506
Other current assets	64,720	84,561
Capital assets	300,687	279,748
Total assets	8,241,908	5,535,815
Liabilities		
Current liabilities	138,734	218,547
Non-current liabilities	375,000	750,000
Total liabilities	513,734	968,547
Shareholders' equity	7,728,174	4,567,268
Outstanding number of shares	53,127,073	32,960,406

Cash and Cash Equivalents

The increase in cash and cash equivalents of \$2,704,995 is primarily due to cash proceeds from the Company's private placement, offset by increased expenditures for exploration activities and the repayment of a loan from Equinox Minerals Limited of \$375,000. The Company's operating and capital expenditures are expected to increase in subsequent years with the advancing of exploration and development activities. The amounts and timing of expenditures will depend on the progress of ongoing



exploration and development activities. The Company's historical capital needs have been met by the issuance of Common Shares and Warrants.

The Company will require substantial additional funds to further explore and, if warranted, develop one or more of its exploration properties. The Company has limited financial resources and no current source of recurring revenue, and there is no assurance that additional funding will be available to the Company to 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. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and property development. The terms of any additional financing obtained by the Company could result in substantial dilution to the 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 and Warrants of the Company.

Based on preliminary estimates, the Company believes it has sufficient funds to cover corporate expenses for the next two years.

Mineral Properties and Other Fixed Assets

Total fixed assets of \$300,687, as at September 30, 2007, increased by \$20,939 since September 30, 2006, due to purchases of property, plant and equipment of \$33,981, offset by an increase in amortization costs during 2007 of \$13,042.

Resource Property Expenditures

The following table is a summary of the \$4,751,489 of expenditures incurred by the Company during 2007 with respect to the Company's resource properties.

	Utupara	Huilacollo	Baños del Indio	Huajoto	Regional Exploration
Management fees	\$ 96,152	\$ 96,152	\$ 94,724	\$ -	\$ 697
Project management	49,826	36,936	46,520	474	7,615
Data compilation and interpretation	15,408	19,462	20,437	1,771	8,984
Surveying	28,813	6,544	13,144	7,963	-
Camp cost	257,182	159,046	114,652	-	38,492
Vehicle cost	12,886	105,574	23,552	-	-
Mapping	142,878	85,519	132,641	637	41,009
Sampling	202,175	134,726	115,921	4,109	47,080
Geophysics	176,260	176,035	128,114	-	-
Drilling	155,538	615,458	1,274	-	-
Environmental / Rehabilitation	60,562	31,604	18,634	-	-
Community relations	101,632	32,666	7,848	-	6
Access and drill pad construction	12,213	8,392	-	-	-
Property payments	31,639	510,665	489,501	13,491	35,017
Legal	5,297	5,443	22,968	5,606	972
Recoveries	(35,451)	(29,597)	-	-	-



	Utupara	Huilacollo	Baños del Indio	Huajoto	Regional Exploration
Total	\$ 1,313,012	\$ 1,994,624	\$ 1,229,929	\$ 34,052	\$ 179,872

Exploration costs incurred during the nine month period ended September 30, 2006 of \$1,560,781 are summarized as follows:

	Utupara	Huilacollo	Baños del Indio	Huajoto	Regional Exploration
Project management	\$ 8,180	\$ 8,981	\$ 9,412	\$ -	\$ -
Data compilation and interpretation	967	967	967	-	-
Surveying	-	3,011	3,603	-	-
Camp cost	-	42,880	101,511	-	638
Vehicle cost	52	2,440	30,793	64	4,968
Mapping	-	2,210	9,728	-	2,373
Sampling	-	16,456	13,280	-	4,965
Geophysics	1,186	57,707	27,419	-	25,159
Drilling	759	4,441	759	-	-
Environmental / Rehabilitation	27,774	31,572	28,600	-	-
Community relations	14,517	32,921	9,342	-	-
Access and drill pad construction	267	-	11,294	-	-
Property payments	22,133	302,447	320,957	16,319	35,907
General and administration	11,502	83,451	87,015	1,067	9,627
General exploration	694	1,193	4,723	877	1,394
Geology	7,061	12,138	48,073	8,926	14,185
Travel and accommodation	2,260	3,885	15,387	2,857	4,540
Total	\$ 97,352	\$ 606,700	\$ 722,863	\$ 30,110	\$ 103,756

Current Liabilities

Current liabilities of \$134,734, as at September 30, 2007, decreased by \$79,813 since September 30, 2006, due to a decrease in creditors and accruals associated with the Company's Peruvian projects.

Non-current Liabilities

Non-current liabilities of \$375,000, as at September 30, 2007, decreased by \$375,000 since September 30, 2006 as a result of the repayment of a loan of \$375,000 to Equinox Minerals Limited.

Contractual Obligations

The Company's contractual obligations to maintain its mineral property interests over the next five years are as follows:



Property	Commitment Type	2008 \$	2009 \$	2010 \$	2011 \$	2012 \$	Total \$
Utupara	Mining rights	-	-	-	-	-	-
	Property fees	13,729	13,729	37,045	41,187	41,187	146,877
	Exploration	-	-	-	-	-	-
		<u>13,729</u>	<u>13,729</u>	<u>37,045</u>	<u>41,187</u>	<u>41,187</u>	<u>146,877</u>
Huilacollo	Mining rights	1,200,000	1,500,000	-	-	-	2,700,000
	Property fees	46,000	46,000	46,000	46,000	46,000	230,000
	Exploration	750,000	-	-	-	-	750,000
		<u>1,996,000</u>	<u>1,546,000</u>	<u>46,000</u>	<u>46,000</u>	<u>46,000</u>	<u>3,680,000</u>
Baños del Indio	Mining rights	-	-	-	-	-	-
	Property fees	133,376	133,376	138,465	138,465	138,465	682,147
	Exploration	-	-	-	-	-	-
		<u>133,376</u>	<u>133,376</u>	<u>138,465</u>	<u>138,465</u>	<u>138,465</u>	<u>682,147</u>
Huajoto	Mining rights	-	-	-	-	-	-
	Property fees	20,859	20,859	32,250	32,250	32,250	138,468
	Exploration	-	-	-	-	-	-
		<u>20,859</u>	<u>20,859</u>	<u>32,250</u>	<u>32,250</u>	<u>32,250</u>	<u>138,468</u>
Totals	Mining rights	1,200,000	1,500,000	-	-	-	2,700,000
	Property fees	213,964	213,964	253,760	257,902	257,902	1,197,492
	Exploration	750,000	-	-	-	-	750,000
		<u>2,163,964</u>	<u>1,713,964</u>	<u>253,760</u>	<u>257,902</u>	<u>257,902</u>	<u>4,647,492</u>

CAPITAL RESOURCES

Common Shares and Convertible Securities Summary

As at September 30, 2007, the Company's share position consisted of:

Shares outstanding	53,127,073
Options outstanding	3,630,000
Warrants outstanding	18,358,019

As at September 30, 2006, the Company's share position consisted of:

Shares outstanding	32,960,406
Options outstanding	1,950,000
Warrants outstanding	7,627,012

As at January 8, 2008, the Company's share position consisted of:

Shares outstanding	53,127,073
Options outstanding	3,855,000
Warrants outstanding	18,358,019



Shareholders' Equity

Shareholders' equity increased to \$7,728,174 as at September 30, 2007 (September 30, 2006 - \$4,567,268) due to:

- the private placement of 20,000,000 shares for net proceeds of \$7,468,424,
- the issuance of 10,000,000 warrants, recorded at fair value: \$949,376
- the issuance of 1,400,000 broker warrants, recorded at fair value: \$186,078
- an exercise of 166,667 warrants for gross proceeds of \$51,486,
- stock-based compensation of \$547,109
- a net loss for 2007 of (\$6,041,567)

Options Outstanding

Expiry Date	No. of Options	Exercise Price
September 10, 2010	50,000	\$0.30
June 14, 2011	1,635,000	\$0.65
October 29, 2007	75,000	\$0.70
January 19, 2012	300,000	\$0.65
June 30, 2012	500,000	\$0.50
September 7, 2012	920,000	\$0.68
September 29, 2012	150,000	\$0.68
Total	3,630,000	

Alturas granted an aggregate of 300,000 incentive stock options to a director and a key employee, subsequent to September 30, 2007. The options are exercisable for a period of five years.

Warrants Outstanding

	Warrants	Expiry Date	Exercise Price
Purchase warrants	5,421,264	March 31, 2008	\$0.75
Agent's warrants	758,977	March 31, 2008	\$0.645
Purchase warrants	777,778	April 10, 2008	\$0.60
Purchase warrants	10,000,000	November 29, 2008	\$0.65
Agent's warrants	1,400,000	November 29, 2008	\$0.50
Total	18,358,019		

RELATED PARTY TRANSACTIONS

Exploandes SRL, a company in which a director of the Company is the principal, has provided certain technical, managerial and exploration services to the Company. The cost of such services for 2007 was \$805,576, consisting of general expenditures of \$61,404, technical services of \$116,382 and camp costs of \$627,790, compared with \$225,410 for the nine months ended September 30, 2006, consisting of general expenditures of \$49,980, technical services of \$114,240 and camp costs of \$61,190.

Oreforming Solutions SRL, a company in which a director of the Company is the principal, has provided certain technical services to the Company. The cost of such services for 2007 was \$437,054, consisting of salary costs of \$177,786, project management costs of \$200,751, data compilation and interpretation costs of \$45,174, environmental and rehabilitation costs of \$9,935 and other costs of \$3,408. This compared with \$189,210 for the nine months ended September 30, 2006, consisting of salary costs of \$164,220 and project management costs of \$24,990,



Gestora de Negocios e Inversiones SA, a company in which a director of the Company is the principal, has provided certain technical services to the Company. The cost of such services for 2007 was \$34,272, compared with \$25,704 for the nine months ended September 30, 2006.

The Company also paid \$132,599 during 2007 to a legal firm in which a director of the Company is a partner, compared with \$277,205 for the nine months ended September 30, 2006.

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, investment and joint venture opportunities.

CRITICAL ACCOUNTING ESTIMATES AND ACCOUNTING POLICIES

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amount of certain revenue and expenses during the period. Actual results could differ significantly from those estimates.

Critical Accounting Estimates and Assumptions

Assessment of Recoverability of Mineral Property Costs

The Company's recorded value of its exploration properties is based on historical costs that expect to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale.

Assessment of Recoverability of Future Income Tax Assets

In preparing the consolidated financial statements, the Company is required to estimate its income tax obligations. This process involves estimating the actual tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. The Company assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and, to the extent that recovery cannot be considered "more likely than not," a valuation allowance is established. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the consolidated income statement.

Estimate of Stock Based Compensation and Associated Assumptions

The Company recorded stock-based compensation based on an estimate of the fair value on the grant date of stock options issued. This accounting required estimates of interest rate, life of options, stock price volatility and the application of the Black-Scholes option pricing model.



Assessment of Recoverability of Receivables Including VAT

The carrying amount of accounts receivables, and Value Added Tax are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recovery is considered doubtful a provision for doubtful accounts is recorded.

Estimate of Fair Value of Financial Instruments

Where the fair value of a financial instrument is different than its carrying value disclosure of the estimated fair value is required. The fair value disclosed is based on management estimates using assumptions such as market interest rates.

Going Concern Assumption

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they come due. For the year ended September 30, 2007, the Company has a loss of approximately \$6.0 million and an accumulated deficit of approximately \$11.0 million. In addition to its working capital requirements, the Company must secure sufficient funding to meet its spending and purchase option obligations with respect to its mineral properties in order to keep legal title and advance the projects. There are approximately \$4.6 million in existing commitments as at September 30, 2007. In due course, the Company will have to secure additional financing to carry out planned and future exploration and development activities.

Such circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Company has raised capital by way of a private placement during the year and has approximately \$7.9 million in cash and cash equivalents at September 30, 2007 to fund exploration and meet contractual obligations. The Company's financing efforts to date, while substantial, are not sufficient in and of themselves to enable the Company to fund all aspects of its operations. Management expects that the Company will be able to secure the necessary financing through a combination of the exercise of existing options and warrants for the purchase of common shares and issue of new equity or debt instruments. Nevertheless, there is no assurance that these initiatives will be successful.

The Company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of properties. These financial statements 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 were the going concern assumption inappropriate, and these adjustments could be material.

Critical Accounting Policies

Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of all entities controlled by the Company. The effects of all transactions between entities in the consolidated group are eliminated in full. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of operations and deficit from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control exists.

Income Tax

The Company accounts for income taxes in accordance with the asset and liability method. The determination of future income tax assets and liabilities is based on the differences between the financial statement and the income tax bases of assets and liabilities, using substantively enacted tax rates in effect for the period in which the differences are expected to reverse. Future income tax assets are recorded to



recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

Exploration and Evaluation Costs

Exploration and evaluation expenditure costs incurred by the Company are accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead and foreign exchange movement on loans directly attributable to the project, but does not include general overheads or administrative expenditure. Mineral property acquisition costs are capitalized. Exploration and evaluation expenditure for each area of interest is expensed as incurred, unless such costs are expected to be recovered through successful development and exploitation of the area of interest or, alternatively, by its sale. Expenditure is not deferred in respect of any area of interest or mineral resource unless the Company's rights of tenure to that area of interest are current.

Although the Company has taken steps to verify title to its areas of interest, these procedures do not guarantee the Company's title. Such areas of interest may be subject to prior undetected agreements or transfers, and title may be affected by such defects.

Deferred exploration and evaluation costs will be amortized over the estimated useful life of the ore body, on a units-of-production basis, from the commencement of commercial extraction, or written off if the property is sold or abandoned.

Borrowing costs included in exploration and evaluation expenditure are those costs that would have been avoided if the expenditure had not been incurred.

If there is an indication of impairment, management considers the recoverable value of mineral properties based on undiscounted cash flows and where these are lower than the carrying values, the carrying values will be written down to fair value accordingly. Management's estimate of cash flows is subject to risks and uncertainties affecting the recoverability of the Company's investment in these areas. Although management have made their best estimate of these factors based on current conditions, it is possible that changes could occur which could adversely affect this estimate of the recoverability of deferred exploration and evaluation costs.

Foreign Currency Translation

The Company employs the temporal method of translation for its integrated operations. Under this method, monetary assets and liabilities are translated at the year-end rates and all other assets and liabilities are translated at applicable historical exchange rates. Revenue and expense items are translated at the rate of exchange in effect at the date the transactions are recognized in income, with the exception of amortization which is translated at the historical rate for the associated asset. Realized exchange gains and losses and currency translation adjustments are included in income. The Company does not have any self sustaining operations.

Property, Plant and Equipment

The cost of each item of property, plant and equipment is amortized on a straight line basis over its expected useful life to the Company. The expected useful lives of plant and equipment held are between two and ten years.

The carrying value of property, plant and equipment is reviewed and where there is an indication of impairment and the carrying values exceed their recoverable amount, they are written down to fair value.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of highly liquid investments with maturity of 3 months or less at the date of original issue.



Loss per Share

Basic loss per share is determined by dividing the net loss by the weighted average number of ordinary shares outstanding during the financial period. Diluted loss per share is the same as basic loss per share as the effect of potential issues of shares under option or from warrant exercises would be anti-dilutive.

Asset Retirement Obligations

Future costs to retire an asset including dismantling, remediation and ongoing treatment, and monitoring of the site are recognized and recorded as a liability at fair value. The liability is accreted, over time through periodic charges to earnings. In addition, asset retirement costs are capitalized as part of the asset's carrying value and amortized over the asset's useful life.

The Company has no obligations relating to retirement of its assets as at September 30, 2007 and September 30, 2006 and no liability has been recognized.

Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. The Company has evaluated the impact of EIC 166 and determined that no adjustments are currently required.

Changes in Accounting Policies Including Initial Adoption

Comprehensive Income, Equity, Financial Instruments and Hedges

On October 1, 2006, the Company adopted CICA Handbook Sections 1530, "Comprehensive Income", Section 3251 "Equity", Section 3855, "Financial Instruments - Recognition and Measurement", Section 3861, "Financial Instruments - Disclosure and Presentation" and Section 3865, "Hedges."

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost.

Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable is classified as loans and receivables,



which are measured at amortized cost. Accounts payable and accrued liabilities and due to Equinox Minerals Limited are classified as other financial liabilities, which are measured at amortized cost.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated except for the requirement to restate currency translation adjustment as part of other comprehensive income.

Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

The adoption of these Handbook Sections had no impact on opening deficit.

Future Accounting Changes

Accounting Changes

In July 2006, the Accounting Standards Board ("**AcSB**") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements.

The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on October 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company is currently assessing the impact of these new accounting standards on its consolidated 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, accounts payable and accrued liabilities and amount due to Equinox Minerals Limited.



Cash and cash equivalents have been designated as held-for-trading, which are measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to Equinox Minerals Limited 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 of the Company's internal controls over financial reporting as of September 30, 2007, pursuant to the requirements of Multilateral Instrument 52-109.

Management has concluded that, as of September 30, 2007, such financial reporting disclosure controls and procedures and the design 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 2007 that would materially affect, or is reasonably likely to materially affect, its internal controls over financial reporting.

OUTLOOK

Over the past 15 years, Peru has become a premier destination for mining companies due to its outstanding mineral potential, impressive mining history and mineral production, steady economic growth and stable investment climate. Peru is the largest gold producer in Latin America and its annual production of more than 6 million ounces of gold places the country among the world's major gold producers. Peru is also the third largest copper producer in the world with over 1 billion tons of copper metal output per year, and is listed amongst the top world producers of silver, zinc, lead and tin. The government in Peru has indicated a strong continuing commitment to attracting mining investment. Management firmly believes that Peru continues to be one of the most attractive venues to discover and develop world-class metal deposits.

Alturas has focused on belts in Peru that have already delivered large economic discoveries, mainly within the southern part of the country, and exploration work is proceeding as planned.

During 2006 and 2007, after a successful listing and completion of two private placements (in April 2006 and May 2007) totaling \$17 million financing, Alturas rapidly moved forward with the aim of aggressively taking three of its four most advanced projects into a first phase of systematic anomaly definition, target prioritization and drill testing.

Accelerated exploration programs have been advanced in the Huilacollo and Baños del Indio projects in southern Peru, where prior strong indications of shallow epithermal gold mineralization are manifest. In the Huilacollo Project, encouraging surface trenching and Phase 1 drilling results were announced from the Cerro Andamarca anomaly in late 2006. Recent preliminary metallurgical testing has also delivered encouraging results, indicating that Huilacollo has the potential to become an important economic development with further detailed exploration. At the very large Baños del Indio Project the company has completed surface exploration work and 3D geological modeling of drill targets. Drill testing of these disseminated gold-silver targets is programmed to commence in January 2008.



At its Utupara copper-gold project the Company confirmed the existence of strong geophysical anomalies that coincide on surface with zones of strongly mineralized copper-gold porphyry, skarns and breccias. Drill testing of these promising targets commenced in July 2007. The 5,000-meter phase one program is on track and fifteen holes had been completed at the time of writing this report and the program is due to be completed in the first quarter of 2008.

During the second half of 2007, the Huajoto Gold-Silver-Zinc project in Central Peru was advanced through a program of intense surface exploration with the aim of advancing it to the point of defining specific drill targets, programmed to be tested during the second quarter of 2008.

Through the private placement completed in April, 2006, the exercise of warrants in September, 2006 and, the private placement completed in May 2007, Alturas received the cash and implemented the infrastructure to test the numerous drill targets that have been generated on its properties from its work to date. Alturas continues to maintain and build a diverse portfolio of mineralized properties to feed the project "conveyor belt". This fact, combined with its strong and experienced management team, positions the Company for potential success and long term growth.

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.

There can be no assurance that any funding required by the Company will become available to it, and if so, that it will be offered on reasonable terms, or that the Company will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Company will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

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 March 31, 2006 Filing Statement under "*Information Concerning Alturas: Risk Factors*". The filing statement is located on SEDAR (www.sedar.com).