ALTURAS MINERALS CORP.

(FORMERLY IRON LAKE MINERALS INC.)

(A development stage company)

Consolidated Financial Statements

Nine months ended September 30, 2006
and Year ended December 31, 2005

(Expressed in US dollars unless otherwise stated)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
PO Box 82
Royal Trust Tower, Suite 3000
Toronto Dominion Centre
Toronto, Ontario
Canada M5K 1G8
Telephone +1 416 863 1133
Facsimile +1 416 365 8215

January 22, 2007

Auditors' Report

To the Shareholders of
Alturas Minerals Corp.

We have audited the consolidated balance sheets of **Alturas Minerals Corp.** as at September 30, 2006 and December 31, 2005 and the consolidated statements of loss and deficit and cash flows for the nine months ended September 30, 2006 and the year ended December 31, 2005. These consolidated 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, 2006 and December 31, 2005 and the results of its operations and its cash flows for the nine months ended September 30, 2006 and the year ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants
Toronto, Ontario

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

	Notes	September 30, 2006	December 31, 2005
		$	**$**
ASSETS			
Current assets			
Cash and cash equivalents		**5,171,506**	92,870
Accounts receivable		**51,949**	-
Prepayments		**32,612**	122
		5,256,067	92,992
Mineral properties	4	**240,000**	240,000
Property, plant and equipment	3	**39,748**	8,840
		5,535,815	341,832
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**218,547**	43,810
Non-current liabilities			
Due to Equinox Minerals Limited	5	**750,000**	970,715
		968,547	1,014,525
SHAREHOLDERS' EQUITY			
Share capital	6	**6,873,219**	392,676
Warrants	9	**345,920**	30,140
Contributed surplus	8	**2,313,723**	2,032,799
Deficit		**(4,965,594)**	(3,128,308)
		4,567,268	(672,693)
		5,535,815	341,832

See accompanying notes to consolidated financial statements.

Nature of operations and going concern (Note 1)

Commitments (Note 11)

Approved by the Board of Directors:

(Signed) Miguel Cardozo Goytizolo	(Signed) Paul Pearson Patten
Miguel Cardozo Goytizolo, Director	Paul Pearson Patten, Director

ALTURAS MINERALS CORP.
(FORMERLY IRON LAKE MINERALS INC.)
(A development stage company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Expressed in US$ unless otherwise stated)

		Nine months ended September 30, 2006	Year ended December 31, 2005	Cumulative from inception on January 14, 2004
		$	**$**	**$**
Expenses	**Notes**			
Exploration	**4**	**1,560,781**	957,943	3,901,198
General and administration		**339,302**	262,530	626,132
Abandoned capital raising costs		**-**	486,103	486,103
Amortization of property, plant and equipment		**3,418**	6,845	15,113
Stock-based compensation	**7**	**289,642**	-	289,642
Other expense (income)	**15**	**(355,857)**	3,263	(352,594)
Net loss for the period		**1,837,286**	1,716,684	4,965,594
Deficit, beginning of period		**3,128,308**	1,411,624	-
Deficit, end of period		**4,965,594**	3,128,308	4,965,594
Basic and diluted loss per share	**14**	**0.10**	0.18	
Weighted average number of shares outstanding		**17,949,007**	9,385,125	

See accompanying notes to consolidated financial statements.

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

	Notes	Nine months ended September 30, 2006	Year ended December 31, 2005	Cumulative from inception on January 14, 2004
		$	$	$
Cash Provided By (Used In)				
Operations				
Net loss for the period		**(1,837,286)**	(1,716,684)	(4,965,594)
Items not involving cash:				
Stock-based compensation	7	**289,642**	-	289,642
Amortization of property, plant and equipment		**3,418**	6,845	15,113
Foreign exchange (gain) loss		**(270,028)**	3,411	(266,617)
		(1,814,254)	(1,706,428)	(4,927,456)
Changes in non-cash working capital				
Accounts receivable and prepayments		**12,318**	-	12,196
Accounts payable and accrued liabilities		**84,423**	(21,893)	128,233
		(1,717,513)	(1,728,321)	(4,787,027)
Financing				
Contributions from shareholders		**-**	627,623	2,032,799
Proceeds on issuance of common shares, net of share issue costs		**6,119,255**	182,815	6,302,071
Acquisition costs net of cash acquired		**161,907**	**-**	161,907
Advances from Equinox Minerals Limited	5	**279,285**	970,715	1,250,000
		6,560,447	1,781,153	9,746,777
Investing				
Purchase of property, plant and equipment		**(34,326)**	-	(54,861)
		(34,326)	-	(54,861)
Net change in cash and cash equivalents		**4,808,608**	52,832	4,904,889
Cash and cash equivalents, beginning of period and year		**92,870**	43,449	-
Effect of exchange rate changes on cash held in foreign currencies		**270,028**	(3,411)	266,617
Cash and cash equivalents, end of period and year		**5,171,506**	92,870	5,171,506

See accompanying notes to consolidated financial statements.

Interest paid	**-**	**-**	-
Taxes paid	**-**	**-**	-

Non-cash financing and investing activities: Note 16

1. NATURE OF OPERATIONS AND GOING CONCERN

(a) Nature of operations and going concern

Alturas Minerals Corp. (formerly Iron Lake Minerals Inc.) ("Alturas" or the "Company"), is a Canadian corporation, and is the parent of Alturas Minerals S.A. ("Alturas Peru"). Alturas Peru 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 coppergold porphyry/skarn deposits. To date, the Company has not earned significant revenues from mineral exploration and is considered to be in the development stage.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. For the year ended September 30, 2006, the Company reported a loss of $1.8 million and an accumulated deficit of $5.0 million at that date. In addition to its working capital requirements, the Company must secure sufficient funding to meet its spending and purchase option obligations with respect to it mineral properties in order to keep legal title and advance the projects. There are $7.2 million in existing commitments at September 30, 2006. The Company will have to secure additional financing to meet its required commitments. These 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.

In recognition of these circumstances, the Company has secured funding and has approximately $5.1 million in cash at September 30, 2006 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 and, accordingly, management is pursuing other financing alternatives to fund the Company's operations so it can continue as a going concern. 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 a property. 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.

(b) History of Entity

On May 17, 2005 Alturas Minerals Corp., a private company (''Alturas Private'') was incorporated as a wholly owned subsidiary of Equinox Minerals Limited ("Equinox Minerals") to acquire 100% of the common shares of Alturas Peru. Effective March 15, 2005, Equinox Minerals transferred its shares in Equinox Peru Ventures Limited ("Equinox Peru") to Alturas Private in exchange for 7,000,000 common shares of Alturas Private with a carrying value of $1. On March 26, 2005, Alturas Private issued 3,000,000 shares to CPB Asociados SRL ("CPB") in consideration for the remaining 30% interest in Alturas Peru. This transaction was recorded at its fair market value ($240,000).

(Expressed in US$ unless otherwise stated)

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

(b) History of Entity (continued)

The transfer by Equinox Minerals of its interest in Equinox Peru to Alturas Private was an internal reorganization between related parties and as such the consolidated financial statements have been prepared on a continuity of interest basis. Accordingly, these consolidated financial statements present the operations of the Company as if it had been the holding company of Equinox Peru for all periods presented. This includes the reverse takeover transaction ("RTO") completed on April 5, 2006.

On April 10, 2006, Iron Lake Minerals Inc. ("ILM"), 6516521 Canada Inc., ("ILM Subco") and Alturas Private executed an Amalgamation Agreement which provided for an Amalgamation of ILM Subco, a wholly owned subsidiary of ILM, and Alturas Private under section 186 of the Canada Business Corporations Act on the terms and conditions contained in the Amalgamation Agreement. The continuing legal entity from the amalgamation is referred to herein as “Amalco".

Terms of the transaction called for ILM to acquire all of the issued and outstanding Alturas Private common shares by way of the Amalgamation of Alturas Private and ILM Subco to form Amalco. On amalgamation, each issued and outstanding Alturas Private common share was exchanged for three and one-half (3.5) ILM common shares and each issued and outstanding ILM Subco common share was converted into one Amalco common share. Amalco issued to ILM one Amalco common share for each ILM common share issued to holders of Alturas Private common shares in connection with the amalgamation.

In addition, holders of Alturas Private warrants were deemed to have exchanged the Alturas Private warrants for ILM warrants whereby each such Alturas Private warrant entitled the holder to receive upon exercise of the Alturas Private warrant that number of ILM common shares which the holder would have been entitled to receive if immediately prior to the completion of the amalgamation, the holder had been the registered holder of that number of Alturas Private common shares to which such holder had previously been entitled to receive upon such exercise.

On April 10, 2006, the Company completed an RTO transaction with the former Alturas Minerals Corp. The consolidated financial statements of the combined entity are issued under the name of the Company, but are a continuation of the consolidated financial statements of the former Alturas Minerals Corp. Comparative amounts are those of the former Alturas Minerals Corp.

The Company issued 40,006,978 shares to the shareholders of the former Alturas Minerals Corp in exchange for all of the outstanding shares of former Alturas Minerals Corp. The transaction has been accounted for using the purchase method. The purchase consideration, being the fair value of the Company's common shares issued to the former Alturas Minerals Corp. shareholders, has been allocated to the estimated fair values of the assets acquired and liabilities assumed at the effective date of the purchase. This allocation is summarized as follows:

	$
Current assets (Cdn $735,045)	**629,787**
Less: current liabilities (Cdn $105,408)	**90,314**
	539,473

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

(b) History of Entity (continued)

Transaction costs in connection with the acquisition amount to $371,122 (Cdn$383,149).

ILM holds all the outstanding shares of Amalco. Amalco will continue to carry on the business of Alturas Private as a wholly-owned subsidiary of ILM. As the parent of the newly amalgamated Amalco, ILM will indirectly carry on the business of Amalco. In order to reflect the change in its business activities, ILM changed its name to “Alturas Minerals Corp.” referred to as "Alturas" or the "Company" in Note 1(a).

The comparative numbers presented in these consolidated financial statements are those of former Alturas Minerals Corp.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been presented in accordance with Canadian generally accepted accounting principles. Summarized below are the significant accounting polices 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.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 three 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.

(Expressed in US$ unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2006 and no liability has been recognized.

3. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2006	December 31, 2005
	$	$
Property, plant and equipment - at cost	**54,861**	20,535
Less: accumulated amortization	**(15,113)**	(11,695)
	39,748	8,840

(Expressed in US$ unless otherwise stated)

4. MINERAL PROPERTIES

	September 30, 2006	December 31, 2005
	$	$
Utupara	**190,000**	190,000
Huilacollo	**20,000**	20,000
Banos del Indio	**30,000**	30,000
	240,000	240,000

The principal assets of Alturas are the four advanced exploration projects located in Peru:

(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 New holds an option to acquire the property located in a very large high sulphidation disseminated gold system located approximately 20 km from Huilacollo in the Department of Tacna.
(d) **Huajoto** gold-silver-zinc project - Alturas has a Letter of Intent relating to a joint venture agreement with Teck-Cominco and another third party to explore the Huajoto Project, situated approximately 22 km from the historical mining town of Huancavelica in Central Peru.

Details of the Company's exploration expenditures are as follows:

	September 30, 2006	December 31, 2005	Cumulative from inception on January 14, 2004
	$	$	$
Utupara	97,352	95,777	396,274
Huilacollo	606,700	333,991	1,255,961
Banos del Indio	722,863	309,781	1,531,307
Huajoto	30,110	132,174	347,248
Regional exploration	103,756	86,220	370,408
	1,560,781	957,943	3,901,198

(Expressed in US$ unless otherwise stated)

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, December 31, 2005	**970,715**
Equinox Minerals contributions during the period	**279,285**
	1,250,000
Reduction for common shares issued in Alturas Private	**(500,000)**
Ending balance, September 30, 2006	**750,000**

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 $640,000.

6. SHARE CAPITAL

(a) Authorized capital

The number of authorized common shares and preferred shares is unlimited.

(b) Issued capital

	No. of Shares	Amount
		$
Balance, December 31, 2005, former Alturas Minerals Corp.	**10,430,566**	**422,816**
Reallocation of warrants	**-**	**(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)**	**-**
	-	**892,676**

(Expressed in US$ unless otherwise stated)

6. SHARE CAPITAL (continued)

(b) Issued capital (continued)

	No. of Shares	Amount
		$
Balance carryforward	**-**	**892,676**
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 (i)	**32,527,582**	**5,991,971**
Share issue costs (i)	**-**	**(511,244)**
Fair value of compensations options issued (i)	**-**	**(38,781)**
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**
Balance, September 30, 2006	**32,960,406**	**6,873,219**

(i) Former Alturas Minerals Corp., by way of private placement, issued 32,527,582 special warrants at Cdn $0.215 each for gross proceeds of $5,991,971 (Cdn$6,993,430). Issue costs, including commission, amounted to $511,245 (Cdn$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 Cdn$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 is 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 $38,781 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.

7. STOCK OPTIONS

The following table reflects the continuity of stock options for 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

(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 estimated value of $68,000 has been recorded as an expense and credited to contributed surplus.

(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 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 2006 earnings is $216,953.

(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 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 2006 earnings is $4,689.

7. STOCK OPTIONS (continued)

(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 2006 earnings is $nil.

(5) The Company has 1,346,041 stock options available for grant as of September 30, 2006.

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. CONTRIBUTED SURPLUS

Contributed surplus consists of the following items:

	CPB Asociados SRL	Equinox Minerals Limited	Total
	$	$	$
Opening balance, December 31, 2004	-	1,405,176	1,405,176
Contributions during the year	262,500	365,123	627,623
Ending balance, December 31, 2005	262,500	1,770,299	2,032,799

8. CONTRIBUTED SURPLUS (continued)

	$
Total contributions	**2,032,799**
Stock-based compensation (Note 7)	**289,642**
Transfer to share capital on exercise of stock options	**(8,718)**
Closing balance as at September 30, 2006	**2,313,723**

9. WARRANTS

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

	Number of Warrants	**Weighted average exercise price (In Canadian Dollars)**
		$
Balance, December 31, 2005	430,565	0.30
Cancellation of former Alturas Minerals Corp. warrants	(430,565)	0.30
Warrants issued and outstanding (1)(2)	3,277,778	0.37
Warrants issued to former Alturas Minerals Corp. warrant holders	502,326	0.75
Warrants issued from private placement (Note 6(b)(i))(1)	5,421,264	0.75
Compensation options issued (Note 6(b)(i))(1)	758,977	0.75
Exercised during the period	(2,333,333)	0.30
Balance, September 30, 2006	7,627,012	0.72

(1) Consolidation (3 for 1) (Note 6(b)(ii))

(2) Consists of 3,277,778 ILM warrants at April 10, 2006

9. WARRANTS (continued)

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

Expiry Date	Number of warrants	Exercise price ($) (In Canadian Dollars)	Black-Scholes 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

10. INCOME TAXES

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

	Nine months ended September 30, 2006	Year ended December 31, 2005
	$	$
Loss from ordinary activities before income tax expense	**1,837,286**	1,716,684
Income tax recovery (provision) at Canadian federal and provincial rates	**(661,423)**	(515,005)
Effect of difference in foreign tax rates	**102,445**	-
Current year losses not recognized	**472,950**	515,005
Permanent differences	**86,028**	-
Income tax expense	**-**	-

(Expressed in US$ unless otherwise stated)

10. INCOME TAXES (continued)

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

	September 30, 2006	December 31, 2005
	$	$
Non-capital losses carried forward	**1,411,442**	938,492
Other	**674,525**	-
Net future income tax assets	**2,085,967**	938,492
Valuation allowance	**(2,085,967)**	(938,492)
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.

(Expressed in US$ unless otherwise stated)

11. COMMITMENTS

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

Property	Commitment Type	2007	2008	2009	2010	2011	Total
		$	$	$	$	$	$
(1)	Mining rights	-	-	-	-	-	-
	Property fees	13,729	13,729	13,729	13,729	13,729	68,645
	Exploration	-	-	-	-	-	-
		13,729	13,729	13,729	13,729	13,729	68,645
(2)	Mining rights	500,000	1,200,000	1,500,000	-	-	3,200,000
	Property fees	46,000	46,000	46,000	46,000	46,000	230,000
	Exploration	500,000	750,000	-	-	-	1,250,000
		1,046,000	1,996,000	1,546,000	46,000	46,000	4,680,000
(3)	Mining rights	150,000	-	-	-	-	150,000
	Property fees	133,376	133,376	133,376	138,465	138,465	677,058
	Exploration	-	-	-	-	-	-
		283,376	133,376	133,376	138,465	138,465	827,058
(4)	Mining rights	-	-	-	-	-	-
	Property fees	20,859	20,859	20,859	20,859	20,859	104,295
	Exploration	1,500,000	-	-	-	-	1,500,000
		1,520,859	20,859	20,859	20,859	20,859	1,604,295
Totals	Mining rights	650,000	1,200,000	1,500,000	-	-	3,350,000
	Property fees	213,964	213,964	213,964	219,053	219,053	1,079,998
	Exploration	2,000,000	750,000	-	-	-	2,750,000
	Total	2,863,964	2,163,964	1,713,964	219,053	219,053	7,179,998

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

12. 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 nine months ended September 30, 2006 and the year ended December 31, 2005 were $293,164 and $148,119, respectively.

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 nine months ended September 30, 2006 and the year ended December 31, 2005 were $189,210 and $132,000, respectively.

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 nine months ended September 30, 2006 and the year ended December 31, 2005 were $452,174 and $28,800, respectively.

The Company also paid $277,205 (December 31, 2005 - $nil) to a legal firm in which a director of the Company is a partner.

13. FINANCIAL INSTRUMENTS

(a) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents, interest and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying amounts.

(b) Credit risk exposures

The credit risk on financial assets, excluding investments, of the Company, which have been recognised on the balance sheet, is the carrying amount, net of any provisions for doubtful debts.

14. 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 at the beginning of the year, 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 or from warrant exercises would be anti-dilutive.

(Expressed in US$ unless otherwise stated)

15. OTHER EXPENSE (INCOME)

	Nine months ended September 30, 2006	Year ended December 31, 2005	Cumulative from inception on January 14, 2004
	$	$	$
Interest income	**(85,829)**	(148)	(85,977)
Foreign exchange (gain) loss	**(270,028)**	3,411	(266,617)
	(355,857)	3,263	(352,594)

16. FINANCING ACTIVITIES AND NON-CASH INVESTING

	Nine months ended September 30, 2006	Year ended December 31, 2005
	$	$
Acquisition of mineral properties by means of share issue	**-**	240,000
Shares issued to effect RTO	**539,473**	-

(Expressed in US$ unless otherwise stated)

17. SEGMENTED INFORMATION

(a) Segmented assets

September 30, 2006

	Canada $	Peru $	Total $
Current assets	4,951,233	304,834	5,256,067
Long-term assets	-	279,748	279,748
	4,951,233	584,582	5,535,815

December 31, 2005

	Canada $	Peru $	Total $
Current assets	-	92,992	92,992
Long-term assets	-	248,840	248,840
	-	341,832	341,832

(b) Segmented expenses

Nine Months Ended September 30, 2006

	Canada $	Peru $	Total $
Exploration	-	1,560,781	1,560,781
General and administration	234,574	104,728	339,302
Amortization of property, plant and equipment	-	3,418	3,418
Stock-based compensation	289,642	-	289,642
Other expenses (income)	(360,566)	4,709	(355,857)
	163,650	1,673,636	1,837,286

(Expressed in US$ unless otherwise stated)

17. SEGMENTED INFORMATION (continued)

(b) Segmented expenses (continued)

Year Ended December 31, 2005

	Canada $	Peru $	Total $
Exploration	-	957,943	957,943
General and administration	-	262,530	262,530
Abandoned capital raising costs	-	486,103	486,103
Amortization of property, plant and equipment	-	6,845	6,845
Other expenses (income)	-	3,263	3,263
	-	1,716,684	1,716,684