

ANNUAL
REPORT
2005

AN EMERGING
CANADIAN
GOLD COMPANY

ATV:TSX-V





LETTER TO SHAREHOLDERS

- Despinassy, Quebec – Drilling Confirms Continuity and Potential for a Significant Gold Discovery in the Abitibi Greenstone Belt
- Joint Venture Strategies – Exploration on the Ontario and Manitoba properties identifies new drill targets
- New Acquisitions Pursued - Potential new initiatives in more diverse areas

During the first year since Alto's reorganization and capital raising of \$2 million in late 2004, the Company has been working under the direction of a new management group and has made significant progress on its exploration projects in 2005. The Company's flagship property, Despinassy was drilled and value was added to the project portfolio through quality exploration programs at moderate cost. Alto has spent a great deal of time evaluating its portfolio of projects, and making strategic decisions on how to best proceed with each project in order to maximize shareholder value.

Alto initiated and completed a 5,307 metres (m) drill program in 2005 at Despinassy, and is currently evaluating the advancement of this very important development asset. The drill program confirmed the continuity of the gold zones, previously identified by Cameco Corporation at the DAC deposit, to a depth of 600 m using a drill density to 25 m on only a small area of the overall deposit at shallow depth. Further drilling along strike has increased the extent of the auriferous shear structure to over six kilometers on the property.

There appears to be significant potential for a new gold deposit in an overburden covered area of the prolific Abitibi greenstone belt. The deposit model and style of mineralization on the Despinassy property are similar to major gold camps in the Abitibi, such as Timmins and Val D'Or which together have produced over 100 million ounces of gold. Despinassy exhibits extensive alteration and persistent gold mineralization associated with quartz porphyry dikes within a wide gold bearing shear structure traced for over six kilometers. The project, located in Northwestern Quebec has excellent access and infrastructure, readily available skilled labour and a mining friendly legislative and tax regime.

Alto performed early stage exploration work consisting of data compilation, prospecting, geological mapping, geochemical and geophysical surveying and trenching on its Beardmore area properties (Mud Lake and Cote-Archie Lake), the Coldstream property in the Shebandowan greenstone belt and the Oxford Lake property southeast of Thompson, Manitoba. These activities have elevated these properties to a stage where new drill targets have been identified.

At Mud Lake, a six kilometer auriferous shear zone has been defined that has never properly been drill tested. Three short holes were drilled in the 1930's on just one of eleven gold occurrences identified along this major structure. The Cote-Archie Lake exploration program identified a previously unknown auriferous shear structure that

appears to extend from the Leitch and East Leitch gold deposits immediately to the west of the property. The Leitch Mine reported production of 860,000 ounces of gold at an average grade of 0.92 ounces gold per ton.

Airborne magnetic/electromagnetic and induced polarization surveys over the Coldstream property have also identified new gold targets to expand the resource potential of that property. Prospecting programs on the newly acquired mineral permit area surrounding the Oxford Lake project were completed. The acquisition of this permit significantly enhances the gold and base metal potential of the Oxford Lake property.

Management believes that the Alto property portfolio should attract interest from prospective joint venture partners. The Company has identified important gold mineralization on its Beardmore area properties which now have drill-ready targets. Existing gold mineralization identified on the Coldstream and Oxford Lake properties have significant potential for expansion and resource definition.

Your Company continues to evaluate strategic acquisitions for gold prospects that would bring new, diverse prospects and enhance shareholder value. Management believes that early to mid-stage projects with substantial potential remain overlooked by investors. Alto plans to continue with its strategy of adding value to its existing gold projects, minimizing the risk of exploration through joint venture participation and making opportunistic acquisitions if and when the opportunity presents itself.

Alto appreciates the significant contributions of its highly experienced exploration team, the dedication of its corporate and administration team and the continued support of its shareholders. We look forward to an important year ahead where we can build on the successes of the past year and add value to the Company's exploration prospects.

On behalf of the Board,

A handwritten signature in black ink, appearing to read "Richard J. Mazur". The signature is fluid and cursive, with a large initial "R" and "M".

Richard J. Mazur, P.Geol.
President & CEO

November 1, 2005

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

INTRODUCTION

The following discussion of performance and financial condition should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2005. The Company's financial statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is October 26, 2005.

DESCRIPTION OF BUSINESS

Alto Ventures Ltd. (the "Company") was incorporated under the provisions of the Company Act (British Columbia) on June 6, 1987. The Company is listed on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer under the trading symbol - **ATV**.

The Company is in the business of acquiring and exploring mineral projects. There has been no determination whether these properties contain reserves which are economically recoverable.

The recoverability of values assigned to these gold properties is dependent upon the discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

SELECTED ANNUAL INFORMATION

	June 30, 2005	June 30, 2004	June 30, 2003
Financial results			
Net loss for period	826,048	599,748	166,997
Basic and diluted loss per share	0.03	0.08	0.04
Expenditures (recovered) on resource properties	853,706	36,669	28,970
Balance sheet data			
Cash and short term deposits	988,286	135,922	896
Resource properties	2,799,396	271,768	768,413
Total assets	3,965,122	421,040	780,602
Shareholders' equity #	3,847,069	2,842	522,012

RESULTS OF OPERATIONS

Current Quarter

The Company incurred a \$300,422 loss for the quarter ended June 30, 2005 as compared to a loss of \$497,862 for the same period last year. This amounts to a \$197,440 decrease over the prior period (an increase of \$254,802 excluding mineral property write-downs and gain on settlement of debt). The increase is primarily due to consulting and management fees (\$165,000) as the Company reorganized, stock-based compensation (\$68,000) and expanded investor relations and corporate

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

communications (\$43,000 announced June 21, 2005).

Cash and cash equivalents balance decreased by \$438,852 to \$988,286 at June 30, 2005. The cash spending for mineral properties was \$200,590. The \$215,000 in cash expenditures on exploration included \$50,000 on Coldstream, \$34,000 on Cote-Archie Lake, \$33,000 on Mud Lake, \$28,000 on the Oxford Lake and \$60,000 on new projects.

Year-to-date

The Company incurred an \$826,048 loss for the year ended June 30, 2005 as compared to a loss of \$147,506 for last year excluding mineral property write-downs and a debt settlement gain. This amounts to a \$678,542 increase over the prior year which can be attributed to stock-based compensation (\$227,000), additional senior management and technical support personnel (\$320,000), and expanded regulatory and administrative services (\$76,000) as well as investor relations and corporate communications (\$53,000, announced May 1, 2005).

Cash and cash equivalent balance has increased by \$852,364 to \$988,286 at June 30, 2005. The cash spending for mineral properties was \$853,706. The \$853,706 in cash expenditures on exploration included \$547,000 on Despinassy JV, \$79,000 on Cote Archie, \$77,000 on Coldstream, \$39,000 on the Mud Lake property and \$112,000 on the remaining projects.

SUMMARY OF QUARTERLY RESULTS

The table below present's selected financial data for the Company's eight most recently completed quarters.

In thousands(000's)	June 30, 2005	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003
Financial results								
Net loss for period	302	84	140	300	498	50	34	17
Basic and diluted loss per share	0.01	-	-	0.02	0.05	0.01	0.01	0.01
Expenditures on resource properties	215	472	1,702	138	6	22	9	10
Balance sheet data								
Cash and short term deposits	988	1,427	2,051	393	136	-	6	1
Resource properties	2,799	2,584	2,046	354	272	804	782	773
Total assets	3,965	4,250	4,208	944	421	806	790	782
Shareholders' equity #	3,847	4,070	4,131	540	3	584	635	669

LIQUIDITY

The Company's exploration programs for the current financial year have been budgeted and can be completed with current finances.

The financial statements from Schedule A have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	June 30, 2005	June 30, 2004
Working capital(deficit)	\$ 1,036,943	\$ (59,820)
Deficit	(6,655,301)	(5,829,253)

TRANSACTIONS WITH RELATED PARTIES

During the year ended June 30, 2005, the Company paid in cash or accrued \$175,000 (2004 – \$5,996) to Officers, for management services and \$167,446 (2004 - \$39,401) for consulting fees to Directors.

As at June 30, 2005, the Company has \$28,000 included in accounts payable (2004 – nil) due to director of the Company. Amounts due from related parties are unsecured, non-interest bearing and have no specific terms of repayment

The Company entered into an agreement with HIF (Hidefield Gold PLC) to acquire rights to Oxford Lake, Greenoaks and Dog Lake (see annual financial statement note 5(g)). The Company and HIF have common Directors.

COMMITMENTS

The Company has an obligation of \$64,800 for accounting, regulatory and investor relations services for a six month period.

SHARE CAPITAL INFORMATION

During the period commencing on July 1, 2005 and ending on the date of this report, 100,000 common shares were issued at a price of \$0.10 per share to fulfil the Company's obligations in the purchase and sale agreement for the Cote Archie (50,000) and Mud Lake (50,000) properties and 657,895 common shares were issued at a price of \$0.114 per share to fulfill the company's obligations pursuant to the purchase and sale agreement for the Despinassy property.

The table below presents the Company's common share data as of October 15, 2005.

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			43,561,543
Securities convertible into common shares			
Warrants	\$0.30	December 30, 2006	11,118,889
Options	\$0.10	August 30, 2007	131,000
	\$0.15	December 2, 2009	1,200,000
	\$0.15	May 12, 2010	885,000
			56,896,432

Private Placement

- a) 8,000,000 units were issued on September 14, 2004 at \$0.10 per share for net proceeds of \$800,000. Each unit consists of common share and one warrant, entitling the holder to purchase one common share at \$0.20 per share up to September 15, 2005.
- b) 11,118,889 units were issued on December 29, 2004 at \$0.18 per share for net proceeds of \$2,001,400. Each unit consists of common share and one warrant, entitling the holder to purchase one common share at \$0.30 per share up to December 30, 2006.

Stock Options

During the year, 1,500,000 stock options granted during the year at a price of \$0.15 per share of which 1,200,000 remain outstanding as of June 30, 2005 and exercisable on or before September 30, 2009 and 885,000 at a price of \$0.15 per share and exercisable on or before June 20, 2010. The remaining 131,000 options outstanding at June 30, 2005 are exercisable at \$0.10 each expiring on August 30, 2007. The weighted average remaining contractual life of these outstanding options is 4.4 years.

INVESTMENT IN MINERAL PROPERTIES

	June 30, 2004	Acquisitions	Deferred Explorations	Write-down	June 30, 2005
Property					
Alcudia Claims	\$ 83,203	\$ 5,000	\$ 21,404	\$ -	\$ 109,607
Coldstream Property	109,862	-	81,622	-	191,484
Windfall Lake Claims	56,250	-	-	(56,250)	-
Mud Lake	400	22,126	41,805	-	64,331
Cote Archie	-	28,006	83,796	-	111,802
Greenoaks	1,200	450,000	4,890	-	456,090
Oxford Lake	12,337	855,040	27,335	-	894,713
Despinassy JV	8,116	130,000	579,307	-	717,423
Dog Lake	400	220,000	655	-	221,055
Empress-Ridout	-	20,000	-	-	20,000
Generative Exploration	-	-	12,892	-	12,892
Total Mineral Properties	\$ 271,768	\$ 1,730,172	\$ 853,706	\$ (56,250)	\$ 2,799,396

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

INVESTMENT IN MINERAL PROPERTIES (continued)

	June 30, 2003	Acquisitions	Deferred Explorations	Write-down	June 30, 2004
Property					
Alcane Claims	\$ 205,846	\$ -	\$ -	\$ (205,846)	\$ -
Alcudia Claims	73,203	10,000	-	-	83,203
Coldstream Property	97,273	-	12,589	-	109,862
Mealy Claims	7,156	-	76	(7,232)	-
Norbeau Mine Property	5,000	-	-	(5,000)	-
Windfall Lake Claims	379,935	-	1,551	(325,236)	56,250
Oxford Lake	-	-	12,337	-	12,337
Despinassy JV	-	-	8,116	-	8,116
Other Properties	-	-	2,000	-	2,000
Total Mineral Properties	\$ 768,413	\$ 10,000	\$ 36,669	\$ (543,314)	\$ 271,768

Deferred Exploration Costs	2005	2004
Acquisition and claim staking	\$ 1,730,172	\$ 10,000
Diamond drilling	481,194	-
Mapping	60,727	687
Management and planning of projects	53,162	-
Line cutting, trenching and blasting	49,973	44
Assessment reports and filing works	47,954	25,770
Geological surveys	42,006	-
Airborne geophysics	40,618	-
License, permits and taxes	18,821	5,560
Travel, camp, and other	18,021	2,634
Prospecting	16,775	-
Data compilation and digitizing	15,959	-
Assays	6,886	182
Leases	1,610	-
Due diligence/prospecting	-	1,792
Deferred exploration costs for the year	\$ 2,583,878	\$ 46,669
Deferred exploration costs, beginning of year	271,768	768,413
	2,855,646	815,082
Less: Mineral properties written down	(56,250)	(543,314)
Deferred exploration costs, end of year	\$ 2,799,396	\$ 271,768

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

INVESTMENT IN MINERAL PROPERTIES (continued)

Mike Koziol, P.Geo, Alto's Vice President of Exploration is the qualified person responsible for the technical information reported in this Management's Discussion and Analysis.

a) Alcudia Claims

Pursuant to an agreement dated February 22, 1996 the Company acquired from Alcudia Capital Incorporated ("Alcudia") a 100% interest in 20 mineral claims located in Urban Township, Province of Quebec. As consideration, the Company issued 100,000 common shares valued at \$10,000 (\$0.10 per share). The property is subject to a 2% net smelter return royalty in favour of Alcudia in which a former director has an interest.

Geological mapping and prospecting was conducted in the fall, 2004. A sampling program by mechanized trenching and stripping is recommended on Induced Polarization (IP) and structural targets.

b) Coldstream Property

Alto owns a 100% interest in 82 patented and unpatented claims, totalling 1,840 hectares in the Shebandowan Greenstone Belt. The Company recently completed a 250 line kilometre, helicopter-borne magnetic and electromagnetic survey. Anomalies identified by the surveys are currently being evaluated and prioritized for both base metal and gold exploration. An Induced Polarization (IP) Survey was completed on the East Coldstream gold deposit in August 2005 and a number of anomalies were detected.

c) Windfall Lake Claims

On July 28, 2004, the Company sold its 12.5% interest in the Windfall Lakes property and its 45% interest in the Alcane property for 375,000 common shares of Noront, valued at \$56,250, and a 0.5% NSR on both properties. The Company recorded a \$2,221 loss on the disposition of this property during the period.

d) Oxford Lake Property

By agreements dated June 4, 2004 the Company purchased the Oxford Lake gold property located in the Gods Lake area of northern Manitoba from Hidefield plc (Symbol "HIF:AIM"), a company with directors in common with the Company and an AIM listed company on the London Stock Exchange and Anglo Pacific Group plc (Symbol "APF:LSE"), listed on the London Stock Exchange, in consideration for 10,700,000 common shares of the Company to HIF and 4,000,000 common shares to APF.

By agreement dated March 21, 2005, the Company acquired a 100% interest in additional claims, comprising 150 hectares at Oxford Lake. The consideration for the acquisition includes a cash payment of \$25,000 and the issuance of 200,000 common shares of the Company. Further, the vendor will retain a 2.5% NSR royalty of which the Company can repurchase 1% for \$1 million.

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

INVESTMENT IN MINERAL PROPERTIES (continued)

In addition to this acquisition, the Company has been granted a 5,516 hectare mineral exploration permit surrounding the Company's existing claims. A preliminary prospecting program was completed during the summer, 2005 on the permit area.

e) Despinassy Property

The Despinassy project is located in Despinassy Township, approximately 75 km northeast of Val D'Or, Quebec and lies within the Archean age Abitibi greenstone belt in the eastern Superior Province in Quebec. The property consists of 113 claims totaling 4,453.6 hectares. The Company acquired the option to earn into a joint venture with Commander Resources Ltd., holder of a 30% interest in the project, from Cameco Corporation ("Cameco") by paying \$10,000 and issuing 200,000 common shares to Mirador Management Co (issued and paid). The Company can earn a 70% interest in Despinassy from Cameco by making an initial cash payment to Cameco of \$40,000 (paid), pay a further \$50,000 in cash or shares, at the Company's option, after 6 months (paid in cash), make four further payments of \$100,000, as to \$25,000 in cash and \$75,000 in cash or shares, at the Company's option (the first of which has been paid), on the first to fourth anniversary dates and make a final payment on the fifth anniversary of \$50,000 in cash and \$150,000 in cash or shares, at the Company's option.

The Company recently completed a 20-hole drill program that demonstrated continuity of four veins comprising the DAC gold deposit along a strike length of 250 metres (m) and to a depth of 600 m. A total of 5,307 m were drilled on the DAC veins. Results included gold mineralization intersections grading at 14.6 grams per tonne (g/t) over 3.7 m, 6.4 g/t over 5.9 m, 22.0 g/t over 1.4 m, 6.7 g/t over 3.1m, 7.0 g/t over 7.2 m and 8.1 g/t over 3.5 m within a major mineralized shear structure traceable for at least 6 km through the project claims. An evaluation of the drill data to determine the next phase of drilling is underway.

f) Greenoaks Gold Property

By agreements dated June 4, 2004, the Company acquired the Greenoaks gold property comprising 15 leasehold patents located in the Beardmore-Geraldton Gold District, Northwest Ontario from Hidefield in consideration for 4,000,000 common shares of the Company.

g) Dog Lake Property

By agreements dated June 4, 2004, the Company purchased the Dog Lake gold property located approximately 14 kilometres southwest of Missinabie, Ontario from Hidefield in consideration for 2,700,000 common shares of the Company. The Dog Lake property consists of 8 patented claims covering 155 hectares, located in the Michipicoten greenstone belt. Prospecting and geological mapping were conducted on the property in the fall, 2005.

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

INVESTMENT IN MINERAL PROPERTIES (continued)

h) Mud Lake Property

On August 1, 2004, the Company obtained the option from Frank Houghton and Leroy Clarke to acquire a 100% interest in the Mud Lake property by making a cash payment of \$10,000 and issuing 50,000 common shares of the Company (issued and paid) on signing the agreement, a cash payment of \$15,000 and issuing 50,000 shares upon the first anniversary date of the agreement (issued and paid) and a cash payment of \$15,000 and issuing 50,000 shares upon the second anniversary date of the agreement. The vendors will retain a 2.5% net smelter return royalty (NSR) and the Company has the right to buyback 1.5% of the NSR for \$500,000. The Mud Lake property consists of 1,664 hectares located in the Beardmore-Geraldton gold camp.

A summer exploration program identified 9 main gold showings. Gold occurs principally within quartz veins and areas of silicification. Highlights of assay results from grab samples include:

Showing	Assay (g/t)	Location
No. 1	30.00	Northeast end of property
No. 2	5.30	1,000 metres (m) SW of No. 1
No. 3	4.08	500 m SW of No.2
No. 4	5.49	400 m SW of No. 3
No. 5	6.57	200 m SW of No. 4
Oliver Severn	50.61	800 m SW of No. 5
No. 6	19.81	1600 m SW of Oliver Severn
Clarke	8.06	700 m SW of No. 6
Clark Extension	7.94	150m SW of Clarke

The Company also completed 16.9 km of IP geophysical surveying. The survey identified numerous IP responses and over 20 prospective targets have been recommended for follow-up testing including diamond drilling.

i) Cote-Archie Lake

On September 13, 2004, the Company obtained the option from Richard and Robert Cote to acquire a 100% interest in the Cote-Archie Lake property by making a cash payment of \$20,000 and issuing 50,000 common shares of the Company (issued and paid) on signing of the agreement, a cash payment of \$10,000 and issuing 50,000 shares upon the first anniversary date of the agreement and a cash payment of \$10,000 and issuing 50,000 shares upon the second anniversary date of the agreement. The vendors will retain a 2.0% net smelter return royalty (NSR) and Alto has the right to buyback 1.0% of the NSR for \$1,000,000. The Cote Archie Lake property consists of 18 claims totalling 2,352 hectares and covers 12 kilometres of prospective ground east of, and along strike from, the productive vein system developed in the Leitch mine.

In early trenching, the Company uncovered shear-hosted quartz veins with grades up to 17.3 g/t gold. The summer program included mapping, trenching and sampling to further delineate and extend this mineralization. A previously unknown, strong, east-northeast trending shear structure extends from the East Leitch gold prospect to the west and through the property.

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

INVESTOR RELATIONS

Effective May 1, 2005 the Company amended its contract with RWA Management Services Ltd. to expand the services being provided by RWA to include investor relations and to provide for the partial reimbursement of the substantial increase in RWA's costs arising as a consequence of providing additional accounting and regulatory services required to meet increased regulatory and financial reporting obligations. The investor relations services are being provided by Michelle Hohn and Doug Fosbrooke, who combined have approximately 30 years experience in financial markets and investor relations activities.

FINANCIAL AND OTHER INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of those instruments.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

RISKS AND UNCERTAINTIES

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available on acceptable terms in the future.
- c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future.
- f) There is no certainty that the properties which the Company has deferred as assets on its balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information. The company's CEO and CFO have confirmed to the Company that they are satisfied with the effectiveness of the Company's system of disclosure controls and procedures as at June 30, 2005 based upon their evaluation of the effectiveness of such disclosure controls and procedures.

ALTO VENTURES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

OTHER INFORMATION

Additional information is available on the Company's website at www.altoventures.com or on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

ALTO VENTURES LTD.
(A Development Stage Company)

Annual Financial Statements
For the Years Ended
June 30, 2005 and 2004
(Canadian Funds)

AUDITORS' REPORT

To the Shareholders of Alto Ventures Ltd.:

We have audited the balance sheets of Alto Ventures Ltd. (a development stage company) as at June 30, 2005 and 2004 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“Staley, Okada & Partners”

Vancouver, B.C.
September 8, 2005 *(except for Note 6b(i), which is as of October 24, 2005)*

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

Balance Sheets

As at June 30
Canadian Funds

ASSETS	2005	2004
Current		
Cash and cash equivalents (Note 10)	\$ 988,286	\$ 135,922
Marketable securities (Note 3)	56,250	-
GST/QST receivable	86,374	12,456
Prepaid expenses and deposits	24,086	-
	<u>1,154,996</u>	148,378
Property and Equipment, net of accumulated amortization (Note 4)	10,730	894
Mineral Properties (Note 5)	2,799,396	271,768
	<u>\$ 3,965,122</u>	<u>\$ 421,040</u>

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 90,053	\$ 93,970
Advances from related parties (Note 7)	28,000	114,228
	<u>118,053</u>	208,198
Share subscriptions received in advance (Note 6a(iii))	-	210,000

Continuing Operations (Note 1)

SHAREHOLDERS' EQUITY

Share Capital (Note 6)	10,241,130	5,832,095
Contributed Surplus (Note 6a)	261,240	-
Deficit - Statement 2	(6,655,301)	(5,829,253)
	<u>3,847,069</u>	2,842
	<u>\$ 3,965,122</u>	<u>\$ 421,040</u>

ON BEHALF OF THE BOARD:

"David Cowan", Director
David Cowan

"Richard Mazur", Director
Richard Mazur

Statements of Loss and Deficit

As at June 30
Canadian Funds

	2005	2004
Expenses		
Management fees	\$ 175,000	\$ 5,996
Consulting	167,446	39,401
Legal	26,670	48,113
Directors' fees	24,000	-
Accounting	16,288	1,200
Audit	14,491	9,174
Stock-option compensation	227,400	-
Investor relations and shareholder information	57,492	4,423
Transfer agent and regulatory fees	43,209	21,121
Office and miscellaneous	38,812	4,298
Rent	26,336	6,000
Travel and promotion	14,925	8,765
Telephone	6,621	2,913
Amortization	2,014	327
Interest and bank charges	1,402	1,113
Gain on foreign exchange	(2,506)	-
	<u>839,600</u>	<u>152,844</u>
Other Items		
Gain on settlement of debt	-	(91,072)
Property investigation costs	2,221	10,506
Mineral properties written down	-	543,314
Interest income	(15,773)	(15,844)
	<u>(13,552)</u>	<u>446,904</u>
Net Loss for the Year	826,048	599,748
Deficit - Beginning of year	<u>5,829,253</u>	<u>5,229,505</u>
Deficit - End of Year	\$ 6,655,301	\$ 5,829,253
Loss per Share – Basic and Diluted	\$ 0.03	\$ 0.08

- See Accompanying Notes -

Statements of Cash Flows

As at June 30
Canadian Funds

Cash Resources Provided By (Used In)	2005	2004
Operating Activities		
Loss for the year	\$ (826,048)	\$ (599,748)
Items not affected by cash:		
Amortization	2,014	327
Stock option compensation	227,400	-
Write-off of mineral properties	-	543,314
	<u>(596,634)</u>	<u>(56,107)</u>
Changes in non-cash working capital items	<u>(65,353)</u>	<u>121,644</u>
Net cash used in operating activities	<u>(661,987)</u>	<u>65,537</u>
Financing Activities		
Common shares issued	2,591,400	-
Stock options exercised	17,857	-
Advances from related parties	(86,228)	(93,842)
Share subscriptions received in advance	-	210,000
Net provided by financing activities	<u>2,523,029</u>	<u>116,158</u>
Investing Activities		
Mineral property expenditures	(806,656)	-
Property acquisition	(190,172)	(46,669)
Purchase of capital assets	(11,850)	-
Net cash used by investing activities	<u>(1,008,678)</u>	<u>(46,669)</u>
Net Increase in Cash and Cash Equivalents	852,364	135,026
Cash and cash equivalents - Beginning of year	<u>135,922</u>	<u>896</u>
Cash and Cash Equivalents - End of Year	\$ 988,286	\$ 135,922

Supplementary Disclosure of Non-Cash Financing Activities *(Note 10)*

Alto Ventures Ltd.
(A Development Stage Company)

Notes to Financial Statements

As at June 30, 2005 and 2004
Canadian Funds

1. Nature of Operations and Continuing Operations

Alto Ventures Ltd. ("the Company") is engaged in the acquisition, exploration and development of Canadian gold projects with near term production potential. It is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. These financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has a working capital of \$1,036,943 (2004- deficiency of \$59,820) and accumulated deficit of \$6,655,301 (2004 - \$5,829,253). Its ability to continue as a going concern is dependant upon the continued support of related parties, the ability of the Company to raise equity financing, the discovery of economically recoverable reserves and the attainment of profitable operations. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, on the assumption that the Company is a going concern.

Because a precise determination of certain assets and liabilities is dependant on future events, the preparation of the financial statements involves the use of estimates based on careful judgement and actual results could differ from such estimates. The financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid debt investments with remaining maturities at point of purchase of three months or less. The Company places its cash and cash investments with institutions of high credit worthiness. At times, such investments may be in excess of federal insurance limits.

b) Loss per Share

Loss per share is computed by dividing losses attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents are reflected in diluted earnings per share by application of the treasury stock method.

c) Fair Market Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, GST/QST receivable, advances from related parties and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation

Alto Ventures Ltd.

(A Development Stage Company)

Notes to Financial Statements

As at June 30, 2005 and 2004

Canadian Funds

2. Significant Accounting Policies - Continued

d) Stock-based compensation

The Company adopted the recommendations of CICA Handbook Section 3870, "*Stock-based Compensation and Other Stock-based Payments*". The standard requires that all stock-based awards made to employees and non-employees be measured and recognized using a fair value based method. The Company recognizes compensation expense for each grant on the later of the date of regulatory approval of the grant and the date of vesting, as applicable.

e) Property and Equipment

Property and equipment are valued at cost less accumulated amortization. The Company provides for amortization for all property and equipment classes using the declining balance method at rates between 20% and 30% and applies only one-half of the applicable rate in the year of acquisition.

f) Asset Retirement Obligations – Change in accounting policy

Effective 1 July 2004, the Company adopted the recommendations of CICA Handbook Section 3110, *Asset Retirement Obligations*. This new section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

There is no material impact on the financial statements resulting from the adoption of Section 3110 either in the current or prior years presented.

g) Income Taxes

The Company accounts for income taxes using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years on differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred taxes for a change in tax rates is recognized in income during the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

h) Investments

Investments, in which the Company has less than a 20% interest and where the Company has no significant influence, are recorded at the lower of cost or market value. Investments are written down to market value when the decline in market value is deemed to be other than temporary.

Alto Ventures Ltd.
(A Development Stage Company)
Notes to Financial Statements
As at June 30, 2005 and 2004
Canadian Funds

2. Significant Accounting Policies - Continued

i) Mineral Properties

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its mineral properties, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

The Company assesses its capitalized mineral property costs on a regular basis. A property is written-down or written-off when the Company determines that a permanent impairment of value has occurred or when exploration results indicate that no further work is warranted. The Company will also reduce its capitalized mineral property costs if no active exploration has been conducted on the property for a period of three or more years.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

j) Mineral Exploration Tax Credits ("METC")

The Company recognizes METC amounts when the Company's METC application is approved by Canada Revenue Agency ("CRA") auditors or when the amount to be received can be reasonably estimated and collection is reasonably assured.

k) Property Option Agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

l) Variable Interest Entities - Change in Accounting Policy

The Accounting Standards Board (AcSB) issued Accounting Guideline AcG 15 "Consolidation of Variable Interest Entities", to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities." ("VIE") The Guideline provides criteria for identifying VIEs and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after November 1, 2004, and upon adoption, will not materially impact the Company's results of operations and financial position.

Alto Ventures Ltd.

(A Development Stage Company)

Notes to Financial Statements

As at June 30, 2005 and 2004

Canadian Funds

2. Significant Accounting Policies - Continued

m) **Share Capital**

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value reduced.

n) **Impairment of Long-Lived Assets**

The Company follows the CICA Handbook Section 3063, "Impairment of Long-Lived Assets" ("HB 3063"). HB 3063 requires the Company to assess the impairment of long-lived assets, which consist primarily of property, plant and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to its fair value. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

3. Marketable Securities

Marketable securities consist of 375,000 shares of Noront Resources Inc. ("Noront") at a cost of \$56,250 and market value of \$86,250 on June 30, 2005. The Company's share ownership in Noront is very minimal and they have no control or significant influence over Noront.

4. Property and Equipment

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
Computer equipment	\$ 17,021	\$ 6,544	\$ 10,477	\$ 578
Furniture and equipment	1,676	1,423	253	316
	\$ 18,697	\$ 7,967	\$ 10,730	\$ 894

Alto Ventures Ltd.*(A Development Stage Company)***Notes to Financial Statements****As at June 30, 2005 and 2004***Canadian Funds***5. Investment - Mineral Properties**

The following table shows the comparative of 2004 to 2005:

Property	June 30, 2004	Acquisitions	Deferred Explorations	Sale of property/ Write-down	June 30, 2005
Alcudia Claims	\$ 83,203	\$ 5,000	\$ 21,404	\$ -	\$ 109,607
Coldstream Property	109,862	-	81,622	-	191,484
Cote Archie Lake Property	-	28,006	83,796	-	111,802
Despinassy JV Property	8,116	130,000	579,307	-	717,423
Dog Lake Property	400	220,000	655	-	221,055
Greenoaks Gold Property	1,200	450,000	4,890	-	456,090
Mud Lake Property	400	22,126	41,805	-	64,331
Oxford Lake Property	12,337	855,040	27,335	-	894,713
Windfall Lake Claims	56,250	-	-	(56,250)	-
Empress-Ridout Property	-	20,000	-	-	20,000
Generative exploration	-	-	12,892	-	12,892
Total Mineral Properties	\$ 271,768	\$ 1,730,172	\$ 853,706	\$ (56,250)	\$ 2,799,396

The following table shows the comparative of 2003 to 2004:

Property	June 30, 2003	Acquisitions	Deferred Explorations	Write-down	June 30, 2004
Alcane Claims	\$ 205,846	\$ -	\$ -	\$ (205,846)	\$ -
Alcudia Claims	73,203	10,000	-	-	83,203
Coldstream Property	97,273	-	12,589	-	109,862
Despinassy JV	-	-	8,116	-	8,116
Mealy Calims	7,156	-	76	(7,232)	-
Norbeau Mine Property	5,000	-	-	(5,000)	-
Oxford Lake	-	-	12,337	-	12,337
Windfall Lake Claims	379,935	-	1,551	(325,236)	56,250
Dog Lake Property	-	-	400	-	400
Greenoaks Gold Property	-	-	1,200	-	1,200
Mud Lake Property	-	-	400	-	400
Total Mineral Properties	\$ 768,413	\$ 10,000	\$ 36,669	\$ (543,314)	\$ 271,768

Alto Ventures Ltd.*(A Development Stage Company)***Notes to Financial Statements****As at June 30, 2005 and 2004***Canadian Funds***5. Investment - Mineral Properties - Continued**

Deferred Mineral Costs	2005	2004
Acquisition and claim staking	\$ 1,730,172	\$ 10,000
Diamond drilling	481,194	-
Mapping	60,727	687
Management and planning of projects	53,162	-
Line cutting, trenching and blasting	49,973	44
Assessment reports and filing works	47,954	25,770
Geological surveys	42,006	-
Airborne geophysics	40,618	-
License, permits and taxes	18,821	5,560
Travel, camp and other expenses	18,021	2,634
Prospecting	16,775	-
Data compilation and digitizing	15,959	-
Assays	6,886	182
Leases	1,610	-
Due diligence/prospecting	-	1,792
Deferred Exploration Costs for the Year	2,583,878	46,669
Deferred Exploration Costs – Beginning of Year	271,768	768,413
Less: Proceeds on disposal of property	(56,250)	-
Less: Mineral properties written-down	-	(543,314)
Deferred Exploration Costs – End of Year	\$ 2,799,396	\$ 271,768

a) Alcudia Claims

Pursuant to an agreement dated February 22, 1996 the Company acquired from Alcudia Capital Incorporated (“Alcudia”) a 100% interest in 20 mineral claims located in Urban Township, Province of Quebec. As consideration, the Company issued 100,000 common shares valued at \$10,000 (\$0.10 per share). The property is subject to a 2% net smelter return royalty (“NSR”) in favor of Alcudia in which a former director has an interest. Pursuant to the agreements dated May 1, 1999, the Company swapped 50% of its interest in these claims for interests in Dennis Lake and Sarah Lake properties.

b) Coldstream Property

Pursuant to a letter of agreement dated August 1, 2002 with Hidefield, PLC, a company with directors in common with the Company, the Company was granted an option to acquire a 100% interest in 71 contiguous patented claims and licenses of occupation in the Burchell Lake area, Thunder Bay, Ontario. As consideration, the Company issued 800,000 shares valued at \$80,000 (\$0.10 per share) to Hidefield, PLC (Symbol “HIF”) and is required to expend \$100,000 (expended) in exploration expenditures over a three-year period. The property is subject to a 2% NSR. The Company also staked twenty mining claims adjoining the property. Pursuant to another letter agreement dated October 28, 2002 with Kinross Gold Corporation (“Kinross”) the Company had granted Kinross an option to acquire a 60% interest in the property. As consideration, Kinross had committed to spend \$200,000 prior to October 17, 2003 and an additional \$1,300,000 by October 17, 2004. On June 10, 2003, Kinross withdrew from the option, and \$8,000 was paid to the Company as complete fulfillment of its commitments on the property.

Alto Ventures Ltd.

(A Development Stage Company)

Notes to Financial Statements

As at June 30, 2005 and 2004

Canadian Funds

5. Investment - Mineral Properties - *Continued*

c) Windfall Lake Claims

On July 28, 2004, the Company sold its 12.5% interest in the Windfall Lakes property and its 45% interest in the Alcane property for 375,000 common shares of Noront, valued at \$56,250, and a 0.5% NSR on both properties.

d) Oxford Lake Property

By agreements dated June 4, 2004 the Company purchased the Oxford Lake Gold property located in the Gods Lake area of northern Manitoba from HIF, a company with directors in common with the Company, and Anglo Pacific Group plc (Symbol "APF"), in consideration for 4,000,000 common shares of the Company to HIF and 4,000,000 common shares to APF.

By agreement dated March 22, 2005, the Company acquired a 100% interest in additional 150 hectare on the Oxford Lake property from W. Bruce Dunlop Limited NPL, an unrelated party. The consideration for the acquisition includes a cash payment of \$25,000 and the issuance of 200,000 common shares of the Company. Further, the vendor will retain a 2.5% NSR royalty of which the Company can repurchase 1% for \$1,000,000.

In addition to this acquisition, the Company has been granted a 5,516 hectare mineral exploration permit surrounding the Company's existing claims.

e) Despinassy JV Property

The Despinassy JV property is located in Despinassy Township, approximately 75 km northeast of Val D'Or, Quebec and lies within the Archean age Abitibi greenstone belt in the eastern Superior Province in Quebec. The property consists of 113 claims totaling 4453.6 hectares.

Pursuant to an agreement dated September 30, 2004, the Company acquired an option to earn 70% interest in a joint venture with Commander Resources Ltd. ("Commander") from Mirador Management Co. ("Mirador"), a related party, by paying \$10,000 (paid) and issuing 200,000 (issued) common shares to Mirador. To complete the acquisition of its 70% interest the Company must pay an additional \$40,000 (paid), pay a further \$50,000 in cash or shares, at the Company's option, after 6 months (paid in cash), make four further payments of \$100,000, as to \$25,000 in cash and \$75,000 in cash or shares, at the Company's option, on the first to fourth anniversary dates and make a final payment on the fifth anniversary of \$50,000 in cash and \$150,000 in cash or shares, at the Company's option to Commander.

In addition to the payments and share issuances to Mirador, the Company was also required to issue 100,000 common shares (issued) to Commander in closing of the JV agreement.

f) Greenoaks Gold Property

By agreements dated June 4, 2004, the Company acquired the Greenoaks Gold property comprising 15 leasehold patents located in the Beardmore-Geraldton Gold District, Northwest Ontario from HIF in consideration for 4,500,000 common shares (issued during the year) of the Company.

Alto Ventures Ltd.

(A Development Stage Company)

Notes to Financial Statements

As at June 30, 2005 and 2004

Canadian Funds

5. Investment – Mineral Properties - *Continued*

g) Dog Lake Property

By agreements dated June 4, 2004, the Company purchased the Dog Lake Gold property located approximately 14 kilometres southwest of Missinabie, Ontario from Hidefield in consideration for 2,200,000 (issued during the year) common shares of the Company. The Dog Lake property consists of 8 patented claims covering 155 hectares, located in the Michipicoten greenstone belt.

h) Mud Lake Property

On August 1, 2004, the Company obtained the option from, an unrelated party, to acquire a 100% interest in the Mud Lake property by making a cash payment of \$10,000 and issuing 50,000 common shares of the Company (issued and paid) on signing the agreement, a cash payment of \$15,000 (paid) and issuing 50,000 shares upon the first anniversary date of the agreement and a cash payment of \$15,000 and issuing 50,000 shares upon the second anniversary date of the agreement. The vendors will retain a 2.5% NSR and the Company has the right to buyback 1.5% of the NSR for \$500,000. The Mud Lake property consists of 1,664 hectares located in the Geraldton – Beardmore gold camp.

i) Cote-Archie Lake Property

On September 13, 2004, the Company obtained the option from, an unrelated party, to acquire a 100% interest in the Cote-Archie Lake property by making a cash payment of \$20,000 and issuing 50,000 common shares of the Company (issued and paid) on signing of the agreement, a cash payment of \$10,000 and issuing 50,000 shares upon the first anniversary date of the agreement and a cash payment of \$10,000 and issuing 50,000 shares upon the second anniversary date of the agreement. The vendors will retain a 2.0% NSR and Alto has the right to buyback 1.0% of the NSR for \$1,000,000. The Cote-Archie Lake property consists of 18 claims totalling 2,352 hectares and covers 12 kilometres of prospective ground east of, and along strike from, the productive vein system developed in the Leitch mine.

j) Empress-Ridout Property

On June 15, 2005, the Company entered into an agreement with Cameco Corporation (“Cameco”) to acquire a 100% interest in the Empress-Ridout Property located in the province of Ontario by making a cash payment of \$20,000 (paid) upon the closing date of the agreement. The agreement is subject to a 2% NSR with the Company being obligated to pay a 1% NSR to the owners of the property and Cameco retaining an obligation to pay the remaining 1%. The Empress Property consists of 16 claims located in the Syine Township and Santoy Lake area.

Alto Ventures Ltd.
(A Development Stage Company)
Notes to Financial Statements
As at June 30, 2005 and 2004
Canadian Funds

6. Share Capital

a) **Common shares**

Authorized: Unlimited common shares without par value

	Number of Shares	Amount	Contributed Surp
Issued:			
Balance – June 30, 2003	7,149,021	\$ 5,751,517	\$ -
Issued in exchange for options	49,997	5,000	-
Issued pursuant to debt settlement agreement	755,780	75,578	-
Balance – June 30, 2004	7,954,798	5,832,095	-
Issued for cash – private placements	19,118,889	2,801,400	-
Issued in exchange for mineral properties	15,300,000	1,540,000	-
Issued pursuant to debt settlement agreement (iv)	365,675	36,568	-
Stock options exercised	128,571	17,857	-
Escrow shares retired	(64,285)	(643)	643
Fair value of options granted	-	-	274,450
Fair value of options exercised	-	13,853	(13,853)
Balance – June 30, 2005	42,803,648	\$ 10,241,130	\$ 261,240

- i) 8,000,000 units were issued on September 14, 2004 at \$0.10 per share for net proceeds of \$800,000. Each unit consists of common share and one warrant, entitling the holder to purchase one common share at \$0.20 per share up to September 15, 2005.
- ii) 11,118,889 units were issued on December 29, 2004 at \$0.18 per share for net proceeds of \$2,001,400. Each unit consists of common share and one warrant, entitling the holder to purchase one common share at \$0.30 per share up to December 30, 2006.
- iii) In the previous year, the Company received \$210,000 in advance of the issuance of 2,100,000 units. These units were issued in the current year as part of the 8,000,000 private placement discussed in Note 6a(i).
- iv) During the current year, the shares issued pursuant to the debt settlement were with HIF, an entity that has directors in common with the Company.

b) **Warrants**

Warrants have been granted and are exercisable in whole or in part allowing the holders to purchase common shares of the Company as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance – June 30, 2004	-	\$ -
Granted	19,118,889	0.26
Balance – June 30, 2005	19,118,889	\$ 0.26

Alto Ventures Ltd.*(A Development Stage Company)***Notes to Financial Statements****As at June 30, 2005 and 2004***Canadian Funds***6. Share Capital - Continued****b) Warrants - Continued**

Of the warrants outstanding at June 30, 2005:

- i) 8,000,000 warrants are exercisable at \$0.20 per share up to September 15, 2005. These warrants have all expired subsequent to year-end.
- ii) 11,118,889 warrants are exercisable at \$0.30 per share up to December 30, 2006.

c) Share Purchase Options

The Company has established a share purchase option plan whereby the Board of Directors, may from time to time, grant options to directors, officers, employees or consultants to a maximum of 10% of the issued and outstanding share capital amount. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant date.

The following is a summary of the Company's options at June 30, 2005 and 2004 and the changes for the year are as follows:

Exercise Price	Outstanding June 30, 2004	Granted	Exercised	Expired or Cancelled	Outstanding June 30, 2005	Expiry Date
\$0.10	159,571	-	(28,571)	-	131,000	August 30, 2007
\$0.15	-	1,500,000	(100,000)	(200,000)	1,200,000	September 30, 2009
\$0.15	-	885,000	-	-	885,000	June 20, 2010
	159,571	2,385,000	(128,571)	(200,000)	2,216,000	

For the newly granted options, compensation expense is based on the fair value of the options at the grant date. For any options that have alteration in their conditions, compensation expense is based on the fair value of the options on the alteration date less the fair value of the original options based on the shorter of the remaining expanded life of the old option or the expected life of the modified option.

During the year, the Company granted options to purchase up to 2,385,000 shares of the Company at exercise price of \$0.15 per share to directors and officers of the Company. As at June 30, 2005, all of these options had vested. The total fair value of the options granted was calculated to be \$274,450. The fair value has been recorded in the Company's accounts as stock compensation expense of \$227,400 and \$47,050 to various mineral properties. The offsetting entry is to contributed surplus.

The fair value of the option used in the information above has been estimated at the date of grant of options using the Black-Scholes option-pricing model with the following assumptions:

	2005	2004
Average risk free interest rate	4.01%	-
Average expected option life	5	-
Stock volatility – based on trading history	149.54%	-
Dividend payments during life of option	-	-

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Alto Ventures Ltd.*(A Development Stage Company)***Notes to Financial Statements****As at June 30, 2005 and 2004***Canadian Funds***7. Related Party Transactions**

- a) At June 30, 2005, the Company owed \$28,000 (2004: \$114,228) to a Director(s).
- b) The following are related party transactions for the year-ended June 30,2005 and June 30,2004:

	June 30, 2005	June 30, 2004
Hamilton Capital Partners Limited – restructuring advice and consulting	\$ 131,500	\$ -
Jerry Bulman – management fees	-	10,000
Pat Obara – management fees	-	15,500
RWA Management – management services	64,000	-
Mirador Management – management services	96,000	16,000
Robert Anderson – accounting services	8,000	-
Lang Michener – legal services	19,293	-
John Prochnau – consulting services	35,001	-
Total	\$ 353,794	\$ 41,500

- c) The Company entered into an agreement with HIF to acquire rights to Oxford Lake, Greenoaks and Dog Lake (see note 5). The Company and HIF have common Directors.

8. Corporate Tax Losses Carry Forwards

The Company has non-capital loss carry forwards available to reduce future taxable income as follows:

2006	\$ 94,000
2007	121,000
2008	136,000
2009	96,000
2010	190,000
2014	67,000
2015	294,000
	<u>\$ 998,000</u>

In addition, the Company has Canadian exploration and development expenditures approximating \$3,481,917 (2004- \$895,819), which are available to reduce future taxable income. The Company also has capital losses of \$1,591,000 (2004 - \$1,591,000).

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates are as follows:

Future income tax assets	2005	2004
Statutory tax rate	35.6'	35.6%
Non-capital losses	\$ 593,359	\$ 55,836
Exploration and development expenditures	1,139,697	300,545
	1,733,056	356,381
Less: Valuation allowances	(1,733,056)	(356,381)
	\$ -	\$ -

Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements, as their realization may not occur.

Alto Ventures Ltd.*(A Development Stage Company)***Notes to Financial Statements****As at June 30, 2005 and 2004***Canadian Funds*

9. Segment Information

The Company currently conducts substantially all of its operations in Canada in one business segment.

10. Supplementary Cash Flow Information

Cash and cash equivalents include:	2005		2004	
Cash	\$	25,902	\$	135,922
Term Deposit		962,384		-
	\$	988,286	\$	135,922

Supplemental Disclosure of Non-Cash Financing Activities include:	2005		2004	
Shares issued for property costs	\$	1,540,000	\$	-
Shares issued for debt settlement	\$	36,568	\$	75,578
Stock-based compensation – mineral properties	\$	47,050	\$	-
Stock-based compensation	\$	227,400	\$	-
Escrow shares cancelled	\$	(643)	\$	-
Marketable securities received in exchange for property	\$	56,250	\$	-

11. Commitments

The Company entered into an agreement dated January 1, 2005, amended April 1, 2005 with an officer of the Company to provide management services for the next three years. Remuneration was originally \$6,500 per month, but subsequently amended and increased to \$10,800 per month.

CORPORATE OFFICE

Suite 910, 475 Howe Street
Vancouver, B.C.
Canada V6C 2B3

Tel: 604.681.2409
Fax: 604.689.3609
info@altoventures.com

DIRECTORS AND OFFICERS

*RICHARD MAZUR P.GEO
President, CEO and Director

ROBERT ANDERSON
CFO and Secretary

*MARIAN (MIKE) KOZIOL P.GEO
Vice President, Exploration

KENNETH JUDGE
Director

*JOHN PROCHNAU P.Eng
Director

*PAUL ROBERTS P.Eng
Director

DAVID COWAN
Director

* is a Qualified Person under National Instrument 43-101

SHARES LISTED

TSX Venture Exchange
Symbol: **ATV**

WEBSITE

www.altoventures.com



ATV:TSX-V