



ALTURAS MINERALS CORP.

Management Discussion and Analysis

For the period ended March 31, 2007

This Management Discussion and Analysis ("MD&A") for Alturas Minerals Corp. ("Alturas" or the "Company") is dated May 14, 2007 and provides an analysis of the Company's performance and financial condition for the three months and six months ended March 31, 2007 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.

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.

Highlights

Financial performance

- For the three and six month period ended March 31, 2007 net loss was \$1.3 million (\$0.04 per share) and \$3.1 million (\$0.09 per share) respectively and
- A total of \$0.9 million and \$2.4 million was spent on the Company's exploration projects, during the three and six month periods then ended.

Liquidity and capital resources

- Cash and cash equivalents at March 31, 2007 totaled \$2.2 million;
- Working capital at March 31, 2007 totaled \$1.8 million;
- Subsequent to March 31, 2007 the Company raised a gross total of \$10.0 million through a private placement;



Exploration Developments

- In January 2007, Alturas reported up to 82.0 metres @ 1.17 grams/tonne gold and 6.51 grams/tonne silver from drilling at Huilacollo Gold Project.
- In February 2007, the Company announced anomalous metal contents from rock sampling and highlighted the discovery of an extensive high-grade gold vein system in the periphery of the copper-gold porphyry system at Utupara Copper-Gold Project.
- In April 2007, the Company released positive results from magnetic and Induced Polarization geophysical surveys that are helping in the definition of drill targets at Utupara,
- Exploration work progressed solidly at the Utupara copper-gold project and the Baños del Indio gold project and drilling on these projects is programmed to start in June and the third quarter of 2007, respectively; and

Corporate Developments

- The Company announced the addition of Andre Falzon to the Board of Directors and Walter Henry as Chief Financial Officer and Secretary of the Company effective March 1st, 2007. Mr. Falzon has over 20 years of practical financial and management experience, particularly in the global mining industry including South America. Mr. Henry has held the position of Vice President, Finance and Chief Financial Officer of Tiberon Minerals Ltd. since 2003.

Subsequent Event

On May 29, 2007, Alturas completed a C\$10 million dollar Canadian offering by way of a private placement of 20,000,000 units (the "Units"). Each Unit, issued at C\$0.50 each, consists of one common share of the Company (a "Common Share") and one half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to acquire one Common Share for a period of 18 months from the closing of the offering at C\$0.65 each.

Raymond James Ltd. and CIBC World Markets acted as agents. The Agents received a cash commission of 7% of the gross proceeds of the offering on closing, together with compensation options entitling the Agents to purchase 1,400,000 common shares at \$0.50 per share for a period of 18 months after closing.

In addition to providing working capital, proceeds from this financing will allow the Company to quickly and aggressively progress the drill programs on Utupara and Baños del Indio and initiate systematic exploration work on Alturas' other properties.

Principal Business and Corporate History

Alturas is a Canadian corporation, and is the indirect parent of the Peruvian company, Alturas Minerals S.A. ("Alturas Peru"). Alturas Peru has been actively exploring various mineral projects in Peru since January 2004. The principal assets of Alturas are the four mineral exploration projects described below. In addition, Alturas Peru has interests in 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. completed a three-cornered amalgamation to form Alturas Holdings Ltd.

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



Projects and Recent Developments

Alturas' principal properties are four mineral exploration projects located in southern Peru, which includes the, the Baños del Indio Gold Project, the Utupara Copper-Gold Project, the Huajoto Gold-Silver-Zinc Project and Huilacollo Gold Project. At the end of 2006, the Company completed first phase systematic diamond drilling at its high-sulfidation 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 and similar geophysical surveys were completed in the Utupara project in April. Surface mapping and systematic sampling are progressing solidly at the Utupara copper-gold project and the Baños del Indio gold project and drilling on these projects is programmed to start in May and July 2007, respectively.

Baños del Indio Gold Project, Peru

Alturas has recently exercised an option to acquire 100% rights to the 6,536 hectare Baños del Indio property, subject to certain royalty and success fee payments to the previous owner. The property hosts a large (>6 x 5 kilometers) high-sulfidation epithermal system with at least seven gold- and silver-prospective siliceous alteration centers. Previous reconnaissance drilling by third parties in 1994 intersected 10.7 g/t Au over 6.1 meters in silica-altered volcanic rocks at the Honguito prospect. Like the nearby Huilacollo property, the strong high sulfidation alteration and gold anomalism confirm the affinity of this system with large low grade gold deposits of this style elsewhere in Peru.

Alturas commenced a program of detailed geological mapping, geochemical sampling, ground magnetics and 3-D Induced Polarization/Resistivity geophysics over the project in June 2006. In December 2006 the Company reported the results from the geophysical survey, identifying kilometer-scale zones of high resistivity, interpreted as zones of gold-prospective silicification associated with high sulfidation epithermal centers and diatreme structures, The high resistivity targets identified have never been drill tested.

Alturas is rapidly advancing surface exploration work at Baños del Indio in order to target future drilling of the siliceous zones, programmed to start in the third quarter of 2007.

Utupara Copper-Gold Project, Peru

The 4,576 hectare Utupara property is held 100% by Alturas and is located within the emerging copper-gold belt in southern Peru that hosts important deposits such as the Tintaya (Xstrata), Las Bambas (Xstrata) and Los Chancas (Southern Peru Copper Corporation) and new exploration projects like Constancia (Norsemont) and Pinaya (Acero-Martin).

Alturas has recognized three different styles of copper-gold mineralization on the Utupara property over an area exceeding 4 x 4 kilometers: (i) porphyry style disseminated mineralization; (ii) high-grade breccia pipes and (iii) magnetite-rich skarn bodies. Structurally-controlled gold-silver veins occur in a broad arcuate-shaped zone around the periphery of the porphyry system. Previous drilling of six holes by a local company intersected anomalous copper and gold values in all holes, with best results averaging 0.33% copper and 0.24 g/t gold over a length of 108 meters.

New magnetic and Induced Polarization geophysical surveys conducted by Alturas at Utupara confirm the existence of strong anomalies that coincide on surface with zones of strongly mineralized copper-gold skarns and breccias. Geophysical modeling indicates that the sources of some of these anomalies extend to at least 500 meters vertical depth, confirming the significant volume potential of these disseminated copper-gold targets.

Alturas is currently making all preparations to drill test the targets. Intensive surface exploration work continues to locate final drill sites and new exploration targets within the property. Diamond drilling is



expected to commence in June 2007, once road accesses have been cleared of damage by recent heavy rains.

Huajoto Gold-Silver-Zinc Project, Peru

The Huajoto Property is located Department of Huancavelica in central Peru and 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. 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. Radiometric anomalies reported from airborne geophysics by Teck Cominco and strong rare-earth elements anomalism from surface rock geochemistry and previous drilling also need to be followed up.

Detailed surface exploration of the Property will be advanced during the second half of 2007, and will include geological mapping, geochemical sampling, plus magnetic and Induced Polarization/Resistivity geophysical surveys. The company aims to advance this work to the point of defining specific drill targets, programmed to be tested during 2008.

Huilacollo Gold Project, Peru

Alturas holds an option to acquire 100% of the 2,000 hectare Huilacollo property, which consists of two contiguous claims. Extensive high-sulfidation alteration confirms the strong affinity of this system with large low-grade gold-silver deposits of this style elsewhere in Peru.

At Huilacollo, Alturas' exploration work has been concentrated in the Cerro Andamarca and Andamarca Norte high sulfidation epithermal centers.

Alturas commenced detailed geological mapping plus systematic trench geochemical sampling at Cerro Andamarca in July 2006. Trenching demonstrated the continuity of the mineralization over an area exceeding 350 meters by 200 meters in size.

An Induced Polarization/ Resistivity Survey over the Cerro Andamarca and Andamarca Norte targets announced in October 2006 significantly expands the lateral and vertical extent of the known hydrothermal system and has outlined extensive zones of coincident high resistivity and low chargeability, interpreted as gold-prospective siliceous alteration. Parts of these shallow concealed geophysical anomalies were targeted in the drilling program completed in December 2006.

Alturas completed a 20-hole, phase 1 drilling program in Cerro Andamarca and Cerro Huilacollo totaling 3,181 meters. The gold and silver assay results reported confirm strong mineralization in the third dimension that correlates with the mineralization reported from surface trenching and previous holes.

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.

The mineralization at Cerro Andamarca 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.



Alturas is currently evaluating the results of the phase 1 exploration program, conducting preliminary bottle-roll metallurgical tests and is considering a number of possibilities for future of the project, including seeking a partner to further advance the detailed exploration required

Other Projects

In addition to its four main properties, Alturas has the rights to explore fourteen projects totaling 13,398 hectares of ground distributed over 14 other specific gold and copper-gold targets elsewhere in Peru. These targets were selected and prioritized based on predictive structural analysis combined with compilation of geochemical and alteration anomalies from publicly available datasets.

These projects will continue to feed Alturas's exploration "conveyer belt" into the future. Alturas has recently advanced the preliminary surface exploration of a number of these projects, with reconnaissance geological mapping and geochemical sampling. Detailed ground geophysics surveys is planned in some projects during the third and fourth quarters of 2007..

SELECTED ANNUAL & QUARTERLY INFORMATION

Three Months Ended	Net Revenue \$	Net Income (loss)		Exploration Expenses \$	General and Administration \$
		Total \$	Per Share \$		
March 31, 2007	Nil	(1,313,087)	(0.04)	946,161	266,077
December 31, 2006	Nil	(1,765,253)	(0.05)	1,428,692	176,229
September 30, 2006	Nil	(1,082,668)	(0.03)	963,891	231,832
June 30, 2006	Nil	(495,078)	(0.02)	353,463	93,141
March 31, 2006	Nil	(259,540)	(0.02)	243,427	14,329
December 31, 2005	Nil	(593,959)	(0.06)	427,260	70,633
September 30, 2005	Nil	(506,747)	(0.05)	78,948	31,376
June 30, 2005	Nil	(337,473)	(0.01)	243,611	91,991

The exploration expenses represent the biggest change over the past two years as the Company increases exploration activity on its projects.

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 six months ended March 31, 2007, Alturas's net losses were \$3,078,340 compared to \$853,499 for the six months ended March 31, 2006. The increase in net loss during the most recent period was due principally to: i) \$2,374,853 in exploration expenses (2006 - \$670,687); ii) \$442,306 in general and administration expenses (2006 - \$84,962); and iii) \$211,371 in stock-based compensation for issuance of stock options (2006 - \$Nil). 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 \$65,022 (2006 - \$163).

For the three months ended March 31, 2007, Alturas's net losses were \$1,313,087 compared to \$259,540 for the same period in 2006. The increase in net loss during the most recent period was due principally to: i) \$946,161 in exploration expenses (2006 - \$243,427); ii) \$266,077 in general and administration expenses (2006 - \$14,329); and iii) \$121,512 in stock-based compensation for issuance of stock options (2006 - \$Nil).



The increase in exploration expenses are a result of exploration activities on the Company principal projects. Interest Income for the three months ended March 31, 2007 was \$28,010 versus C\$15 for the same period in 2006.

General and administration expenses for the Company for the period ended March 31, 2007 are as follows:

General and Administration:	For the Period ended March 31, 2007	
	3 months	6 months
Administrative	\$ 26,847	\$ 42,636
Bank fees and charges	2,224	5,191
Consulting fees	8,897	8,897
Directors' fees	5,770	5,770
Investor relations	10,672	35,273
Insurance	9,761	19,853
Professional fees	55,622	118,655
Stock exchange charges	1,468	5,279
Rent	5,408	13,533
Salaries and wages	5,089	10,635
Telephone	2,554	3,848
Travel	14,648	25,805
Tax payments	6,522	31,882
Other	2,691	7,145
Costs from Equinox Minerals	107,904	107,904
	<u>\$ 266,077</u>	<u>\$ 442,306</u>

The Company has gone through significant change and growth in the past year and general expenses have increased 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

The cash flow for the three and six months ended March 31, 2007 and 2006 are summarized as follows:

	3 months ended		6 months ended	
	March 31, 2007 \$	March 31, 2006 \$	March 31, 2007 \$	March 31, 2006 \$
Operations	(1,228,619)	(301,725)	(2,550,418)	(1,134,317)
Financing	0	279,285	(323,514)	1,104,082
Investing	(5,273)	0	(19,548)	0

Cash out flow in operations of \$2,550,418 over the 6 months ended March 31, 2007 (March 31, 2006 – \$1,134,317) was principally due to increased exploration costs and the increased cost of administering both the Peru and Canada corporate offices.



Financing activities resulted in net out flow of \$323,514, which was comprised of \$375,000 in repayments to Equinox Minerals Limited offset by \$51,486 in proceeds on issuance of common shares. The net inflow for the period in March 31, 2006 of \$1,104,082 was primarily related to \$970,715 in advances from Equinox Minerals Limited

Investment activities represented an out flow of \$19,548 for the six months ended March 31, 2007 (March 31, 2006 – \$Nil), due to the purchase of property, plant and equipment for property exploration by the Company.

LIQUIDITY AND FINANCIAL POSITION

	March 31 2007	September 30 2006
	\$	\$
Assets		
Cash and cash equivalents	2,167,735	5,171,506
Other current assets	26,548	84,561
Capital assets	294,755	279,748
Total assets	2,489,038	5,535,815
Liabilities		
Current liabilities	362,253	218,547
Non-current liabilities	375,000	750,000
Total liabilities	737,253	968,547
Shareholders' equity	1,751,785	4,567,268
Total Liabilities and Shareholders' equity	2,489,038	5,535,815
Outstanding number of shares	33,127,073	32,960,406

Cash and Cash Equivalents

Alturas' cash and cash equivalents decreased over the past six months to a balance of \$2,167,735 at March 31, 2007 (year ended September 30, 2006 – \$5,171,506). This decrease in cash is primarily due to increased expenditures for exploration activities and a \$375,000 repayment to Equinox Minerals Limited.

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

Current Liabilities

Current liabilities at March 31, 2007 increased to \$362,253 (September 30, 2006 - \$218,547) due to creditors and accruals associated with the Company's Peru projects.

Non-current liabilities

Non-current liabilities at March 31, 2007 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 \$1,751,785 as at March 31, 2007 (September 30, 2006 - \$4,567,268). The changes in equity over the past 6 months were a result of:

- an exercise of 166,667 warrants for gross proceeds of \$51,486;
- stock-based compensation of \$211,371; and



- a net loss of \$3,078,340 resulting in a total deficit of \$8,043,934.

Contractual Obligations

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

Property	Commitment Type	2008 \$	2009 \$	2010 \$	2011 \$	2012 \$	Total \$
Utupara	Mining rights	-	-	-	-	-	-
	Property fees	13,729	13,729	37,045	41,187	41,187	146,877
		<u>13,729</u>	<u>13,729</u>	<u>37,045</u>	<u>41,187</u>	<u>41,187</u>	<u>146,877</u>
Huilacollo	Mining rights	1,200,000	1,500,000	-	-	-	2,700,000
	Property fees	46,000	46,000	46,000	46,000	46,000	230,000
		<u>1,246,000</u>	<u>1,546,000</u>	<u>46,000</u>	<u>46,000</u>	<u>46,000</u>	<u>2,930,000</u>
Baños del Indio	Mining rights	-	-	-	-	-	-
	Property fees	133,376	133,376	138,465	138,465	138,465	682,147
		<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
		<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
		<u>1,413,964</u>	<u>1,713,964</u>	<u>253,760</u>	<u>257,902</u>	<u>257,902</u>	<u>3,897,492</u>

Share Capital

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

Shares outstanding	33,127,073
Options outstanding	2,250,000
Warrants outstanding	7,460,345

RESOURCE PROPERTIES

The following table is a summary of the \$2,374,853 of costs accumulated by the Company in the six months ended March 31, 2007 with respect to the Company's mining rights on its properties.

	Utupara	Huilacollo	Baños del Indio
Management Fees	\$ 62,832	\$ 62,832	\$ 62,832
Project management	21,866	26,352	21,957

Data compilation and interpretation	7,096	12,361	12,125
Surveying	28,196	5,877	13,144
Camp cost	43,166	89,316	48,257
Vehicle cost	12,886	105,574	23,552
Mapping	57,560	36,166	41,657
Sampling	65,892	91,372	41,448
Geophysics	143,670	176,035	127,404
Drilling	5,888	601,511	664
Environmental/ Rehabilitation	37,853	26,081	18,155
Community relations	27,446	29,958	7,848
Access and drill pad construction	11,900	8,247	0
Property Payments	2,208	-	130,000
Legal	3,777	5,443	16,449
Total	\$ 532,236	\$ 1,277,125	\$ 565,492

COURSE OF BUSINESS TRANSACTIONS

Related Party Transactions

Through the normal course of business, the following related party transactions occurred as at March 31, 2007:

- 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 and six months ended March 31, 2007 was \$357,982 and \$490,707 (three months ended March 31, 2006 - \$113,000 and six months ended March 31, 2006 - \$173,000). For the three and six months ended March 31, 2007, a salary component of \$42,840 and \$85,680 was included in the service costs.
- 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 and six months ended March 31, 2007 was \$93,767 and \$183,114 (three months ended March 31, 2006 - \$33,000 and six months ended March 31, 2006 - \$82,500). For the three and six months ended March 31, 2007, a salary component of \$42,840 and \$85,680 was included in the service costs.
- 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 March 31, 2006 and March 31, 2005 were \$17,136 and \$21,600, respectively.
- The Company also paid \$47,304 (March 31, 2006 - \$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.

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 amortized over the estimated useful life of the ore body, on a units of production basis, from the commencement of commercial extraction, or written off if the property is sold or abandoned.

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 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 May 2007.

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

RISK FACTORS

Alturas' business of exploring mineral resources involves a variety of sovereign, 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).