



ALTURAS MINERALS CORP.

**Management Discussion and Analysis**

For the three months ended December 31, 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 three months ended December 31, 2007, and its financial position as at December 31, 2007, and should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 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](http://www.sedar.com) or at the Company's website at [www.alturasminerals.com](http://www.alturasminerals.com).

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

The date of this management's discussion and analysis is February 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**

The Company received approval from the TSX-V to graduate from Tier 2 to Tier 1 effective the open of trading on Thursday January 17, 2008.

The Company retained the services of Barry Kaplan Associates ("**BKA**") of Fair Haven, New Jersey, to enhance financial market relations in the United States. BKA has agreed to assist Alturas by preparing background documentation regarding the company and arranging for media and investor presentations, with monthly meetings to increase awareness of Alturas in the financial marketplace.



## **Projects and Recent Developments**

Alturas' principal properties are four mineral exploration projects located in southern Peru, which includes the Baños del Indio Gold Project, the Utupara Copper-Gold Project, the Huajoto Gold-Silver-Zinc Project and the Huilacollo Gold Project.

Since listing on the TSX-V in April 2006, the Company has made significant advances in assessing its project portfolio.

### **Baños del Indio Gold Project, Peru**

Alturas has exercised an option to acquire 100% of the 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) 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 may represent the upper levels of a larger, disseminated epithermal gold-silver system.

Geophysics has provided very encouraging targets, highlighting an area of generally low magnetics and various nested flat-lying resistivity highs centered on the Llaurimorco and Carapiña 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 including 18 reverse circulation holes totaling 5,200 meters is underway.

### **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 twenty-one core holes totaling 5,016 meters is near completion at Utupara. At the Cachorro Norte and Sur targets, the Company has completed ten 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.

At Cerro Añasino, Alturas has also identified a large zone of contact skarn mineralization exposed over 2 x 1 kilometers exhibiting three discrete zones of strong copper and gold on surface with corresponding geophysical anomalies at depth. At the time of writing, 7 core holes for 1272 meters have been drilled on this target. Assay results are currently being received and will be released in the near future. 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 drilled for 662 meters in 4 holes. Assay results for these holes are pending.

### **Huajoto Gold-Silver-Zinc-Rare Earth Elements 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 of 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 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 by the end of February 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.

### **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. 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 its options for further development of this project.

### **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 may 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](http://www.alturasminerals.com)

## SELECTED QUARTERLY AND ANNUAL INFORMATION

	Three Months Ended		Year Ended
	December 31, 2007	December 31, 2006	September 30, 2007
Total Revenues	\$ Nil	\$ Nil	\$ Nil
Net Loss	(1,064,086)	(1,765,253)	(6,041,567)
Loss Per Share	(0.03)	(0.05)	(0.15)
Cash	6,411,336	3,406,533	7,876,501
Total Assets	6,901,909	3,731,242	8,241,908
Total Liabilities	675,886	787,882	513,734
Shareholders' Deficit	(12,611,247)	(6,730,847)	(11,007,161)
General and Administration	238,886	176,229	913,478
Exploration Expenses	1,322,632	1,428,692	4,751,489
Stock based compensation	101,935	89,859	547,109

## 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.



For the three months ended December 31, 2007, Alturas incurred a net loss of \$1,604,086 compared to \$1,765,253 for the three months ended December 31, 2006. The decrease in loss of \$161,167 is attributable predominantly to a decrease of \$106,060 in exploration expenditures and an increase in other income of \$131,054, offset by an increase of \$62,657 in general and administration costs.

General office and administration expenses for the three months ended December 31, 2007 and for the three months ended December 31, 2006 are reflected in the following table.

<b>General and Administration Subcategories</b>	<b>3 Months ended December 31, 2007</b>	<b>3 Months ended December 31, 2006</b>
Administrative	\$ 8,683	\$ 15,789
Bank Fees and Charges	3,570	2,967
Consulting Fees	19,622	-
Investor Relations	62,405	24,601
Insurance	9,434	10,092
Professional Fees	78,685	63,033
Stock Exchanges Charges	3,021	3,811
Rental	6,483	8,125
Salaries and Wages	9,971	5,546
Telephone	3,307	1,294
Travel	30,887	11,157
Tax Payments	695	25,360
Other	16,307	4,454
VAT credit	(14,184)	-
	<b>\$ 238,886</b>	<b>\$ 176,229</b>

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 the three months ended December 31, 2007 was \$1,478,018 (three months ended December 31, 2006: \$1,130,147). The increase is predominantly attributable to the increased cost of running both the Peruvian and Canadian corporate offices.

Cash generated through financing activities for the three months ended December 31, 2007 was \$Nil (three months ended December 31, 2006: cash used in financing activities of \$323,514). The increase in cash is due to a partial repayment of \$375,000 of the Equinox Minerals Limited loan, offset by proceeds from the sale of securities of \$51,486 during the three months ended December 31, 2007, compared with no activity during the three months ended December 31, 2007.

Cash used in investment activities for the three months ended December 31, 2007 was \$11,349 (three months ended December 31, 2006: \$14,275), 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 \$		
December 31, 2007	Nil	(1,604,086)	(0.03)	1,322,632	238,886
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

## LIQUIDITY AND CAPITAL RESOURCES

	December 31 2007	September 30 2007
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	6,411,336	7,876,501
Other current assets	181,851	64,720
Capital assets	308,722	300,687
Total assets	<u>6,901,909</u>	<u>8,241,908</u>
<b>Liabilities</b>		
Current liabilities	300,886	138,734
Non-current liabilities	375,000	375,000
Total liabilities	<u>675,886</u>	<u>513,734</u>
Shareholders' equity	<u>6,226,023</u>	<u>7,728,174</u>
Outstanding number of shares	<u>53,127,073</u>	<u>53,127,073</u>

### Cash and Cash Equivalents

The decrease in cash and cash equivalents of \$1,465,165 is primarily due to cash expenditures on exploration and administrative activities; there were no financing activities during the three months ended December 31, 2007. The Company's operating and capital expenditures are expected to increase in subsequent periods 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 planned exploration and corporate expenses for the next two years.

### Mineral Properties and Other Fixed Assets

Total fixed assets of \$68,722, as at December 31, 2007, increased by \$8,035 since September 30, 2007, due to purchases of property, plant and equipment of \$11,349, offset by an increase in amortization costs during the three months ended December 31, 2007 of \$3,314.

### Resource Property Expenditures

The following table is a summary of the \$1,226,051 of exploration expenditures incurred by the Company during the three months ended December 31, 2007 with respect to the Company's resource properties. In addition to the expenses reflected below the Company expensed a further \$96,580 in VAT receivable, for total exploration expenditures incurred during the three months ended of \$1,322,632.

	Utupara	Huilacollo	Baños del Indio	Huajoto	Sombrero	Regional Exploration
Management fees	\$ 50,744	\$ -	\$ 49,956	\$ 50,926	\$ -	\$ -
Project management	40,922	154	8,743	13,556	-	117
Data compilation and interpretation	2,987	-	32,027	2,987	2,351	-
Camp cost	244,027	4,390	92,613	16,525	563	10,357
Mapping	77	59	14,524	4,206	-	4,463
Sampling	23,786	178	4,157	45,367	-	4,463
Geophysics	35,384	-	6,462	132,643	23,407	-
Drilling	422,927	-	3,484	-	-	-
Environmental / Rehabilitation	2,703	-	560	6,010	-	-
Community relations	32,480	728	466	-	-	-
Property payments and legal costs	1,010	9,419	12,543	1,418	-	71
Surface land rental / acquisition	-	-	208	4,008	-	-



	Utupara	Huilacollo	Baños del Indio	Huajoto	Sombrero	Regional Exploration
VAT Recoveries	(123,602)	(928)	(28,159)	(35,531)	(4,150)	(2,803)
<b>Total</b>	<b>\$ 733,513</b>	<b>\$ 14,000</b>	<b>\$ 197,584</b>	<b>\$ 242,115</b>	<b>\$22,171</b>	<b>\$ 16,668</b>

Exploration costs incurred during the three months ended December 31, 2006 of \$1,428,692 are summarized as follows:

	Utupara	Huilacollo	Baños del Indio	Huajoto	Regional Exploration
Management Fees	\$ 31,416	\$ 31,416	\$ 31,416	\$ -	\$ -
Project management	\$ 10,911	\$ 14,463	\$ 11,158	-	-
Data compilation and interpretation	3,704	6,185	5,950	-	-
Surveying	10,009	5,877	4,364	-	-
Camp cost	4,626	63,946	47,940	-	-
Vehicle cost	-	74,566	20,522	-	-
Mapping	-	12,809	-	-	-
Sampling	4,626	63,322	-	-	-
Geophysics	23,556	167,694	127,404	-	-
Drilling	664	549,619	664	-	-
Environmental / Rehabilitation	27,423	10,774	13,736	-	-
Community relations	15,449	11,927	4,712	-	-
Access and drill pad construction	-	8,247	-	-	-
Legal	1,191	3,642	2,764	-	-
<b>Total</b>	<b>\$ 133,575</b>	<b>\$ 1,024,487</b>	<b>\$ 270,630</b>	<b>\$ -</b>	<b>\$ -</b>

### Current Liabilities

Current liabilities of \$300,886, as at December 31, 2007, increased by \$162,152 since September 30, 2007, due to an increase in creditors and accruals associated with the Company's Peruvian projects.

### Non-current Liabilities

No Change.



## Contractual Obligations

The Company's contractual obligations to maintain its mineral property interests over the next five calendar 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	-	-	-	-	-	-
		<b>13,729</b>	<b>13,729</b>	<b>37,045</b>	<b>41,187</b>	<b>41,187</b>	<b>146,877</b>
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
		<b>1,246,000</b>	<b>1,546,000</b>	<b>46,000</b>	<b>46,000</b>	<b>46,000</b>	<b>2,930,000</b>
Baños del Indio	Mining rights	-	-	-	-	-	-
	Property fees	133,376	133,376	138,465	138,465	138,465	682,147
	Exploration	-	-	-	-	-	-
		<b>133,376</b>	<b>133,376</b>	<b>138,465</b>	<b>138,465</b>	<b>138,465</b>	<b>682,147</b>
Huajoto	Mining rights	-	-	-	-	-	-
	Property fees	20,859	20,859	32,250	32,250	32,250	138,468
	Exploration	-	-	-	-	-	-
		<b>20,859</b>	<b>20,859</b>	<b>32,250</b>	<b>32,250</b>	<b>32,250</b>	<b>138,468</b>
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
	<b>Total</b>	<b>1,413,964</b>	<b>1,713,964</b>	<b>253,760</b>	<b>257,902</b>	<b>257,902</b>	<b>3,897,492</b>

## CAPITAL RESOURCES

### Common Shares and Convertible Securities Summary

As at December 31, 2007, the Company's share position consisted of:

Shares outstanding	53,127,073
Options outstanding	3,555,000
Warrants outstanding	18,358,019

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 February 29, 2008, the Company's share position consisted of:

Shares outstanding	53,127,073
Options outstanding	3,555,000
Warrants outstanding	18,358,019



### Shareholders' Equity

Shareholders' equity decreased to \$6,226,023 as at December 31, 2007 (September 30, 2007 - \$7,728,174) due to:

- stock-based compensation of \$101,935
- a net loss for the three months ended December 31, 2007 of \$1,604,086

### Options Outstanding

Expiry Date	No. of Options	Exercise Price
September 10, 2010	50,000	\$0.30
June 14, 2011	1,635,000	\$0.65
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
<b>Total</b>	<b>3,555,000</b>	

### 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
<b>Total</b>	<b>18,358,019</b>		

### 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 the three months ended December 31, 2007 was \$187,427, consisting of general expenditures of \$16,422, technical services of \$30,702 and camp costs of \$140,303, compared with \$129,443 for the three months ended December 31, 2006, consisting of general expenditures of \$14,280, technical services of \$28,560 and camp costs of \$86,603.

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 three months ended December 31, 2007 was \$130,092, consisting of salary costs of \$44,982, project management costs of \$62,145, data compilation and interpretation costs of \$15,028 and other costs of \$7,937. This compares with \$89,887 for the three months ended December 31, 2006, consisting of salary costs of \$42,840, project management costs of \$32,936, data compilation and interpretation costs of \$10,175, environmental and rehabilitation costs of \$1,040 and other costs of \$2,896.

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 three months ended December 31, 2007 was \$8,568, compared with \$8,568 for the three months ended December 31, 2006.



The Company also paid \$26,690 during the three months ended December 31, 2007 to a legal firm in which a director of the Company is a partner, compared with \$22,408 for the three months ended December 31, 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, divestiture 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**

#### 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.

### **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 December 31, 2007, pursuant to the requirements of Multilateral Instrument 52-109.

Management has concluded that, as of December 31, 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 about 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 continues focusing 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. Alturas is rapidly



moving forward with the aim of aggressively taking five of its most advanced projects into a first phase of systematic anomaly definition, target prioritization and drill testing before the end of year 2008.

At the Baños del Indio project, the Company is currently drill testing disseminated gold-silver targets through a 5,200 meters reverse circulation drilling program. Drill results will be evaluated in March–April after having received all assay reports.

At its Utupara copper-gold project, the drilling program of 5,000 meters that started in July 2007 is near completion.

Furthermore, at the time of writing this report, Alturas has entered into a letter agreement with Minera IRL Limited, a Peruvian company listed on the London Stock Exchange (“IRL”), regarding IRL’s Chapi-Chapi copper-gold Property. The Chapi-Chapi property is adjacent to Alturas’ Utupara copper-gold project and effectively doubles the prospective land position subject to exploration in the Yauli-Andahuaylas copper-gold skarn belt of southern Peru. Under the terms of the letter agreement, IRL and Alturas have entered into a joint venture, with IRL at 20% and Alturas at 80%. In order to maintain its interest, Alturas must complete drilling of 20,000 meters on the combined Chapi-Chapi and Utupara properties and conduct a scoping study, all at its expense, such that IRL is carried through this phase. Once Alturas completes its obligations, contributions will then be required by both parties in accordance with their percentage interests, subject to usual dilution. In addition, if IRL dilutes to 5% or less, it may convert its interest to a 2% NSR. Work on the Chapi-Chapi property will be part of the overall continuing exploration program of Alturas in this highly prospective copper-gold belt and will share operational synergies with Alturas’s Utupara project.

The Huajoto Gold-Silver-Zinc project in Central Peru has been intensively explored with the aim of advancing it to the point of defining specific drill targets, programmed to be tested during the second quarter of 2008. The Sombrero copper-gold project in south-central Peru is also being aggressively explored, with the aim of defining targets for a drilling campaign programmed for mid-2008.

Alturas plans to complete a total of approximately 20,000 meters of drilling in its five most advanced projects before the end of 2008.

Alturas possesses the funds and infrastructure to test the numerous drill targets on its properties that have been generated from its work to date, and expects to continue to increase and improve its diverse portfolio of mineralized properties in Peru.

## **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](http://www.sedar.com)).