

# MANAGEMENT'S DISCUSSION & ANALYSIS

*(Expressed in Canadian dollars unless otherwise noted)*

**November 10, 2006**

Management's Discussion and Analysis supplements, but does not form part of, the unaudited consolidated financial statements of Corriente Resources Inc. ("Corriente" or "the company") and the notes thereto for the fiscal period ended September 30, 2006. Consequently, the following discussion and analysis of the financial condition and results of operations for Corriente should be read in conjunction with the unaudited consolidated financial statements for the period ended September 30, 2006 and related notes thereto, which have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied. All dollar amounts referenced, unless otherwise indicated, are expressed in Canadian dollars.

As a Canadian public company, Corriente is required to disclose mineral resources and mineral reserves in accordance with Canadian regulations. Any discussion of mineral reserves and resources included in the following discussion is based upon the required standards in Canada and differs from the requirements of the Securities and Exchange Commission ("SEC"). The mineral resources reported by the company are not "proven reserves" nor are they "probable reserves" as those terms are defined by the SEC.

Additional information regarding the company, including its Annual Information Form, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## ***Forward-Looking Statements***

Certain statements contained in this Management's Discussion and Analysis ("MD&A") constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company's plans to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth in the company's continuous disclosure filings as found on SEDAR.

## ***Corporate Governance***

Management of the company is responsible for the preparation and presentation of the unaudited interim and audited annual consolidated financial statements and notes thereto, MD&A and other information contained therein. Additionally, it is Management's responsibility to ensure the company complies with the laws and regulations applicable to its activities.

The company's Management is accountable to the Board of Directors ("Directors"), each member of which is elected annually by the shareholders of the company. The Directors are responsible for reviewing and approving the annual audited consolidated financial statements and the MD&A. Responsibility for the review and approval of the company's quarterly unaudited interim consolidated financial statements and MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, all of whom are independent of Management. Additionally, the Audit Committee pre-approves all audit and non-audit services provided by the company's auditors.

The auditors are appointed annually by the shareholders to conduct an audit of the company's consolidated financial statements in accordance with generally accepted auditing standards in Canada. The auditors have complete access to the Audit Committee to discuss audit, financial reporting and other related matters resulting from the annual audit as well as to assist the members of the Audit Committee in discharging their corporate governance responsibilities.

The disclosure of Corriente's corporate governance policies is contained in the company's Information Circular prepared for the May 2006 Annual General Meeting of shareholders, which is available for review on SEDAR. The disclosure statement included therein was prepared by the company's Corporate Governance Committee and approved by the Directors.

### ***Disclosure Controls***

Corriente has daily, weekly, monthly and annual processes that, when considered in the aggregate and in conjunction with current internal controls, are considered to be effective disclosure controls. In addition, Corriente has created a Corporate Disclosure Committee, comprised of the Chief Executive Officer, Senior Vice-President and Chief Financial Officer. This Committee supplements these periodic processes.

Disclosure controls and procedures have been developed to ensure that material information relating to Corriente and its subsidiaries is made known to Management by others within those entities, particularly within a period in which a disclosure report is being prepared. These involve:

- identification of all continuous disclosure requirements under securities laws, rules and policies applicable to Corriente.
- identification of the individuals responsible for preparing reportable information and individuals, whether internal or external, responsible for reviewing reports or portions of reports to verify disclosure made with respect to their areas of responsibility or expertise.
- establishment of timetables for the preparation and adequate review of reportable information.
- procedures for obtaining "sign-off" on disclosure of reportable information and receipt of written consents from all experts whose reports are included or referred to in any disclosure.
- procedures for the identification and timely reporting to the Committee of information which may constitute material information or which may constitute a material change to previously disclosed material information, including the identification of individuals who are likely to learn first about events outside the control of Corriente that may give rise to material information.
- procedures for the identification and reporting to the Audit Committee of any fraud, whether or not material, that involves management or other employees who have a significant role in Corriente's internal controls.
- ensuring the procedures are followed with respect to the release of each disclosure made in writing and for the review of any disclosure made orally.
- ongoing evaluation of Corriente's disclosure controls and procedures.

Corriente and its subsidiaries are relatively small in size and operate in a very integrated management environment. That is, senior management is in constant contact with many of Corriente's staff, suppliers, regulators and the like on an ongoing and detailed basis. This allows one or more of senior management to be in a position where they are more likely (than not) to be aware of material events or information. While senior management may not be aware of all things at all times, it believes that the probability of a material event or material information being missed or not disclosed on a timely basis is very small.

As new Canadian accounting standards are released, the Chief Financial Officer undertakes a review and evaluation to determine if it is applicable. If there is any uncertainty in its applicability, Corriente solicits the input of its external auditor. If the new standard is applicable to Corriente, it is then analyzed and summarized in a manner that effectively documents and evaluates the impact on Corriente, and to determine the immediate action, if any, Corriente would need to undertake in order to comply with the new standard. Quarterly, the documented standards are reviewed, and updated as required, to ensure that a standard is still applicable, and that Corriente remains in compliance.

Through implementation of the above, senior management believes that the company's disclosure controls are sufficient while being practical for a company of its size.

### ***General***

Corriente is a Canadian-based junior resource company engaged in the exploration and development of copper-gold resource properties located primarily in the Rio Zamora copper porphyry district (known as the "Corriente Copper Belt"), in Ecuador. Under various agreements signed with certain subsidiaries of BHP Billiton Plc ("BHP Billiton"), the company has earned a 100% interest in certain resource property concessions in the Corriente Copper Belt, the most advanced of which is the Mirador project. This required the issue of shares to BHP Billiton and the expenditure of exploration funds under the terms of these agreements. Additionally, these concessions are subject to a 2% Net Smelter Royalty ("NSR") payable to BHP Billiton, although the company has the right to reduce the NSR to 1% for the Mirador, Panantza and San Carlos resource properties upon the payment of US\$2 million to BHP Billiton for each such property.

Corriente controls a 100% interest in over 60,000 hectares located within the Corriente Copper Belt. The Belt currently contains three copper and copper-gold porphyry deposits: Mirador, Panantza and San Carlos, as well as the Mirador Norte prospect currently under development. Corriente is currently moving towards construction of a starter project at its Mirador copper-gold project. Management believes that Mirador is one of the few new, sizeable copper projects in the world available for near-term production. Exploration activities are planned or ongoing for Panantza, San Carlos and six additional copper and copper-gold exploration targets that have been identified in the Corriente Copper Belt to date.

The company's executive head office is located in Vancouver, Canada while its Ecuador operations are run from its subsidiary's office located in Quito, Ecuador. The company has camp locations at Mirador and Rosa de Oro. With the exception of short-term operational requirements for the subsidiaries, funds have been maintained and controlled in Vancouver, both in Canadian and U.S. dollars. In addition to its core staff, the company engages consultants as necessary, to provide geological, mine development and construction consulting, design, engineering and other services. Overhead costs and efficiencies in Ecuador continue to compare favourably with other South American exploration areas.

The company's shares began trading on the American Stock Exchange on April 6, 2006. As a result, the company now trades on the Toronto Stock Exchange and the American Stock Exchange.

### **Appointment to the Board of Directors**

In September 2006, the company appointed Dale C. Peniuk, C.A. to its Board of Directors. Until early 2006, Mr. Peniuk was an assurance partner with KPMG LLP Chartered Accountants in their Vancouver office, specializing in the mining area and was the leader of KPMG's Vancouver office mining industry group. He was the lead audit engagement partner for a number of KPMG's Vancouver mining company clients, including several companies with advanced development projects, producing mines and smelter/refinery operations in North and South America.

Mr. Peniuk has been a member of the Institute of Chartered Accountants of British Columbia's Public Company Technical Forum since 2000 and is currently the Chair of that committee. Mr. Peniuk currently provides financial consulting services to the mining industry and serves as a director of one other public company.

With the addition of Mr. Peniuk, the company's Board of Directors is comprised of five non-management directors and one management director.

### **Corporate Structure**

During the third quarter of 2006, the company incorporated four new subsidiaries for purposes of facilitating Mirador's project infrastructure and the company's gold concession spin-off plans.

### **Stock Options**

At its May 25, 2006 Annual General Meeting, the company sought and obtained approval to amend the company's stock option plan to change the number of shares that may be reserved for issue under it to a rolling maximum of 10% of the number of common shares actually outstanding immediately prior to the grant of any particular option. This amendment was also approved by the Toronto Stock Exchange ("TSX").

The following summarizes the stock options granted to date in 2006:

Date of grant	Date of expiry	Exercise Price	Recipients	Granted
January 2, 2006	January 2, 2009	\$ 4.50	Director	25,000
February 3, 2006	February 3, 2011	5.25	Head office management	400,000
May 22, 2006	May 22, 2011	5.50	Other	60,000
June 1, 2006	June 1, 2011	5.35	Directors	125,000
June 1, 2006	June 1, 2011	5.35	Other	85,000
August 31, 2006	August 31, 2011	5.37	Other	100,000
September 13, 2006	September 13, 2011	5.10	Directors	75,000
September 29, 2006	September 29, 2011	4.70	Other	345,000
			Granted in 2006	<u>1,215,000</u>

Of the 1,215,000 options granted during the nine-month period ended September 30, 2006, 106,248 had vested, 1,108,752 had not yet vested and 25,000 were terminated.

Summary of stock options transactions during 2006:

	Number of shares	Weighted average exercise price
Balance at December 31, 2005	2,855,000	\$1.89
Granted in 2006	1,215,000	5.11
Exercised in 2006	(1,760,000)	1.32
Terminated in 2006	(25,000)	5.35
Balance at September 30, 2006	<u>2,285,000</u>	<u>\$4.01</u>

Effective February 1, 2006 the stock option granting policies of the Board of Directors were revised to include expiry dates five years from the date of grant, with the following vesting provisions:

- Options granted to executive officers, directors and other head office personnel vest on the basis of 1/16th of the total each quarter (from grant date), with such vesting being accelerated based on a change in control of Corriente and/or the attainment of clearly identified milestones, as determined by the company's Board of Directors.
- Options granted to Corriente subsidiary personnel vest on a cumulative basis of 50% of the total granted after 12 months from the grant date, 75% of the total granted after 18 months from the grant date and 100% of the total granted after 24 months from grant date, with such vesting being accelerated based on a change in control of Corriente, as determined by the company's Board of Directors.

As at September 30, 2006, 1,176,248 of the company's 2,285,000 outstanding stock options had vested.

### ***Mirador Project***

On November 17, 2005, Corriente announced the results of a study intended to optimize the economics of the starter project at Mirador copper-gold project that was the subject of the base-case feasibility study released in April 2005. The optimization study, which incorporates the results of 52 additional drill holes completed in the summer of 2005, led to the calculation of an updated mineral resource model.

The optimization work, completed by Mine Development Associates of Reno, Nevada, includes a measured and indicated resource of 346,968,000 tonnes at an average grade of 0.62% copper, 0.2 grams/tonne gold and 1.6 grams/tonne silver (with an average cut-off grade of 0.37% copper).

Corriente is proceeding toward construction of a starter mining operation at its Mirador project. Mirador presents Corriente with a unique opportunity to introduce a substantial copper growth pipeline to a market environment that is currently plagued with supply challenges. Mirador's project economics at an initial 25,000 tonnes/day capacity allows Corriente to implement a scaled development strategy. This strategy calls for a modest first-phase project that can be financed by Corriente without major dilution to the company or the project itself. By using our first-phase cash flows, Corriente's plan is to expand Mirador's production to 50,000 tonnes/day.

With the May 2006 completion of our equity financing of \$125 million and the Ecuadorian Ministry of Energy and Mines' approval of the Mirador Environmental Impact Assessment (EIA), two of the more challenging hurdles at Mirador have been successfully met. Currently, Corriente is reviewing financial proposals from a number of traditional resource-project banks, smelter groups and metals traders, precious metals royalty groups and equipment vendors for the necessary debt component of the Mirador project financing. Management is pleased with the progress of these discussions and feels that the keen interest from all of these potential industry financing partners points to the quality of the project and to the overall lack of new copper projects coming on-line in the near future.

#### Continued Commitment to Local Communities

The company continues to be committed to local communities in all aspects of its mining and economic development activities. Management is very pleased with the high level of experienced technical and management expertise that have been attracted to the Mirador project in recent months. Corriente's growth opportunities and the attraction of relocating to Ecuador are some of the key reasons why the company has been successful in getting a head-start in the building of a strong project team.

#### Long Lead-Time Equipment Orders Approved by the Board

In September 2006, Corriente's Board of Directors reviewed the development status of the Mirador project and approved the placement of orders for long lead-time equipment for the project. This equipment includes the main components of the grinding circuit such as the SAG and ball mills. The company is working on a timeline which calls for production at Mirador in the 4th Quarter of 2008 and these items are on the critical path to meet that deadline.

Capital investment budgeted to be spent through the end of 2006 totals approximately \$28 million and is available from the company's current cash resources. In addition to providing funds for equipment orders, these investment expenditures are for infrastructure work, such as bridges and roads to provide improved access to the Mirador area and the planned pit, and will allow Corriente to continue to grow the mining and construction team from the strong core group in place in Ecuador.

In early November 2006, Corriente announced that it had signed a Letter of Intent ("LOI") with Metso Brasil Industria e Comercio Ltda. to supply the major components of the processing facility at Mirador. The LOI quotes an equipment package totaling over US\$27 million, which includes a crusher, SAG mill and Ball mill. Signing of this critical LOI allows Corriente to stay on its path to complete construction of the Mirador project in late 2008 with commissioning by the end of the year. The company feels that the availability of key mill components is one of the major bottlenecks facing new mine developments around the world. Corriente is pleased to be able to reach reasonable economic terms with Metso and at the same time be assured the equipment will be delivered to meet the scheduled mine start-up at the end of 2008.

## Power

In March 2006, the company announced that it signed a Letter of Intent (“LOI”) with Hidroabanico S.A. to supply the 28.5 MW power needs of proposed mining operations at the Mirador project. The terms outlined in the LOI propose a 10 year Power Purchase Agreement (“PPA”) with a proposed rate of \$0.05/kWh. The Hidroabanico facility has already been completed to a 15 MW stage and an expansion is under way to its planned final size of 37.5 MW, with completion slated for December 2006. The Hidroabanico facility is a run-of-river design and provides “green” energy that qualifies for the carbon credit program. The energy will be delivered through a dedicated line to the mine, which is estimated to cost in the order of US\$16 million to construct and will be included in the development cost estimate for Mirador. As part of the LOI, Hidroabanico will have the first right of opportunity to provide energy needs for the planned Mirador expansion to 50,000 tpd. Final negotiation of the PPA is proceeding.

As a PPA with Hidroabanico will meet the energy needs at Mirador, Corriente is planning no further development work at the Sabanilla run-of-river project. Options for moving the Sabanilla project forward with local operators as a spot power producer continue to be under review.

## Environmental Impact Assessment

On May 4, 2006, Corriente announced that the Mirador project’s Environmental Impact Assessment (“EIA”) was approved by the Ministry of Energy and Mining (“MEM”) of Ecuador.

The EIA covered both the environmental aspects of proposed mining operations in Mirador and community and social plans associated with the same project. During the lengthy preparation of the EIA, the company worked closely with the MEM to ensure that the report met all required government guidelines and regulations. The Mirador EIA is one of the most comprehensive documents on social and environmental issues ever submitted to the MEM in Ecuador for a mining project. The submission of the EIA and subsequent approval followed an extensive consultation process with local communities, that was carried out in late November and early December 2005.

As a requirement of the MEM’s approval of the EIA, the company was required to post US \$3,019,539 (\$3,374,939) in favour of the MEM as a security deposit against the company’s obligations under the EIA. The required security deposit amount will be reviewed on an annual basis by the MEM and will be adjusted as the project progresses to completion.

In September 2006, the company filed an amendment to the EIA to allow for mill, tailings and dump location changes to the original mine plan. Public consultations were successful and the company expects to receive approval of the amended EIA in the near future.

For the company to receive a mine operating permit for the Mirador project, approvals for the amended EIA and construction and operating-related permit applications must be received from the MEM and other Ecuador governmental authorities during the course of development of the Mirador mine, prior to the beginning of mine operations.

### Engineering and Procurement

In March 2006, the company's wholly owned subsidiary, Ecuacorriente S.A. signed a Letter of Award with SNC-Lavalin Chile S.A. ("SNC-Chile"), a member of the SNC-Lavalin Group of Companies of Canada ("SNC-Lavalin"), for full Engineering and Procurement Services for the start-up and expansion of the Mirador project. SNC-Chile's experienced engineering group has extensive mine design and construction experience in South America, while overall, SNC-Lavalin is one of the leading groups of engineering and construction companies in the world. Additionally, Ecuacorriente S.A. engaged SNC-Lavalin Engineers & Constructors, Inc. ("SNC-Canada") to prepare an updated feasibility study for the Mirador Project, which will incorporate the results of work done by SNC-Chile, the company and/or its consultants.

SNC-Lavalin (TSX: SNC) is one of the leading groups of engineering and construction companies in the world, a global leader in the ownership of infrastructure, and in operations and maintenance services. The SNC-Lavalin companies have offices across Canada and in 30 other countries around the world and are currently working in some 100 countries.

### Personnel

During the second and third quarters of 2006, Corriente has been able to virtually complete the hiring of its senior management staff in Ecuador, all of whom are focused on the development and operations of the company's Mirador copper-gold project.

### ***Exploration***

#### Mirador Norte

In July 2006, the company announced assay results from the most recent program of drilling at Mirador Norte, a newly discovered zone of porphyry copper mineralization located approximately 3 km northwest of the planned Mirador open pit. Drilling successfully outlined an approximately 1200 x 300 x 250 metre contiguous zone of copper mineralization above a 0.4% copper cutoff. This body is exposed at the surface but open for expansion at depth and to the south. The data is presently being reviewed by Mine Development Associates of Reno, Nevada in preparation of a formal mineral resource assessment, currently nearing completion.

The latest round of drilling at Mirador Norte comprised 39 holes totaling 6780 metres of core and supplements the previous drilling of 29 holes totaling 6825 metres. All new holes with assays above the 0.4% cutoff are detailed on the company's web site ([www.corriente.com](http://www.corriente.com)), where a map of the drilling can also be found. The longest hole drilled at Mirador Norte to date is MN65, which is located in the middle of the deposit and over 420 metres in length. Hole MN65 has an intersection of 350 metres @ 0.52% Cu and 0.08 g/t Au.

Management believes that the close proximity of Mirador Norte to Mirador would allow for ore from Mirador Norte to be processed in the planned Mirador concentrator. This means that the stages of open pit mining at Mirador could include a stage of ore production from Mirador Norte earlier in the life of the mine, which could add a period of higher grades and lower strip ratios to enhance cash flow from Mirador's operations.

### Panantza-San Carlos

Concurrent with the transition of the Mirador project from development to construction, the company started diamond drilling on the Panantza project as planned, prior to the end of June 2006.

Further to the Panantza drilling news release of June 12, 2006, assays have been received from the most recent ten holes of this drilling program and are being evaluated. Drilling continues to the south and the results obtained from further holes will be announced throughout the next few months.

Current drilling results include hole PA039 with 17 metres of 1.31% copper in a secondary copper horizon overlying 399 metres of 0.66% copper.

Panantza, which is located in southeast Ecuador approximately 40 km north of our Mirador project, had not been drilled since 2001, until the 2006 drill program was initiated. Previous inferred resources at Panantza are estimated to total approximately 395 million tonnes grading 0.67% copper containing 5.8 billion pounds of copper. The deposit sits beside our San Carlos deposit that has inferred resources which are estimated to total approximately 657 million tonnes grading 0.61% copper and containing 8.8 billion pounds of copper. Results from the previous drilling at Panantza included holes PA013 with 299 metres of 0.76% copper, hole PA012 with 269 metres of 0.97% copper, and PA017 with 64 metres of 1.29% secondary copper at the surface followed by 383m of 0.75% copper.

The purpose of this drilling was to define the southern edge of Panantza's mineralization so that an updated resource calculation could be provided for a planned feasibility study. However, rather than delineate the edge of the Panantza deposit, the most recent results indicate the Panantza mineralization extends farther south than previously recognized. The southernmost holes drilled, PA033 and PA034, were both terminated in copper mineralization averaging over 0.8% Cu at the hole bottoms, at approximately 330 metres and 342 metres deep respectively. The Panantza drill plan has now been expanded to complete additional holes to follow this mineralization to the south.

The geology from the new drilling is consistent with the existing model at Panantza, which is a conventional copper porphyry deposit hosted in granitic and porphyritic rocks. The copper mineralization is almost exclusively chalcopyrite with local horizons of secondary copper sulfide and oxide near the surface. The barren dike intersections in the table below are from a small 15-25 metre wide dike which crosses the area of this phase of drilling, but in general the amount of post-mineral dikes at Panantza is low.

San Carlos is a large copper-molybdenum mineralized porphyry system with dimensions of about 2000 metres x 2500 metres. The mineralization has been tested with 25 diamond drill holes at variable spacing. The current, inferred resource estimate based on these drill holes is 657 million tonnes at 0.61% copper.

The company feels that Panantza-San Carlos represents a rare opportunity to capitalize on six years of community work, project engineering and management development that has been built around the nearby Mirador project. This body of knowledge will significantly assist in the project development process and at the same time allow the company to take economic advantage of infrastructure that is being put in place for the Mirador mine.

### Tundayme/Piedra Liza Gold Exploration Targets

Corriente recently engaged an independent consultant to complete a review of its Ecuador gold concession package totaling 6,600 hectares containing encouraging gold targets that are not part of the current copper development program within the Corriente Copper Belt. Following completion of this review and accompanying 43-101 Technical Report, the company plans to distribute ownership of these concession rights to existing shareholders in the first quarter of 2007.

The gold concessions include the Tundayme prospect, which is immediately adjacent to Corriente's Mirador copper deposit land holdings and is approximately 15 km from Aurelian Resources Inc.'s newly discovered Fruta del Norte gold zone. The Tundayme prospect has approximately 8 km of north-south trending structures that extend along strike to the Mirador project. This 8 km trend is oriented in the same direction as the Fruta del Norte mineralized trend and parts have had preliminary prospecting and soil sampling performed by Corriente. Further work is required to follow-up anomalous gold soil and rock samples from that initial work. Also included is a second set of concessions approximately 50 km southwest of Mirador called the Piedra Liza prospect. Within the Piedra Liza prospect, four clusters of anomalous gold soil samples occur over a 6 km trend that is on-strike and north of the Nambija area, which has produced over three million ounces of gold by local estimates. Follow-up ground work identified altered rock samples with maximum gold values at 1 - 4 g/t. The Qualified Person for this disclosure is John Drobe, P.Geo, Chief Geologist.

Corriente is a copper development company and remains focused on moving its Mirador copper-gold project into production, along with development of the large Panantza-San Carlos copper complex in the north of the Corriente Copper Belt. The Tundayme and Piedra Liza gold prospects are not considered core to Corriente's copper growth plans and will be transferred to a new corporation that will be financed separately from Corriente.

### **Financial Results of Operations**

Financial Data for Last Eight Quarters								
Three months ended	Sep-06	Jun-06	Mar-06	Dec-05	Sep-05	Jun-05	Mar-05	Dec-04
Total revenues (000's)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net (earnings) loss (000's)	\$ (478)	\$ (227)	\$ 188	\$ 3,272	\$ 1,404	\$ 378	\$ (1,710)	\$ (429)
(Earnings) loss per share	\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.07	\$ 0.03	\$ 0.01	\$ (0.04)	\$ (0.01)

*Net (earnings) loss before extraordinary items and net (earnings) loss are the same for all periods presented.*

The company's operations during the nine-month period ended September 30, 2006 produced earnings of \$517,688 or \$0.01 per share compared to a loss of \$72,301 or \$0.00 per share in the first nine months of 2005. During the three month period ended September 30, 2006, the company's operations produced earnings of \$477,995 or \$0.01 per share compared to a loss of \$1,404,206 or \$0.03 for the same period in 2005. As the company has not owned any revenue-producing resource properties, no mining revenues have been recorded to date. The earnings in 2006 were due mainly to interest income on the proceeds of the company's December 2005 and May 2006 equity financings. The earnings in the first quarter of 2005 was due to the receipt and sale of marketable securities received on the sale of a subsidiary company and cash received on the sale of a non-core capital asset, both of which had a nominal carrying value at the time.

Deferred mineral property exploration and development expenditures made on the company's target projects within the Corriente Copper Belt for the nine-month period ended September 30, 2006 totalled \$15,276,541 versus \$6,937,288 during the same period in 2005, reflecting the company's significant activities in furthering development of the Mirador starter mine. These activities included costs incurred towards hiring engineering and construction personnel for the continuing development of the Mirador project infrastructure. Deferred mineral property development and exploration expenditures in the three months ended September 30, 2006 were \$7,699,350, compared to \$1,871,821 in the same period in 2005.

Deferred power project expenditures made by the company pursuant to its JV contributions for development of the Sabanilla Power Project totalled \$Nil in the first nine months of 2006 (2005 – \$1,044,027). As disclosed above, the company is proceeding towards agreement on a PPA with another power provider and consequently, has written the costs of Sabanilla down to \$Nil and is exploring its options for Sabanilla. Deferred power project expenditures on the Sabanilla Power Project totalled \$Nil for the third quarter of 2006 (2005 – \$85,924). Included in mineral property development expenditures is \$572,685 spent in the third quarter of 2006 on engineering and land acquisition costs for the company's power line to its Mirador project.

Administration expenses increased in the first nine months of 2006 to \$2,331,845 from \$2,075,806 in the comparable period of 2005. The increase as compared to 2005 is primarily due to an increase in: management salaries, wages and benefits to \$601,800 (2005 – \$335,387); legal and accounting costs to \$314,071 (2005 – \$42,484), regulatory fees to \$191,233 (2005 – \$39,320); and consulting fees to \$33,615 (2005 – \$Nil). The higher administrative costs reflected increased directors' and management fees, costs associated with the company's application and listing on the American Stock Exchange in April 2006, increased sustaining fees based on the company's higher market capitalization, and the utilization of a consulting firm during the period. Office and related costs increased to \$173,986 in the first nine months of 2006 from \$123,482 for the same period in 2005 as a result of higher insurance and telephone costs and outsourcing of computer related technical support. Travel costs increased from \$42,379 in the first nine months of 2005 to \$70,577 in the same period of 2006, due to increased activity related to the May 2006 financing.

Stock-based compensation expense decreased from \$1,224,274 for the first nine months of 2005 to \$735,801 in the same period for 2006 as a result of the Board of Directors newly revised stock option granting policies, which includes mandatory vesting terms for all newly granted options. Stock-based compensation expense is determined based on estimated fair value using the Black-Scholes Option Pricing Model at the time of grant, the expense of which is recognized on a straight-line basis over the vesting period of the respective options and grants. Corporate development and shareholder expenses decreased from \$257,158 for the first nine months of 2005 to \$196,448 for the same period for 2006.

Total administration costs have decreased by approximately \$314,593 to \$995,551 in the third quarter of 2006 compared with \$1,310,144 in the same quarter in 2005. Again, almost all of the decrease is due to the company's new stock option vesting policy, which dictates that options vest over time instead of immediately at the time of grant.

Due to the company's higher average cash balance on hand during the first three quarters of 2006, interest income increased significantly to \$2,487,967 from \$164,183 for the comparable period of 2005. In the third quarter of 2006, interest income increased for the same reason to \$1,467,449 from \$39,836 in the third quarter of 2005.

As the company has not had any revenue-producing resource properties, no mining revenues have been recorded to date. In addition to the significant interest income in 2006, the company's revenue in the first nine months of 2005 and 2006 included proceeds received from marketable securities sold, which had been received from the sale of the company's Argentine and Bolivian assets written off in prior years. The gain on the sale of marketable securities increased from \$70,014 in the nine-month period ended September 30, 2005 to \$336,253 in the same period in 2006.

<b>Financial Data for Last Three Fiscal Years</b>			
<b>Fiscal year ended</b>	<b>Dec 31-05</b>	<b>Dec 31-04</b>	<b>Dec 31-03</b>
Total revenues (000's)	\$ 0	\$ 0	\$ 0
Net loss (000's)	\$ 3,344	\$ 714	\$ 682
Basic and diluted loss per share	\$ 0.07	\$ 0.02	\$ 0.02
Cash and cash equivalents (000's)	\$ 32,441	\$ 12,603	\$ 18,688
Total assets (000's)	\$ 67,100	\$ 40,502	\$ 35,948
Total long-term financial liabilities (000's)	\$ 0	\$ 0	\$ 0
Total shareholders' equity (000's)	\$ 66,124	\$ 39,755	\$ 35,527
Cash dividends declared per share	\$ 0.00	\$ 0.00	\$ 0.00

*Net loss before extraordinary items and net loss are the same for all periods presented.*

### **Related Party Transactions**

Included in management fees, wages and benefits and in mineral properties and investor relations are expenditures of \$Nil for the nine-month period ended September 30, 2006 (2005 – \$10,000) in respect of administrative services provided by a company affiliated with an employed officer. At September 30, 2006, \$Nil (December 31, 2005 – \$15,000) was due to this company affiliated with an employed officer. Also included in management fees, wages and benefits are directors fees of \$175,380 (2005 – \$39,000) for the nine-month period ended September 30, 2006, including a retirement payment of \$25,000. As a result of an independent compensation review completed for 2006, directors' fees were adjusted to reflect market conditions, effective January 1, 2006.

### **Critical Accounting Policies**

The details of the company's significant accounting policies are presented in note 2 of the company's audited consolidated financial statements for the year ended December 31, 2005, which can be found at on SEDAR. The following policies are considered by management to be essential to understanding the processes and reasoning that go into the preparation of the company's financial statements and the uncertainties that could have a bearing on its financial results.

### **Resource Properties**

The company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and pre-operating exploration and development expenditures. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, the property sold or the company's mineral rights allowed to lapse.

All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve or the company's assessment of its ability to sell the property for an amount less than the deferred costs, provision is made for the impairment in value and the property is written down to the estimated fair value.

The amounts shown for acquisition costs and pre-operating exploration and development expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned, become impaired or the claims are allowed to lapse.

### Stock-based Compensation

Management is required to make significant estimates about future volatility and the period in which stock options will be exercised. The selection of the estimated volatility figure, and the estimate of the period in which an option will be exercised can have a significant impact on the costs recognized for stock based compensation. The estimates concerning volatility are made with reference to historical volatility, which is not necessarily an accurate indicator of volatility which will be experienced in the future. Management assumes that stock options will remain unexercised until near their expiry date because historical experience supports this assumption. However, the exercise of options may occur at times different than those estimated, or options may expire unexercised. For options which vest over future periods, management makes an estimate of the percentage of options which are expected to be forfeited prior to vesting based on historical experience, which may not be an accurate indicator of future results. No adjustment is made for actual experience, except for options which vest at specific dates over time, where management updates its estimate of the number of unexercised options which are expected to vest in the future. Such fair value is estimated using the Black-Scholes Option Pricing Model, the assumptions of which can be found in note 6 (c) of the company's unaudited interim consolidated financial statements for the period ended September 30, 2006.

### ***Liquidity and Capital Resources***

Working capital as at September 30, 2006 was \$132,138,452, compared to \$31,652,192 at December 31, 2005. The increase is primarily due to the completion of a short-form prospectus offering that closed on May 25, 2006 raising net proceeds of \$117,662,734 on the issuance of 19,231,000 common shares. In the first nine months of 2006, the company also received proceeds of \$2,322,450 from the exercise of 1,765,000 stock options (2005 – \$371,850 from the exercise of 435,000 options). In the third quarter of 2006, the company received proceeds of \$331,150 from the exercise of 205,000 stock options (2005 – \$158,000 from the exercise of 200,000 options). There were no share purchase warrants outstanding nor exercised in the first nine months of 2006 (2005 – \$200,000 in proceeds received on the exercise of 250,000 warrants).

The main uses of cash during the first nine months of 2006 were expenditures associated with the exploration and development of the company's concessions in the Corriente Copper Belt (Ecuador) of \$15,276,541 (2005 – \$6,937,288) and \$434,177 for the purchase of capital assets (2005 – \$143,655). Also, in connection with the May 2006 approval of the EIA, the company was required to post \$3,374,939 (2005 – \$Nil) in favour of the MEM as a security deposit against the company's obligations under the EIA. For the nine months ended September 30, 2006, advances on mineral property expenditures increased by \$1,681,071 (2005 – \$Nil). During the third quarter of 2006, \$7,699,350 (2005 – \$1,871,821) was spent on the exploration and development of the Corriente Copper Belt concessions and \$195,059 for the purchase of capital assets (2005 – \$80,638). As at September 30, 2006, the company had 74,742,393 (fully diluted – 77,027,393) common shares issued and outstanding versus 53,751,393 (fully diluted – 56,606,393) as at December 31, 2005.

Historically, the company's capital requirements have been met by equity subscriptions. While the company's current working capital is considered sufficient to fund the company's

administrative overhead for the next several years, substantial capital is required to complete the company's Mirador mine project. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and project development activity and foreign exchange fluctuations.

### ***Risk Factors***

Companies operating in the mining industry face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the company strives to manage such risks to the extent possible and practical. Following are the risk factors which the company's management believes are most important in the context of the company's business. It should be noted that this list is not exhaustive and that other risk factors may apply. An investment in the company may not be suitable for all investors.

#### Foreign Country and Political Risk

The resource properties on which the company is actively pursuing its exploration and development activities are all located in Ecuador, South America. As a result, the company is subject to certain risks, including currency fluctuations and possible political or economic instability in Ecuador, which may result in the impairment or loss of mineral concessions or other mineral rights. Also, mineral exploration and mining activities may be affected in varying degrees by political instability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes are beyond the control of the company and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine and/or site safety. While Management believes that the current political climate in Ecuador is stable, there can be no certainty that this will continue going forward. To alleviate such risk, the company funds its Ecuador operations on an as-needed basis and works closely with federal and territorial governments and community groups. The company does not presently maintain political risk insurance for its foreign exploration and development projects.

#### Exploration and Mining Risks

The business of exploring for minerals and mining involves a high degree of risk. Due in some cases to factors that cannot be foreseen, only a small proportion of the properties that are explored are ultimately developed into producing mines. At present, only the company's Mirador project property has proven or probable reserves while any planned exploration programs for the company's other properties are exploratory searches for proven or probable reserves. The mining areas presently being assessed by the company may not contain economically recoverable volumes of minerals or metals. The operations of the company may be disrupted by a variety of risks and hazards which are beyond the control of the company, including labour disruptions, the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the conduct of exploration programs. Once economically recoverable volumes of minerals are found, substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralised deposit, no assurance can be given that minerals will be discovered in sufficient quantities or have sufficient grade to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing copper, gold and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such

differences could be material. Depending on the price of copper or other minerals produced, which have fluctuated widely in the past, the company may determine that it is impractical to commence or continue commercial production.

#### Financing Risks

The company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the company's properties will be dependent upon the company's ability to obtain financing through joint venturing, equity or debt financing or other means, and although the company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects.

#### Limited Experience with Development-Stage Mining Operations

The company has no previous experience in placing resource properties into production and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies or contractors that can provide such expertise. There can be no assurance that the company will have available to it the necessary expertise when and if it places its resource properties into production.

#### Estimates of Mineral Resources and Production Risks

The Mineral Resource estimates disclosed by the company are estimates only, and no assurance can be given that any proven or probable reserves will be discovered or that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mine-able (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization which may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Consequently, the company's estimated Mineral Resources should not be interpreted as assurances or evidence of commercial viability or potential or of the profitability of any future operations.

#### Base Metals Prices

The principal activity of the company is the exploration and development of copper-gold resource properties. The mineral exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the control of the company may affect the marketability of any substances discovered. Base metals prices have fluctuated widely, particularly in recent years. The feasible development of such properties is highly dependent upon the price of copper and, to a lesser extent, gold. A sustained and substantial decline in commodity copper prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties.

### Competition

The company competes with many companies that have substantially greater financial and technical resources for the acquisition of mineral properties and mining and processing equipment, the securing of engineering services and the recruitment and retention of qualified employees and consultants.

### Environmental and other Regulatory Requirements

The activities of the company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the company may require for exploration and development of its properties will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the company may undertake.

The company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. However, there may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the company and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

Corriente's policy is to abide by the regulations and requirements of Ecuador and the company's EIA.

### Title Matters

Title to and the area of mining concessions may be disputed. Although the company has taken steps to verify the title to mineral properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

### Repatriation of Earnings

Currently there are no restrictions on the repatriation from Ecuador of earnings to foreign entities. However, there can be no assurance that restrictions on repatriation of earnings from Ecuador will not be imposed in the future.

### Dependence On Key Personnel

The company's development to date has largely depended on, and in the future will continue to depend on, the efforts of key management, project management and operations personnel. Loss of any of these people could have a material adverse effect on the company and its business. The company has not obtained and does not intend to obtain key-person insurance in respect of any directors or other of its employees.

### Share Price Fluctuations

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development-stage companies such as the company, have experienced wide fluctuations in price which have not necessarily been related to the underlying asset values or prospects of such companies. Price fluctuations will continue to occur in the future.

### No Dividends

Investors cannot expect to receive a dividend on their investment in the company in the foreseeable future, if ever. Investors should not expect to receive any return on their investment in the company's securities other than possible capital gains.

### ***Outlook***

The third quarter of 2006 ended with the company's Board of Directors giving its approval to order long lead-time equipment, which included SAG and ball mills and infrastructure components for the Mirador copper-gold project which allows Corriente to stay on track for a start-up at Mirador by the end of 2008.

Copper prices continue to show strength and remain well above historical averages and elevated copper production costs. Management believes that this copper environment will continue for some time, including well beyond Corriente's Mirador project start-up, thereby creating substantial opportunities for the company and its stakeholders.

Exploration drilling will continue at the Panantza copper project (located 45 km to the north of the Mirador project), building on the positive results received to date. Drilling is expected to continue at Panantza through the first quarter of 2007, at which time an updated resource estimate will be commissioned with an independent engineering firm. Once the Panantza drilling program is completed, the company will begin drilling at our nearby San Carlos project.

Corriente is a copper-gold development company moving towards construction of a starter operation at its Mirador copper-gold operation. Corriente has completed an Environmental Impact Assessment for initial operations at Mirador and in May 2006 completed a major equity financing for the project. Mirador is one of the few new, sizeable copper projects available for near-term production. Corriente controls a 100% interest in concessions covering over 60,000 hectares located within the Corriente Copper Belt, Ecuador. The Belt currently contains three copper and copper-gold porphyry deposits: Mirador, Panantza and San Carlos, as well as the Mirador Norte prospect currently under development. Additional exploration activities are ongoing, as six additional copper and copper-gold exploration targets have been identified in the Corriente Copper Belt to date.