



ALTURAS MINERALS CORP.

**Management Discussion and Analysis**

For the period ended December 31, 2006

This Management Discussion and Analysis ("MD&A") for Alturas Minerals Corp. ("Alturas" or the "Company") is dated March 1, 2007 and provides an analysis of the Company's performance and financial condition for the three months ended December 31, 2006 as well as an analysis of future prospects. This MD&A should be read in conjunction with the Company's unaudited consolidated financial statements for the three months ended December 31, 2006 and audited consolidated financial statements for the year ended September 30, 2006, 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**

Alturas' principal properties are four mineral exploration projects located in southern Peru, which includes the Huilacollo Gold Project, the Baños del Indio Gold Project, the Utopara Copper-Gold Project and the Huajoto Gold-Silver-Zinc Project. Following the period ended September 30, 2006 the Company completed first phase systematic diamond drilling at its high-sulphidation epithermal gold project Huilacollo, and reported results from the drilling program. In December, 2006 the Company received results from the 3-D Induced Polarization/ Resistivity survey completed over the Baños del Indio gold project. Surface mapping, systematic sampling and geophysical surveys are progressing solidly at the Utopara copper-gold project and the Baños del Indio gold project and drilling on these projects is programmed to start in April and July 2007, respectively.

#### 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. Primarily 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 350 meters by 200 meters in size.

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 were targeted in the drilling program completed in December 2006.

Alturas completed a 19-hole, phase 1 drilling program in Cerro Andamarca totaling 2,744 meters. The gold assay results reported are very encouraging and confirm in the third dimension the previous assay results obtained from surface sampling. The systematic drilling along sections oriented northwest-southeast has allowed the Company to make an important structural reinterpretation of the mineralized zones. Alturas has recognized zones of higher gold and silver grade controlled by steep “feeder” structures and breccia zones, which previously had been unrecognized. To date we have identified a gold-silver zone exceeding 400 meters by 200 meters in plan in some places the zone of oxidation extends vertically to at least 100 meters from surface, considerably deeper than previous thought. Both of these interpretations will positively impact on the ultimate size and grade of the mineralized body. The mineralization is still open in several directions, and several other untested targets have been identified within the property, including the western concealed part of the Cerro Andamarca combined geochemical/geophysical anomalies plus Andamarca Norte. A phase 2 drilling program will be required to extend the size of the known gold-silver zone and to explore the new target areas.

Highlights from phase 1 drilling program results were:

- 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 to 30 meters;
- from hole AM-2, which reported 1.21 g/t Au and 8.94 g/t Ag over 52 meters, including 3.01 g/t Au and 13.26 g/t Ag over the first 10 meters; and
- from hole AM-14, which reported an interval of 1.17 g/t Au and 6.51 g/t Ag over 82.0 meters in oxides starting at surface, including a near-surface higher grade intercept of 1.95 g/t Au and 8.84 g/t Ag over 36 meters from 20 to 56 meters;
- from hole AM-16, which reported an interval of 3.52 g/t Au and 49.1 g/t Ag over 12 meters from 26 to 38 meters;
- a single vertical drill hole AM-20, drilled to 436.8 meters vertical depth and designed to test a potential deep porphyry target to the south at Cerro Huilacollo, intersected strong sericite-quartz-pyrite alteration throughout its entire length but did not return significant results.

#### 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, programmed to start in April or May 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 June 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. In this type of high sulfidation epithermal system, zones of high resistivity generally reflect strong silicification, which is the dominant host alteration for gold mineralization.

In December, 2006 the Company reported new results from the 3D Induced Polarization/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 (+1,000 ohm-meters) centered on the Llaurimorco 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).

The Company continues with its aggressive program of anomaly definition and prioritization for drill follow up planned for July 2007.

#### 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.

Ground geophysical data acquired by Alturas confirms the existence of several strong induced polarization, resistivity and magnetic anomalies, coincident with strong copper and gold anomalies that have not been tested by previous drilling.

Surface mapping, systematic sampling and geophysical surveys are progressing solidly at Utupara project. Diamond drilling is expected to begin in April 2007. Since the last quarter, 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

|                            | Quarter Ended |               | Year Ended                |                           |
|----------------------------|---------------|---------------|---------------------------|---------------------------|
|                            | December 2006 | December 2005 | September 2006 (9 months) | December 2005 (12 months) |
| Total Revenues             | \$ Nil        | \$ Nil        | \$ Nil                    | \$ Nil                    |
| Net Income (Loss)          | (1,765,253)   | (593,959)     | (1,837,286)               | (1,716,684)               |
| Income (Loss) Per Share    | (0.05)        | (0.06)        | (0.10)                    | (0.18)                    |
| Cash                       | 3,406,533     | 92,870        | 5,171,506                 | 92,870                    |
| Total Assets               | 3,731,242     | 341,832       | 5,535,815                 | 341,832                   |
| Total Liabilities          | 787,882       | 1,014,525     | 968,547                   | 1,014,525                 |
| Shareholders' Equity       | 2,943,360     | (672,693)     | 4,567,268                 | (672,693)                 |
| General and Administration | 176,229       | 70,633        | 339,302                   | 262,530                   |
| Exploration Expenses       | 1,428,692     | 427,260       | 1,560,781                 | 957,943                   |
| Stock based compensation   | 89,859        | Nil           | 289,642                   | Nil                       |

### Selected Quarterly Information

| Three Months Ended | Net Revenue \$ | Net Income (loss) |              | Exploration Expenses \$ | General and Administration \$ |
|--------------------|----------------|-------------------|--------------|-------------------------|-------------------------------|
|                    |                | Total \$          | Per Share \$ |                         |                               |
| December 31, 2006  | Nil            | (1,765,253)       | (0.05)       | 1,428,692               | 176,229                       |
| September 30, 2006 | Nil            | (1,082,668)       | (0.03)       | 963,891                 | 231,832                       |
| June 30, 2006      | Nil            | (495,078)         | (0.02)       | 353,463                 | 93,141                        |
| March 31, 2006     | Nil            | (259,540)         | (0.02)       | 243,427                 | 14,329                        |
| December 31, 2005  | Nil            | (593,959)         | (0.06)       | 427,260                 | 70,633                        |
| September 30, 2005 | Nil            | (506,747)         | (0.05)       | 78,948                  | 31,376                        |
| June 30, 2005      | Nil            | (337,473)         | (0.01)       | 243,611                 | 91,991                        |
| March 31, 2005     | Nil            | (278,505)         | (0.04)       | 208,124                 | 68,531                        |

## 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, 2006, Alturas's net losses were \$1,765,253 compared to \$593,959 for the three months ended December 31, 2005. The increase of \$1,171,294 in net loss during the most recent period was due principally to: i) \$1,428,692 (December 31, 2005 - \$427,260) in exploration expenses; ii) \$176,229 (December 31, 2005 - \$70,633) in general and administration expenses; iii) \$89,859 (December 31, 2005 - nil) in stock-based compensation for issuance of stock options; and iv) \$105,385 (December 31, 2005 - \$3,041) losses in foreign exchange. The increase in exploration expenses are a result of exploration activities on projects



Utupara, Huilacollo, Baños del Indio and regional exploration in Peru. Overall expenses were offset by interest income of \$37,102.

General office and administration expenses for the Company for the three ended December 31, 2006 can be broken down as follows:

|                            |                   |
|----------------------------|-------------------|
| General and administration |                   |
| Administrative             | \$ 15,789         |
| Bank fees and charges      | 2,967             |
| Investor relations         | 24,601            |
| Insurance                  | 10,092            |
| Professional fees          | 63,033            |
| Stock exchange charges     | 3,811             |
| Rent                       | 8,125             |
| Salaries and wages         | 5,546             |
| Telephone                  | 1,294             |
| Travel                     | 11,157            |
| Tax Payments               | 25,360            |
| Other                      | 4,454             |
|                            | <u>\$ 176,229</u> |

As the Company grows, 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.

## CASH FLOWS

As at December 31, 2006, the Company's cash outflow from:

- operating activities was \$1,130,147 (December 31, 2005 – \$832,592). Increased exploration costs and the increased cost of running both the Peru and Canada corporate offices has been offset by interest income generated from cash balances held.
- financing activities was \$323,514 (December 31, 2005 cash inflow – \$824,797). The decrease in cash through financing was a result of cash payments on the reduction of a promissory note to Equinox Minerals.
- investment activities was \$14,275 (December 31, 2005 – nil), due to the purchase of property, plant and equipment for property exploration from the Company.

## LIQUIDITY AND FINANCIAL POSITION

|                           | December 31<br>2006 | September 30<br>2006 |
|---------------------------|---------------------|----------------------|
|                           | \$                  | \$                   |
| <b>Assets</b>             |                     |                      |
| Cash and cash equivalents | 3,406,533           | 5,171,506            |
| Other current assets      | 32,786              | 84,561               |
| Capital assets            | 291,923             | 279,748              |



|                              | <b>December 31<br/>2006</b> | <b>September 30<br/>2006</b> |
|------------------------------|-----------------------------|------------------------------|
| Total assets                 | \$<br>3,731,242             | \$<br>5,535,815              |
| <b>Liabilities</b>           |                             |                              |
| Current liabilities          | 412,882                     | 218,547                      |
| Non-current liabilities      | 375,000                     | 750,000                      |
| Total liabilities            | 787,882                     | 968,547                      |
| Shareholders' equity         | 2,943,360                   | 4,567,268                    |
| Outstanding number of shares | 33,127,073                  | 32,960,406                   |

### **Cash and Cash Equivalents**

Alturas had a decrease in cash and cash equivalents to \$3,406,533 (September 30, 2006 – \$5,171,506), primarily due to increased expenditures for exploration activities.

Based on preliminary estimates, the Company believes it 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).

### **Capital Assets**

The increase in capital assets at December 31, 2006 to \$291,923 (September 30, 2006 – \$279,748) was a result of:

- mineral properties of \$240,000 (September 30, 2006 - \$240,000) (\$190,000 on the Utupara project, \$20,000 on the Huilacollo project, and \$30,000 on the Baños del Indio project);
- property, plant and equipment of \$51,923 (September 30, 2006 - \$39,748).

### **Current Liabilities**

Current liabilities at December 31, 2006 increased to \$412,882 (September 30, 2006 - \$218,547) due to creditors and accruals associated with the Company's Peru projects.

### **Non-current liabilities**

Non-current liabilities at December 31, 2006 decreased to \$375,000 (September 30, 2006 - \$750,000) as a result of a reduction of the promissory note through cash payments to Equinox Minerals.

### **Shareholders' Equity**

Shareholders' equity decreased to \$2,943,360 as at December 31, 2006 (September 30, 2006 - \$4,567,268) due to:

- an exercise of 166,667 warrants for gross proceeds of \$51,486;
- stock-based compensation of \$89,859; and
- a net loss of 1,765,253 resulting in a total deficit of \$(6,730,847).



### Contractual Obligations

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

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

### Share Capital

As at March 1, 2007, the Company's share position consisted of:

|                                      |            |
|--------------------------------------|------------|
| Shares outstanding                   | 33,127,073 |
| Options outstanding <sup>(i)</sup>   | 2,250,000  |
| Warrants outstanding <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         |
| Jan. 19, 2012 | 300,000 <sup>(1)</sup> | \$0.65         |



- (1) Subsequent to December 31, 2006. Alturas granted an aggregate of 300,000 incentive stock options to a director and a key employee. The options are exercisable for a period of five years.

(ii) Warrants outstanding

|                   | <b>Warrants</b> | <b>Expiry Date</b> | <b>Exercise Price</b> |
|-------------------|-----------------|--------------------|-----------------------|
| 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 \$1,428,692 of costs accumulated by the Company in the three months ended December 31, 2006 with respect to the Company's mining rights on its properties.

|                                     | <b>Utupara</b>    | <b>Huilacollo</b>   | <b>Baños del Indio</b> | <b>Huajoto</b> | <b>Regional exploration</b> |
|-------------------------------------|-------------------|---------------------|------------------------|----------------|-----------------------------|
| 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>                 |

## COURSE OF BUSINESS TRANSACTIONS

### Related Party Transactions

Through the normal course of business, the following related party transactions occurred as at December 31, 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 three months ended December 31, 2006 and December 31, 2005 was \$132,725 and \$60,000, 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 three months ended December 31, 2006 and December 31, 2005 was \$89,346 and \$49,500, 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 three months ended December 31, 2006 and December 31, 2005 were \$8,568 and \$14,400, respectively.
- The Company also paid \$22,408 (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.

### **Changes in Accounting Policies including Initial Adoption**

Financial instruments, comprehensive income and hedges

In addition, in January 2005, the CICA issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. The Company has adopted these new standards effective October 1, 2006.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method;
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

The Company has evaluated the impact of these new standards on its consolidated financial statements and determined that no adjustments are currently required.

### **FINANCIAL INSTRUMENTS**

#### (a) 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, accounts receivable, accounts payable and accrued liabilities approximates are reported at their fair values on the balance sheet. The fair values are the same as the carrying values due to their short-term value.



(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 interim filings do not contain any misrepresentations or omissions of material facts.

## OUTLOOK

Over the past 14 years, Peru has become a premier destination for mining companies due to its huge mineral potential, impressive mining history and mineral production, steady economic growth and stable investment climate. Peru is largely the main gold producer of Latin America and its more than 6 million ounces of gold produced annually place the country among the largest gold producers in the world. Peru is also the third copper producer of the world with over 1 billion tons of copper metal per year, and is listed at the top of the silver, zinc, lead and tin world producers. The recently elected new government in Peru has indicated a strong continuing commitment to attracting mining investment. Management firmly believes that Peru continues to be one of the most attractive venues to discover and develop world-class metal deposits. Alturas has focused on belts in Peru that have already delivered large economic discoveries, mainly within the southern part of the country, and exploration work is proceeding as planned.

During 2006, after a successful listing and completion of a \$7 million financing, Alturas started to move forward with the aim of aggressively taking three of its four most advanced projects into a first phase of systematic anomaly definition, target prioritization and drill testing. An important emphasis in this initial phase has been the successful establishment of community, environmental and government approvals that provides 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 in April 2007.

These important projects together with another fourteen high-quality exploration properties in southern and northern Peru constitute one of the best exploration portfolios of junior companies in Peru and Latin America. Alturas' 2006 and 2007 exploration programs have been designed for an expenditure of US\$6.0 million.

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