



ALTURAS MINERALS CORP.  
(formerly Iron Lake Minerals Inc.)

## **Management Discussion and Analysis**

For the period ended September 30, 2006

This Management Discussion and Analysis ("MD&A") for Alturas Minerals Corp. (formerly Iron Lake Minerals Inc.) ("Alturas" or the "Company") is dated January 24, 2007 and provides an analysis of the Company's performance and financial condition for the nine month period ended September 30, 2006 as well as an analysis of future prospects. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the nine month ended September 30, 2006 and the year ended December 31, 2005, including the related note disclosure, which are prepared in accordance with generally accepted accounting principles in Canada. All amounts are in US dollars unless otherwise specified. The financial statements along with Certifications of Annual and Interim Filings and press releases, are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

### Forward-looking 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.

### 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 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. 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 Alturas Minerals Corp. (prior to the transaction ("AMC")) completed a three-cornered amalgamation. Terms of the transaction called for ILM to acquire all of the issued and outstanding



common shares of AMC by way of the amalgamation of AMC and 6516521 Canada Inc. to form Alturas Holdings Ltd. ("Amalco"). On amalgamation, each issued and outstanding AMC share was exchanged for three and one-half (3.5) ILM common shares and each issued and outstanding 6516521 Canada Inc. 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 AMC common shares in connection with the RTO. On completion of the amalgamation, ILM held all of the outstanding shares of Amalco.

In addition, holders of AMC warrants were deemed to have exchanged the AMC warrants for ILM warrants whereby each such AMC warrant entitled the holder to receive upon exercise of the AMC warrant, in lieu of the number of AMC common shares otherwise issuable upon such exercise, that number of ILM common shares which the holder would have been entitled to receive immediately prior to the completion of the RTO, where such holder had been the registered holder of that number of AMC common shares to which such holder had previously been entitled to received upon such exercise.

Amalco is continuing to carry on the business of AMC as a wholly-owned subsidiary. 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".

### **Projects and Recent Developments**

During the period ended September 30, 2006, Alturas resumed exploration activities on its Peruvian projects. With positive political developments from the new Peruvian government for mining companies, Alturas's exploration program is continuing aimed at advancing exploration on three of its four principal gold-silver and copper-gold projects in southern Peru. The principal properties of Alturas are four mineral exploration projects located in southern Peru, which included the Huilacollo Gold Project, the Baños del Indio Gold Project, the Utupara Copper-Gold Project and the Huajoto Gold-Silver-Zinc Project.

#### Huilacollo Gold Project, Peru

The 2,000 hectare Huilacollo property consists of two contiguous claims and is located approximately 970 kilometers southeast of Lima and 55 kilometers northeast of the city of Tacna. Alturas holds an option to acquire 100% of the property. Extensive high-sulfidation alteration confirms the strong affinity of this system with large low-grade gold deposits of this style elsewhere in Peru.

In the Huilacollo gold epithermal system, exploration work has been concentrated in the Cerro Andamarca and Andamarca Norte areas. Previous work at Cerro Andamarca identified an oval-shaped area of gold mineralization measuring 220 meters by 150 meters and diamond drilling confirmed the vertical continuity of the mineralization with intercepts of 0.5-2.1 grams per tonne gold (g/t Au) over lengths between 16 and 46 meters.

Alturas commenced detailed geological mapping plus systematic bedrock geochemical sampling at Cerro Andamarca in July 2006 and announced the preliminary results of trenching in September. Assay results as announced on September 20, 2006 from trench 1, which was designed to cut through the central area of the presently known surface gold mineralization, included an interval of 77 meters of 1.67 g/t Au and 11.9 grams per tonne silver (g/t Ag). In October, Alturas subsequently reported the results from further trenching, including a 38-meter interval of 6.69 g/t Au and >54.4 g/t Ag in trench 16. Apart from confirming the presence of strong surface gold-silver mineralization, the trenching has demonstrated the continuity of the mineralization at Cerro Andamarca over an area exceeding 350x200 meters in size. The gold-silver mineralized zones defined are being targeted in the 3,000-meter diamond drilling program underway during the fourth quarter of 2006.

Following the period ended September 30, 2006 the Company announced the results of an Induced Polarization/ Resistivity Survey over the Cerro Andamarca and Andamarca Norte targets. The results significantly expand the lateral and vertical extent of the known hydrothermal system and have outlined extensive zones of coincident high resistivity and low chargeability, interpreted as gold-prospective



siliceous alteration. Large parts of these shallow concealed geophysical anomalies were untested by previous drilling, and are being targeted in the current drilling program.

In November 2006 the Company received the results from the first five diamond drill holes from the Cerro Andamarca target. The best intersection as announced on September 29, 2006 obtained to date was from hole AM-01, which reported an interval of 1.24 g/t Au and 11.3 g/t Ag over 84.0 meters in oxides starting at surface. This interval includes a higher grade intercept of 3.29 g/t Au and 16.23 g/t Ag over 14 meters from 16 meters to 30 meters. The five drill holes reported to date represent a cumulative total of 882 meters from the ongoing 3,000-meters drilling program, which has been completed in December. Pending core logging and assaying from this first phase drilling program will be completed and reported by the end of January.

#### Baños del Indio Gold Project, Peru

The 6,536 hectare Baños del Indio property is located approximately 980 kilometers southeast of Lima and 75 kilometers north-northeast of the coastal town of Tacna. Alturas has an option to acquire 100% rights to the property. Baños del Indio is a large (>6 x 5 kilometers) high-sulfidation epithermal system with at least seven distinct centers of siliceous alteration. Like Huilacollo, the presence of strong high sulfidation alteration and gold anomalism confirms the affinity of this system with large low grade gold deposits of this style elsewhere in Peru.

Alturas is advancing surface exploration work at Baños del Indio in order to target future drilling, planned for the second quarter of 2007, within the extensive epithermal alteration zone.

Alturas has commenced a program of detailed geological mapping, geochemical sampling, ground magnetics and 3-D induced polarization/resistivity mapping over the project since the previous quarter ended June 30, 2006. The geophysics will be used to map and extend the prospective gold-bearing resistive silica alteration of the style present at the Honguito Prospect, where previous reconnaissance drilling by third parties in 1994 intersected 10.7 g/t Au over 6.1 meters.

Following the period ended September 30, 2006, the Company reported new results in December 2006 from the 3D IP/Resistivity survey completed over the Baños del Indio Gold Project. The extensive survey has identified kilometer-scale high resistivity zones, interpreted as zones of strong silicification associated with high sulfidation epithermal centers and diatreme structures. The new survey highlights an area of generally high resistivity (+1000 ohm-meters) centered on the L Laurimorco and Carapina hydrothermal centers. Within this area, two annular-shaped, nested resistivity highs approximately 1.2 kilometers in diameter extend from surface to approximately 200 meters to 300 meters depth. The high resistivity areas are interpreted as gold-prospective silicification associated with the high sulfidation epithermal system(s).

#### Utupara Copper-Gold Project, Peru

The Utupara property is located in southern Peru approximately 130 kilometers southwest of the city of Cusco and 510 kilometers southeast of Lima. Utupara is located within the emerging copper-gold belt in southern Peru that hosts important deposits such as the Tintaya (Xstrata), Las Bambas (Xstrata) and Los Chancas (Southern Peru Copper Corporation) and new exploration projects like Constancia (Norsemont) and Pinaya (Acero-Martin). The property is held 100% by Alturas.

Alturas has recognized three different styles of mineralization on the Utupara property: (i) porphyry copper-gold, (ii) skarn and copper, and, (iii) structurally-controlled gold hosted by quartzite. The first modern exploration program at Utupara was conducted by a local company between 1997 and 2001. This work included geochemistry, geophysics, geological mapping and drilling, focused on a 2.1 x 1.6 kilometer-sized area in the central part of the claim block. All six drill holes contained at least some anomalous copper and gold values with best results averaging 0.26% copper and 0.2 g/t Au over a length of 160 meters.



Reprocessing of ground geophysical data by Alturas confirms the existence of several strong induced polarization, resistivity and magnetic anomalies, coincident with strong copper and gold anomalies that were not tested by previous drilling.

Alturas will complete detailed mapping and further ground geophysics of the project during 2006 with the aim of prioritizing drill targets. Diamond drilling of these targets is expected to begin in the first quarter of 2007. Following the period ended September 30, 2006 the Company has completed environmental and social baseline studies. In December 2006, the Company secured surface land access through an agreement signed with the local community of Huaquirca. Approval to drill has been sought from the Ministry of Energy and Mines and is pending approval.

#### Huajoto Gold-Silver-Zinc Project, Peru

The Huajoto Property is located approximately 22 kilometers south-southeast of the city Huancavelica and 230 kilometers southeast of Lima. The Project lies in the district of Nuevo Occoro in the Province and Department of Huancavelica in central Peru.

The Huajoto Project is subject to a proposed joint venture between Alturas and Teck Cominco Peru S.R.L. The joint venture area is comprised of five contiguous concessions with a total area of 3,000 hectares. Each party has contributed claims to the joint venture. Teck Cominco holds title to Huajoto 3 and Huajoto 4, while Alturas controls the Conaica 1, Conaica 2 and Conaica 3 concessions. 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.

### SELECTED ANNUAL & QUARTERLY INFORMATION

#### Selected Annual Information

	9 month period ended Sep. 30, 2006 \$	Year ended Dec. 31, 2005 \$
Total Revenues	Nil	Nil
Net Income (Loss)	(1,837,286)	(1,716,684)
Income (Loss) Per Share	(0.10)	(0.18)
Cash	5,171,506	92,870
Total Assets	5,535,815	341,832
Total Liabilities	968,547	1,014,525
Shareholders' Equity	4,567,268	(672,693)

#### Selected Quarterly Information

Three Months Ended	Net Revenues \$	Net Income (loss)		Exploration Expenses \$	General and Administration \$
		Total \$	Per Share \$		
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



Three Months Ended	Net Revenues \$	Net Income (loss)		Exploration Expenses \$	General and Administration \$
		Total \$	Per Share \$		
December 31, 2005	Nil	(593,959)	(0.07)	427,260	70,632
September 30, 2005	Nil	(506,747)	(0.05)	78,948	31,376
June 30, 2005	Nil	(337,473)	(0.02)	243,611	91,991
March 31, 2005	Nil	(278,505)	(0.04)	208,124	68,531
December 31, 2004	Nil	(536,741)	(0.05)	410,773	24,300

## 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. During the nine months ended September 30, 2006, the Company's net losses were \$1,837,286 (December 31, 2005 - \$1,716,684). The increase of expenses from the year ended December 31, 2005 was due principally to the increase of \$76,772 in general and administration, \$289,642 in stock-based compensation and \$602,838 in exploration expenses on projects Utupara, Huilacollo, Baños del Indio and regional exploration. Overall expenses were offset by interest income of \$85,829 and \$270,028 through gain on foreign exchange.

General office and administration expenses for the Company during the nine months ended September 30, 2006 can be broken down as follows:

General and administration	
Administrative	\$ 20,352
Bank fees and charges	3,852
Consulting fees	16,573
Investor relations	8,789
Insurance	6,497
Professional fees	215,054
Stock exchange charges	17,960
Rent	6,168
Salaries and wages	9,307
Telephone	2,818
Travel	9,955
Recharge of administration costs from Equinox Minerals	21,977
	<u>\$ 339,302</u>

As the Company grows following the completion of the Amalgamation, general expenses could be expected to increase through office expansion, reporting issuer costs and 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 activities.

## LIQUIDITY AND CAPITAL RESOURCES

Alturas had \$5,256,067 in current assets and \$218,547 in current liabilities for a working capital of \$5,037,520 (current assets less current liabilities) compared to \$49,182 at December 31, 2005. This is primarily a result of i) a private placement in former Alturas Minerals Corp., issuing 32,527,582 special warrants at Cdn \$0.215 each for gross proceeds of \$5,991,971 (Cdn \$6,993,430); ii) an exercise of 50,000 stock options for gross proceeds of \$13,217; iii) and an exercise of 2,333,337 warrants for gross proceeds of \$6,873,219.



The Company has sufficient funds to cover corporate expenses for the next two years. There is also sufficient funding for the currently planned exploration program, including option payments regarding the Baños del Indio property (\$250,000 between January and March 2007), but not for option payments pertaining to the Huilacollo property (\$500,000 and \$1,200,000 in August 2007 and 2008, respectively).

### Contractual Obligations

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 \$
Utupara	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
Huilacollo	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
Baños del Indio	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
Huajoto	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	1,640,295
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
<b>Total</b>		2,863,964	2,163,964	1,713,964	219,053	219,053	7,179,998

### Share Capital

As at January 24, 2007, the Company's share position consisted of:

Shares outstanding	33,127,073
Options outstanding <sup>(i)</sup>	1,950,000
Warrants <sup>(ii)</sup>	7,460,345

(i) Options outstanding

Expiry Date	No. of Options	Exercise Price
Sep. 10, 2010	50,000	\$0.30
Jun. 14, 2011	1,635,000	\$0.65
Oct. 29, 2007	75,000	\$0.70



Aug. 31, 2011	50,000	\$0.75
Aug. 31, 2011	50,000	\$1.25
Aug. 31, 2011	50,000	\$1.50
Aug. 31, 2011	40,000	\$1.75

(ii) Warrants outstanding

	Warrants	Expiry Date	Exercise Price
Purchase warrants	502,326	Apr. 21, 2007	\$0.75
Purchase warrants	5,421,264	Mar. 31, 2008	\$0.75
Agent's warrants	758,977	Mar. 31, 2008	\$0.645
Purchase warrants	777,778	Apr. 10, 2008	\$0.60

**RESOURCE PROPERTIES**

The following tables are a summary of the \$1,560,781 of costs accumulated by the Company in the nine months ended September 30, 2006 with respect to the Company's mining rights on its properties.

	Utupara	Huilacollo	Baños del Indio	Huajoto	Regional exploration
Access and drill pad construction	\$ 267	\$ -	\$ 11,294	\$ -	\$ -
Tenement cost/acquisition	8,404	284,447	267,218	10,624	16,884
Camp cost	-	42,880	101,511	-	638
Properties fees	13,729	18,000	53,739	5,695	19,023
Community relations	14,517	32,921	9,342	-	-
Data compilation and interpretation	967	967	967	-	-
Distributions	114	195	774	144	228
Drilling	759	4,441	759	-	-
Environmental	27,774	31,572	28,600	-	-
Foreign exchange	-	-	-	-	-
General and administration	11,305	83,114	85,677	818	9,233
General exploration	694	1,193	4,723	877	1,394
Geology	7,061	12,138	48,073	8,926	14,185
Geophysics	1,186	57,707	27,419	-	25,159
Mapping	-	2,210	9,728	-	2,373
Peruvian taxes	83	142	564	105	166
Project management	8,180	8,981	9,412	-	-
Sampling	-	16,456	13,280	-	4,965
Surveying	-	3,011	3,603	-	-
Travel and accommodation	2,260	3,885	15,387	2,857	4,540
Motor vehicles	52	2,440	30,793	64	4,968
<b>Total</b>	<b>\$ 97,352</b>	<b>\$ 606,700</b>	<b>\$ 722,863</b>	<b>\$ 30,110</b>	<b>\$ 103,756</b>

**COURSE OF BUSINESS TRANSACTIONS**

**Related Party Transactions**

Through the normal course of business, the following related party transactions occurred as at September 30, 2006:



- 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 was \$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 was \$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.

#### **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. Specific items requiring estimates include:

##### 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.

The consolidated financial statements have been presented in accordance with Canadian generally accepted accounting principles. 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.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions affect the amounts reported in the consolidated financial statements and related notes. Significant areas where management's judgment is applied include the carrying 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.

(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 area 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.

(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.

## **FINANCIAL INSTRUMENTS**

### **(a) Net fair value of financial assets and liabilities**

Except as disclosed in the financial statements, the net fair values 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 recognized on the balance sheet, is the carrying amount, net of any provisions for doubtful debts.

## **DISCLOSURE CONTROLS**

Disclosure controls and procedures within the Company are designed to provide reasonable assurance that all relevant information is identified to ensure that appropriate and timely decisions are made regarding public disclosures. Management believes that the controls and procedures in place, and currently being developed and implemented, provide reasonable assurance that the annual and interim filings do not contain any misrepresentations or omit to state any material facts.

## **OUTLOOK**

Management believes that Peru continues to be an attractive venue to discover and develop world-class metal deposits. The recently elected new government in Peru has indicated a strong continuing commitment to attracting mining investment.

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.

Since the merger with ILM and subsequent financing in April 2006, Alturas has focused on the exploration of three of its four principal properties, with an aggressive program of systematic anomaly definition, target prioritization and planned drill testing. An important emphasis in this initial phase has been the successful establishment of community, environmental and government approvals that will provide Alturas with a license to operate.

Accelerated exploration programs have been advanced in the Huilacollo and Baños del Indio projects in Tacna in southern Peru, where prior strong indications of shallow epithermal gold mineralization are manifest. Encouraging surface trenching and drilling results have already been announced from Cerro Andamarca on the Huilacollo Project. At its Utupara copper-gold porphyry project, located in the prolific Las Bambas-Tintaya belt in southeastern Peru, the Company has completed social and environmental base line studies, and has successfully gained surface access rights through signature of an agreement with the local and owners. The program is on track to drill-test strong combined geochemical and geophysical targets starting by the end of the first quarter of 2007.

Alturas now possesses the cash and infrastructure to test the numerous drill targets that have been generated on its properties from its work to date, and 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, will position the company for significant 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](http://www.sedar.com)).