



**ALTO VENTURES LTD.**  
*(An Exploration Stage Company)*

**ANNUAL FINANCIAL STATEMENTS**

**For the years ended June 30, 2011 and 2010**

**Canadian Funds**



## **Independent Auditor's Report**

### **To the Shareholders of Alto Ventures Ltd.**

We have audited the accompanying financial statements of Alto Ventures Ltd. (the "Company") which comprise the balance sheets as at June 30, 2011 and June 30, 2010 and the statements of operations and comprehensive loss for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alto Ventures Ltd. as at June 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles

#### **Emphasis of matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may case significant doubt about the Company's ability to continue as a going concern.

*Signed "PricewaterhouseCoopers LLP"*

#### **Chartered Accountants**

October 28, 2011

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# Alto Ventures Ltd.

(An Exploration Stage Company)

## Balance Sheets

As at June 30, 2011

Canadian Funds

*Statement 1*

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Current</b>		
Cash	\$ 302,226	\$ 317,369
Short-term investment	2,000,000	-
Restricted cash (Note 5)	-	735,000
Receivables	218,830	74,834
Marketable Securities (Note 6)	401,806	369,098
Due from joint venture option partner	9,339	194,217
Quebec exploration tax credit	168,994	61,037
Prepays and Deposits	108,601	57,634
	<u>3,209,796</u>	<u>1,809,189</u>
<b>Mineral Properties (Note 8)</b>	<b>6,550,643</b>	<b>5,096,652</b>
<b>Equipment (Note 7)</b>	<b>1,649</b>	<b>2,356</b>
	<u>\$ 9,762,088</u>	<u>\$ 6,908,197</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 336,328	\$ 103,869
Due to related parties (Note 10a)	11,219	13,762
Exploration advances payable (Note 13)	168,302	-
	<u>515,849</u>	<u>117,631</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital – Statement 5 - (Note 9)	\$ 17,742,810	\$ 15,949,673
Contributed Surplus – Options – Statement 5 (Note 9)	1,279,841	1,043,724
Contributed Surplus – Warrants – Statement 5 (Note 9)	2,068,140	955,777
Accumulated other comprehensive income – Statement 5	27,428	140,080
Deficit – Statement 5	(11,871,980)	(11,298,688)
	<u>9,246,239</u>	<u>6,790,566</u>
	<u>\$ 9,762,088</u>	<u>\$ 6,908,197</u>

**Going Concern (Note 1)**

**Commitments (Note 12)**

**Subsequent Event (Note 15)**

ON BEHALF OF THE BOARD:

“Richard Mazur”, Director

“Marian Koziol”, Director

**Alto Ventures Ltd.***(An Exploration Stage Company)**Statement 2***Statements of Loss and Deficit****As at June 30,***Canadian Funds*

	2011	2010
<b>Expenses</b>		
Stock based compensation	\$ 236,117	\$ 46,177
Legal, accounting and audit fees	207,665	125,274
Office Administration and Miscellaneous	204,696	279,134
Investor and Shareholder Relations	105,604	82,759
Salaries and Wages	62,792	45,472
Consulting Fees	40,567	18,000
Directors Fees	44,000	48,000
Transfer Agent and Filing Fees	30,567	15,175
Travel and Promotion	28,534	16,771
Mineral property write-downs	3,582	648,948
Amortization	707	1,768
Bad debt (recovery) (Note 8c)	(90,000)	116,021
Property investigation	-	11,306
	<b>874,831</b>	<b>1,454,805</b>
<b>Other (Income) Expense</b>		
Interest income	(14,486)	(5,155)
Impairment loss on marketable securities	87,140	-
Management fee recoveries	(39,033)	(83,686)
	<b>33,621</b>	<b>(88,841)</b>
<b>Loss Before Income Taxes</b>	<b>908,452</b>	<b>1,365,964</b>
Future income tax recovery	(335,160)	(108,822)
<b>Loss for the Year</b>	<b>573,292</b>	<b>1,257,142</b>
Deficit - Beginning of Year	11,298,688	10,041,546
<b>Deficit – End of Year</b>	<b>\$ 11,871,980</b>	<b>\$ 11,298,688</b>
<b>Weighted Average Shares Outstanding</b>	<b>154,616,332</b>	<b>99,557,708</b>
<b>Loss per Share – Basic and Diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>

The accompanying notes are an integral part of these financial statements

**Alto Ventures Ltd.***(An Exploration Stage Company)***Statements of Comprehensive Loss****As at June 30,***Canadian Funds*Statement 3

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		<b>2011</b>		2010
<b>Loss for the year</b>	<b>\$</b>	<b>573,292</b>	<b>\$</b>	1,257,142
Other than temporary impairment		<b>87,140</b>		-
Unrealized loss on available for sale securities		<b>(199,792)</b>		(135,080)
		<b>(112,652)</b>		(135,080)
<b>Comprehensive gain for the year</b>	<b>\$</b>	<b>460,640</b>	<b>\$</b>	1,122,062

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The accompanying notes are an integral part of these financial statements

**Alto Ventures Ltd.***(An Exploration Stage Company)**Statement 4***Statements of Cash Flows****As at June 30,***Canadian Funds*

<b>Cash Resources Provided By (Used In)</b>	<b>2011</b>	<b>2010</b>
<b>Operating Activities</b>		
Loss for the year	\$ (573,292)	\$ (1,257,142)
Items not affecting cash:		
Resource property costs written off	3,582	676,699
Stock based compensation	236,117	46,177
Future income tax recovery	(335,160)	(108,822)
Bad debts	-	116,020
Write-off of due to related party	-	40,376
Bad debt recovery	(90,000)	-
Impairment loss on marketable securities	87,140	-
Amortization	707	1,768
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	(143,996)	(77,143)
Decrease (increase) in prepaid expense	(50,968)	(26,439)
Decrease (increase) in due from joint venture option partner	(135,000)	(6,316)
(Increase) decrease in due to related parties	(2,543)	12,097
(Increase) in Quebec exploration tax credits receivable	(107,957)	-
(Increase) decrease in accounts payable	(52,530)	(14,198)
Net cash used in operating activities	<u>(1,163,900)</u>	<u>(596,923)</u>
<b>Investing activities</b>		
Joint venture contributions and recoveries	743,496	892,086
Mineral property option receipts	50,000	27,750
Mineral property expenditures	(1,610,399)	(1,363,901)
Quebec exploration tax credits received	-	19,158
Short-term investments	(2,000,000)	-
Net cash used in investing activities	<u>(2,816,903)</u>	<u>(424,907)</u>
<b>Financing activities</b>		
Share issuance costs	(251,340)	(99,453)
Proceeds from private placements	3,482,000	1,402,000
Net cash provided by (used in) investing activities	<u>3,230,660</u>	<u>1,302,547</u>
<b>Net decrease in Cash and Cash Equivalents</b>	<b>(750,143)</b>	<b>280,717</b>
Cash and cash equivalents - Beginning of Year	<u>1,052,369</u>	<u>771,652</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 302,226</b>	<b>\$ 1,052,369</b>

<b>Supplementary disclosure of cash flow information:</b>	<b>2011</b>	<b>2010</b>
<b>Cash paid for interest</b>	<b>\$ Nil</b>	<b>\$ Nil</b>
<b>Cash paid for income taxes</b>	<b>\$ Nil</b>	<b>\$ Nil</b>

*Supplementary Disclosure of Cash Flow Information (Note 11)*

The accompanying notes are an integral part of these financial statements

**Alto Ventures Ltd.***(An Exploration Stage Company)***Statement of Shareholders' Equity****As at June 30, 2011***Canadian Funds**Statement 5*

	Share capital (Number of Shares)	Share capital (Amount) \$	Contributed Surplus - Warrants \$	Contributed Surplus - Options \$	Accumulated Other Comprehensive Income \$	Deficit \$	Total \$
<b>June 30, 2009</b>	95,945,455	14,817,939	865,714	997,547	5,000	(10,041,546)	6,644,654
Units issued for cash pursuant to flow through private placement	5,000,000	300,000	-	-	-	-	300,000
Units issued for cash pursuant to flow through private placement	13,150,000	789,000	-	-	-	-	789,000
Units issued for cash pursuant to private placement, net of \$70,026 allocated to warrants	6,260,000	242,974	70,026	-	-	-	313,000
Share issuance costs	-	(119,490)	20,037	-	-	-	(99,453)
Shares issued for mineral properties	100,000	4,750	-	-	-	-	4,750
Stock-based compensation	-	-	-	46,177	-	-	46,177
Other comprehensive income	-	-	-	-	135,080	-	135,080
Future income taxes on renouncement of flow through shares	-	(85,500)	-	-	-	-	(85,500)
<b>Net loss for the year</b>	-	-	-	-	-	(1,257,142)	(1,257,142)
<b>June 30, 2010</b>	120,455,455	15,949,673	955,777	1,043,724	140,080	(11,298,688)	6,790,566
Units issued for cash pursuant to flow through private placement, net of \$176,298 allocated to warrants	21,500,000	898,702	176,298	-	-	-	1,075,000
Units issued for cash pursuant to private placement, net of \$34,194 allocated to warrants	4,170,000	174,306	34,194	-	-	-	208,500
Units issued for cash pursuant to private placement, net of \$51,942 allocated to warrants	6,620,000	279,058	51,942	-	-	-	331,000
Units issued for cash pursuant to private placement, net of \$712,619 allocated to warrants	35,590,000	1,066,881	712,619	-	-	-	1,779,500
Units issued for cash pursuant to private placement, net of \$35,240 allocated to warrants	1,760,000	52,760	35,240	-	-	-	88,000
Shares issued for mineral properties	150,000	10,000	-	-	-	-	10,000
Stock-based compensation	-	-	-	236,117	-	-	236,117
Share issuance costs	-	(353,410)	102,070	-	-	-	(251,340)
Future income taxes on renouncement of flow through shares	-	(335,160)	-	-	-	-	(335,160)
Other comprehensive income	-	-	-	-	(112,652)	-	(112,652)
<b>Net loss for the year</b>	-	-	-	-	-	(573,292)	(573,292)
<b>June 30, 2011</b>	<b>190,245,455</b>	<b>17,742,810</b>	<b>2,068,140</b>	<b>1,279,841</b>	<b>27,428</b>	<b>(11,871,980)</b>	<b>9,246,239</b>

The accompanying notes are an integral part of these financial statements

# **Alto Ventures Ltd.**

*(An Exploration Stage Company)*

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

*(Canadian Funds)*

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## **1. Going Concern and Nature of Operations**

Alto Ventures Ltd. (“the Company”) is engaged in the acquisition, exploration and development of Canadian gold projects. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether its properties contain economically recoverable ore reserves. The Company has not generated any revenues from its operations and consequently is considered to be in the exploration stage. The amounts shown as mineral properties and deferred costs represent expenditures incurred to date, less amounts written off, and do not necessarily represent present or future values. The recoverability of the carrying amounts for mineral properties is dependent upon raising financing, sale or joint venturing of the mineral properties, and/or the attainment of profitable operations.

At June 30, 2011, the Company has working capital of \$2,693,947, incurred losses for the year-end of \$573,292 and has an accumulated deficit of \$11,871,980. These conditions give rise to significant doubt about the Company’s ability to continue as going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to raise additional financing to meet mineral property expenditures and administration costs. During the year ended June 30, 2011, the Company closed a non-brokered private placement with the issuance 69,640,000 common shares at \$0.05 for total gross proceeds of \$3,482,000. (*See Note 9*).

Management plans to continue to secure the necessary financing through a combination of the issue of new equity instruments and the entering into of joint venture arrangements. However, there is no assurance that the Company will be successful in these actions.

These financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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## **2. Significant Accounting Policies**

### **a) Use of Estimates**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The principal accounting policies followed by the Company that have been consistently applied are outlined below.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. The Company has made estimates for stock option compensation, mineral properties, asset retirement and environmental obligations, future income tax recoveries, and balances for accrued assets and liabilities for the years ended June 30, 2011 and 2010. Actual results could differ from these estimates.

## **Alto Ventures Ltd.**

*(An Exploration Stage Company)*

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

*(Canadian Funds)*

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### **2. Significant Accounting Policies - continued**

#### **b) Mineral properties**

All costs related to mineral property acquisition, exploration and development are capitalized by project. These costs will be amortized against revenue from future production or written off if the interest is deemed impaired, abandoned or sold.

The amounts shown for mineral interests represent costs incurred to date, less recoveries, and do not necessarily reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects as well as future profitable production or proceeds from the disposition thereof.

Mineral property costs are regularly reviewed, on a property by property basis, to consider whether there are any conditions which may indicate impairment. The conditions evaluated include the economics of the project, the Company's progress in its exploration activities, the exploration results experienced by the Company and other factors. When conditions indicate that there may be impairment, the carrying value of the property is compared to the estimated undiscounted cash flows expected to result from the property's use and eventual disposition.

When the carrying value of the property exceeds the undiscounted cash flows, the estimated fair value of the property is computed and an impairment loss is recognized equal to the excess of the carrying amount over the fair value.

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests.

#### **c) Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

#### **d) Stock-based compensation**

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For directors and employees the fair value of options is measured at the date of grant while for non-employees the fair value of options is measured at the earlier of the date at which the counterparty performance is completed, the date the performance commitment is reached or the date of grant if the options are fully vested and non-forfeitable. The fair value of the options at the measurement date is accrued and charged to operations or mineral properties on a straight-line basis over the vesting period, with the offsetting credit to contributed surplus. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

# Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

(Canadian Funds)

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## 2. Significant Accounting Policies - continued

### e) Equipment

Equipment is recorded at cost less accumulated amortization.

Amortization is recorded on a declining balance basis at the following annual rates:

Computer equipment	45%
Exploration equipment	30%
Vehicles	30%
Office equipment	20%

### f) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible into cash with maturities of three months or less when purchased. Cash raised for exploration activities through the issuance of flow-through shares is restricted and shown on the balance sheet as Cash and Cash Equivalents.

### g) Future Income taxes

Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and losses carried forward. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period of substantive enactment. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be realized, it provides a valuation allowance against the excess.

### h) Quebec Exploration Tax Credit receivable

The Company is entitled to refundable mining rights tax credits on certain mining exploration expenditures incurred in Quebec. The Company recognizes amounts as a receivable when the amount to be received can be reasonably estimated and collection is reasonably assured.

### i) Flow-Through Shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital. If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) are recorded as a future income tax recovery up to the amount of the future income tax liability that was previously recognized on the renounced expenditures. The Company presents the remaining flow-through funds to be spent on qualified mineral properties as restricted cash on the balance sheet.

## **Alto Ventures Ltd.**

*(An Exploration Stage Company)*

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

*(Canadian Funds)*

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### **2. Significant Accounting Policies - continued**

#### **j) Asset Retirement Obligations**

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and the asset retirement obligation is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow.

As at June 30, 2011, the Company had no asset retirement obligations. (June 30, 2010 – \$Nil)

#### **k) Joint Venture Accounting**

A portion of the Company's exploration activities are conducted jointly with others when the Company enters into agreements that provide for specified percentage interests in mineral properties. Joint venture accounting, which reflects the Company's proportionate interest in mineral properties is applied by the Company only when the parties enter into formal comprehensive agreements for ownership and mining participation terms.

#### **l) Financial Instruments - "Recognition and Measurement"**

The CICA Handbook establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the balance sheet when the Company becomes a party to contractual provisions of the financial instrument or a derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with gains and losses recognized in the Company's loss for the period. Financial assets held-to-maturity, loans and receivables and financial liabilities, other than those held-for-trading, are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses including changes in foreign exchange rates being recognized in other comprehensive income ("OCI") upon adoption.

Financial instruments include cash and cash equivalents, available for sale investments, receivables (including amounts receivable from joint venture and option partners), accounts payable and accrued liabilities (including amounts payable to joint venture partners) and amounts due to related parties. The fair value of arms-length financial instruments approximates their carrying value due to their short-term maturity.

# Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

(Canadian Funds)

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## 2. Significant Accounting Policies - *continued*

### 1) Financial Instruments - "Recognition and Measurement" - *continued*

The Company has designated each of its significant categories of financial instruments as follows:

Cash and cash equivalents	Loans and receivables
Marketable securities	Available-for-sale
Restricted cash	Held-for-trading
Accounts receivable	Loans and receivables
Amounts due from option partner	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

Amounts due to and from related parties are carried at amortized cost. Fair value adjustments, if any, are not reasonably determinable by management as comparable interest rate and risk profiles are not available.

Fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements, described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair values of the Company's marketable securities financial instrument constitutes a Level 1 measurement and cash and cash equivalents constitutes a Level 2 measurement.

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## 3. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure for its projects for the benefit of its stakeholders. As the Company is in the exploration stage, its principal source of funds is from the issuance of common shares. Further information relating to capital management is disclosed in Note 1.

In the management of capital, the Company includes the components of shareholders' equity (through private placements) as well as cash and cash equivalents, receivables, investments and investment tax credit receivable balances. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets are approved by the Board of Directors.

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## **Alto Ventures Ltd.**

*(An Exploration Stage Company)*

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

*(Canadian Funds)*

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### **4. Management of Financial Risk**

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

#### *Interest rate risk*

The Company has no material exposure at June 30, 2011 to interest rate risk through its financial instruments.

#### *Sensitivity analysis*

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- Cash and cash equivalents and short-term investments include deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by \$23,022 annually.
- The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

#### *Currency Risk*

As at June 30, 2011, all of the Company's cash were held in Canadian dollars, the Company's measurement currency. The Company has no operations in foreign jurisdictions at this time and as such has no currency risk associated with its operations.

#### *Credit risk*

The Company has some cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by Canadian financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote.

Accounts and other receivables consist of goods and services tax due from the Federal Government of Canada, Quebec exploration tax credits receivable, and amounts due from joint venture and option partners for funds advanced for exploration.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. Management believes the risk to be minimal.

#### *Liquidity Risk*

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at June 30, 2011, the Company had a cash balance of \$2,302,226 (with \$Nil being held as restricted cash pertaining to flow-through commitments - Comparative Period - June 30, 2010 - \$735,000) (Comparative Period - June 30, 2010 - \$1,052,369) to settle current liabilities of \$515,849 (Comparative Period - June 30, 2010 - \$117,631) The Company's payables may be less than face. Further information relating to liquidity risk is disclosed in Note 1.

## Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

(Canadian Funds)

### 5. Marketable Securities – Available for Sale

Company	Shares	June 30, 2011 Market Value \$
Foundation Resources Inc. (FDN - TSXV)	1,000,000	120,000
Prodigy Gold Inc. (PDG – TSXV) <sup>(1)</sup>	55,557	30,556
Wescan Goldfields Inc. (WGF – TSXV)	3,050,000	228,750
Pacific North West Capital Corp. (PFN – TSX- T)	75,000	22,500
	4,180,557	401,806

  

Company	Shares	June 30, 2010 Market Value \$
Foundation Resources Inc. (FDN - TSXV)	1,000,000	350,000
Prodigy Gold Inc. <sup>(1)</sup> (KXL-TSXV)	55,557	12,223
Wescan Goldfields Inc. (WGF – TSXV)	50,000	3,500
Pacific North West Capital Corp. (PFN – TSX- T)	25,000	3,375
	1,130,557	369,098

<sup>(1)</sup> Kodiak Exploration Ltd. changed their name to Prodigy Gold Inc.

The shares owned by the Company represent minor ownership in each of the companies in the above schedule. During the year ended June 30, 2011, the Company received an additional 50,000 shares in conjunction with a joint venture mineral property agreement with PFN (See Note 7a) as well as 3,000,000 shares, with a fair value of \$225,000, of Wescan Goldfields Inc. in exchange for settlement of debt. During the year ended June 30, 2011, the Company recorded an unrealized gain on marketable securities of \$199,792 (June 30, 2010- loss of \$135,080). During the year-ended June 30, 2011, the Company recognized an other than temporary loss on marketable securities in the amount of \$87,140.

### 6. Equipment

	Cost	Accumulated Amortization	June 30, 2011 Net Book Value
Computer equipment	\$ 22,539	\$ 20,890	\$ 1,649
Furniture and equipment	1,676	1,676	-
	\$ 24,215	\$ 22,566	\$ 1,649

  

	Cost	Accumulated Amortization	June 30, 2010 Net Book Value
Computer equipment	\$ 22,539	\$ 20,183	\$ 2,356
Furniture and equipment	1,676	1,676	-
	\$ 24,215	\$ 21,859	\$ 2,356

## Alto Ventures Ltd.

(An Exploration Stage Company)

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For the Years Ended June 30, 2011 and 2010

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### 7. Mineral Properties

The following tables show the activity by property from June 30, 2011 to June 30, 2010 and to June 30, 2009:

	June 30, 2010 Total \$	Acquisition Cost \$	Deferred Exploration \$	Tax Credits, Option Payments, JV Recovery \$	Recovered Excess/ Write-Downs \$	June 30, 2011 Total \$
Alcudia	44,332	-	250,451	(102,270)	-	192,513
Coldstream	703,597	-	657,732	-	-	1,361,329
Cote-Archie Lake	194,757	-	-	(25,000)	-	169,757
Three Towers	396,054	-	7,575	-	-	403,629
Destiny	2,480,256	-	390,316	(422,816)	-	2,447,756
Greenoaks	314,756	-	2,281	-	-	317,037
Oxford Lake	-	-	177,497	-	-	177,497
Mud Lake	390,806	20,000	13,512	-	-	424,318
Vassal	189,474	-	6,297	(2,444)	-	193,327
Expansion Lake	171,334	-	521	-	-	171,855
Miner Lake	145,521	6,465	330,512	-	-	482,498
Dolsan	-	-	9,707	(1,273)	-	8,434
Chilko	-	7,500	111,480	-	-	118,980
Other exploration	65,765	26	21,473	(1,970)	(3,581)	81,713
<b>Total resource properties</b>	<b>5,096,652</b>	<b>33,991</b>	<b>1,979,354</b>	<b>(555,773)</b>	<b>(3,581)</b>	<b>6,550,643</b>

	June 30, 2009 Total \$	Acquisition Cost \$	Deferred Exploration \$	Tax Credits, Option Payments, JV Recovery \$	Recovered Excess/ Write-Downs \$	June 30, 2010 Total \$
Alcudia	43,672	-	660	-	-	44,332
Coldstream	795,032	65	60,171	(151,671)	-	703,597
Cote-Archie Lake	228,091	-	-	(33,334)	-	194,757
Three Towers	379,449	10,000	6,605	-	-	396,054
Destiny	2,471,649	-	824,022	(843,165)	27,750	2,480,256
Greenoaks	312,543	-	2,213	-	-	314,756
Mud Lake	296,908	-	93,898	-	-	390,806
Oxford Lake	486,023	-	577	-	(486,600)	-
Empress – Ridout	68,033	-	500	-	(68,533)	-
Vassal	64,941	-	185,570	(61,037)	-	189,474
Expansion Lake	160,789	-	10,545	-	-	171,334
Miner Lake	-	1,000	144,521	-	-	145,521
Other exploration	126,601	19,869	40,861	-	(121,566)	65,765
<b>Total resource properties</b>	<b>5,433,731</b>	<b>30,934</b>	<b>1,370,143</b>	<b>(1,089,207)</b>	<b>(648,949)</b>	<b>5,096,652</b>

## Alto Ventures Ltd.

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### 8. Mineral Properties – continued

#### a) Destiny (formerly Despinassy) Property, Quebec

The Destiny Project is located in Despinassy Township, northeast of Val d'Or, Quebec and lies within the Archean age Abitibi greenstone belt in the eastern Superior Province in Quebec. The property is 100% owned by Alto subject to certain underlying production royalties.

Pursuant to an agreement dated September 30, 2004, the Company acquired a 70% interest in the Destiny property from Cameco Corporation for total consideration of \$350,000 in cash and shares.

On May 8, 2007, the Company received a confirmation letter from Commander Resources, its Joint Venture partner that Commander has reduced its interest in the Property by not participating in exploration work. The new participating interest in the Destiny Joint Venture was established as 75.5% for the Company and 24.5% for Commander Resources Ltd.

On January 8, 2008, the Company entered into a Letter of Intent (LOI) with Commander Resources Ltd ("Commander") to purchase Commander's 24.5% participating interest in the Destiny Project. The Company acquired all of Commander's interest in the Destiny Joint Venture for a one-time cash payment of \$375,000 and issuance to Commander of 1,875,000 common shares of the Company. The property consists of 113 claims and Commander will retain a 1% NSR royalty on 83 claims and 0.25% NSR on the other 30 claims. The Company has the right to buy-down .5% of the NSR on the 83 claims for \$500,000.

On July 2, 2009, the Company entered into an option agreement with Pacific North West Capital Corp ("PFN"). Under the terms of the Agreement, PFN is to pay the Company \$200,000 in cash, issue 250,000 of its shares to the Company and complete a total of \$3,500,000 in exploration expenditures over a four year period to earn a 60% interest in the Destiny property.

Details are as follows:

Upon execution of agreement	Cash payment of \$25,000 (received)	Issuance of 25,000 common shares of PFN (received)	
On or before August 6, 2010	Cash payment of \$25,000 (received)	Issuance of 50,000 common shares of PFN (received)	Minimum exploration expenditures of \$300,000 (completed)
On or before August 6, 2011	Cash payment of \$50,000 (received subsequent)	Issuance of 75,000 common shares of PFN (received subsequent)	Minimum exploration expenditures of \$300,000 (completed)
On or before August 6, 2012	Cash payment of \$50,000	Issuance of 100,000 common shares of PFN	Minimum exploration of \$400,000
On or before August 6, 2013	Cash payment of \$50,000		Minimum exploration expenditures of \$400,000

## Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Financial Statements

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### 8. Mineral Properties – continued

#### b) Coldstream Property, Ontario

The Coldstream property is located in the Shebandowan greenstone belt west of Thunder Bay, Ontario. On January 18, 2011 The Company announced that Foundation Resources Inc. (“Foundation”) has earned 60% interest in the Coldstream property and that future work will be completed and funded 40% by Alto and 60% by Foundation.

On May 20, 2009, the Company signed a Property Option Agreement with Foundation Resources Inc. Foundation can earn up to 70% interest in the Coldstream and Burchell Properties. Under the terms of the Agreement, Foundation can acquire a 60% interest in the Properties by issuing the Company a total of 1,000,000 common shares (received) over a two year period and incurring \$3,000,000 in expenditures on the Properties over the course of 4 years, a minimum of \$400,000 of which must be incurred in the first year.

Foundation may elect to acquire a further 10% interest by completing a feasibility study on the Property. In circumstances where Foundation earned the 70% interest in the Property the Company would have the right, in lieu of retaining a 30% interest in the property to elect to take a 2.5% net smelter returns royalty, 1% of which could be repurchased by Foundation for \$1,000,000.

On July 20, 2009, the Company acquired a new gold property near its Coldstream Gold project in north western Ontario. Under terms of the Option to Purchase Agreement, the Company has the option to acquire a 100% interest in the property by making the following cash payments and share issuances:

Upon execution of agreement	Cash payment of \$5,000 (paid)	Issuance of 50,000 common shares (issued)
On or before July 20, 2010	Cash payment of \$10,000 (paid)	Issuance of 50,000 common shares (issued)
On or before July 20, 2011	Cash payment of \$15,000	Issuance of 50,000 common shares
On or before July, 2012	Cash payment of \$20,000	Issuance of 50,000 common shares

The Vendor will retain a 2% Net Smelter Return royalty and Alto has the option to buy back one half (1%) of the royalty for \$1 million. On November 18, 2009 the Company signed an Amending Agreement to the Coldstream Option Agreement with Foundation Resources. Under the terms of the Amending Agreement, Alto will add the Kukkee claims to the Coldstream Property and Foundation will assume future obligations for maintaining the Kukkee Option to Purchase Agreement.

## **Alto Ventures Ltd.**

*(An Exploration Stage Company)*

Notes to the Financial Statements

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### **8. Mineral Properties – continued**

c) Mud Lake Property, Ontario

The Company owns a 100% interest in the project. On February 2, 2009 the Company received notice from Wescan Goldfields Inc that Wescan was terminating the Mud Lake Option Agreement.

During the year-ended June 30, 2011 the Company settled the outstanding monies owed to the Company of \$278,948 from Wescan Goldfield pertaining to exploration work completed by the Company on the Mud Lake project in 2008. Under the terms of the settlement, the Company received a \$50,000 cash payment and 3,000,000 Wescan shares. The shares had an approximate value of \$225,000 at the date of issuance.

d) Cote-Archie Lake Property, Ontario

Kodiak Exploration Inc. (“Kodiak”) exploration is working towards earning 51%. Under the terms of the Option Agreement, Kodiak can earn an initial 51% interest in the project by spending \$1,000,000 on exploration work and paying Alto \$100,000 in cash or Kodiak shares. (paid and issued) In July, the Company granted a one-year extension for Kodiak to complete a new total of \$1.1 million in exploration work. Kodiak has until to September 4, 2011 to complete approximately \$300,000 in exploration work.

e) Greenoaks Property, Ontario

The 100% owned Greenoaks property, consisting of 409 ha is located 43 kilometres northeast of Beardmore, Ontario.

f) Dog Lake Property, Ontario

The 100% owned Dog Lake property, located 14 km southwest of Missinabie, Ontario, in the Michipicoten greenstone belt, consists of 8 patented claims that cover 155 ha. The Company owns a 100% interest in the property.

g) Alcludia Property, Quebec

The 100% owned Alcludia property is 100% owned by Alto and covers 320 ha approximately 380 km northeast of Val d'Or. Alto owns a 0.5% Net Smelter Royalty on any production from the adjoining Windfall property.

h) Empress - Ridout Property, Ontario

Alto owns a 100% interest in this 736 ha property.

i) Vassal, Quebec

The Vassal Property covers approximately 5,660 ha and is 100% owned by Alto.

## Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

(Canadian Funds)

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### 8. Mineral Properties – continued

j) Miner Lake, Ontario

Alto owns a 100% interest in the 864 ha (54 claim unit) Miner Lake Property.

k) Oxford Lake

The Company owns a 100% interest in 2,870 ha of mineral claims located 160 km southeast of Thompson, Manitoba.

l) Dolsan, Quebec

During the year ended June 30, 2011, the Company acquired a new gold property in the Abitibi greenstone belt in north-western Quebec. The Dolsan property consists of 42 recently staked claims and four purchased claims that together cover 2,238 ha. Under the terms of the Purchase Agreement for 100% interest in the four purchased claims, the Company will pay the Vendor a total one-time payment of 50,000 Common Shares (issued). The Vendor will retain a 1% NSR royalty and the Company will have the right to buyout 100% of the royalty for \$1,000,000.

m) Chilko, British Columbia

On April 27, 2010, the Company entered into an option agreement with North Okanagan Exploration Group (“NOKEG”) to acquire a 100% interest in the 8,207 ha Chilko property within the Chilcotin Plateau area of British Columbia by making the following cash payments and share issuances:

Upon execution of agreement	Cash payment of \$10,000 (paid)	Issuance of 50,000 common shares (issued)
On or before February 28, 2011	Cash payment of \$20,000 (paid)	Issuance of 100,000 common shares (issued)
On or before February 28, 2012	Cash payment of \$30,000	Issuance of 150,000 common shares
On or before February 28, 2013	Cash payment of \$40,000	Issuance of 200,000 common shares

The Company is also required to incur at total of \$500,000 in exploration and development expenditures over four years as follows:

On or before April 30, 2011	\$50,000 (incurred \$111,479 to June 30, 2011)
On or before April 30, 2012	\$100,000
On or before April 30, 2013	\$100,000
On or before April 30, 2014	\$250,000

The Vendor retains a 2% Net Smelter Returns royalty and the Company has the option to buy back 1% for \$1,000,000 within nine months of commercial production.

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# Alto Ventures Ltd.

(An Exploration Stage Company)

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For the Years Ended June 30, 2011 and 2010

(Canadian Funds)

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## 9. Share Capital

*Authorized share capital:* Unlimited Common shares without par value

*Shares issued:*

- a) On December 23, 2009 the Company issued 5,000,000 flow-through common shares for gross proceeds of \$300,000.
- b) On December 15, 2009, as a finder's fee, 323,166 warrants were issued that are exercisable into common shares at \$0.10 per share to December 15, 2010.
- c) On May 4, 2010 the Company issued 50,000 shares pursuant to a property purchase agreement. The shares were valued at \$3,250.
- d) On June 14, 2010 the Company received a gross \$1,102,000 by issuing a combination of 13,150,000 flow-through common shares at a price of \$0.06 per share and 6,260,000 units at a price of \$0.05 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of \$0.10 per share for a period of eighteen months expiring December 9, 2011, provided that if at any time, which is more than four (4) months and one day following Closing, the volume weighted average trading price of the common shares of the Company, as traded on the TSX Venture Exchange, exceeds \$0.25 for 10 consecutive trading days, the Company shall have the right to accelerate the expiry date of the warrants to a date which is thirty (30) days following the date of the notice.

The Company paid finder's fees to Limited Market Dealer of \$63,000 and issued 1,085,000 warrants each exercisable to purchase one common share at a price of \$0.10 for a period of one year expiring June 9, 2011. All securities issued in the private placement are subject to a four-month hold period expiring October 10, 2010.

- e) On September 29, 2010, the Company issued 50,000 shares pursuant to a property purchase agreement. The shares were valued at \$3,500 (*Note 8I*)
- f) On December 15, 2010 the Company received gross proceeds of \$1,075,000 by issuing 21,500,000 flow through units at a price of \$0.05 per share. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of \$0.10 per share for a period of twelve months expiring December 15, 2011. The Company allocated \$898,702 to the common shares and \$176,298 to the share purchase warrants based upon the relative fair values.

The Company paid finder's fees to Norstar Securities of \$70,000 and issued 1,400,000 warrants each exercisable to purchase one common share at a price of \$0.10 for a period of one year expiring December 15, 2011. The Company recorded \$13,732 to share issuance costs to the finders warrants based upon the relative fair values.

## **Alto Ventures Ltd.**

*(An Exploration Stage Company)*

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

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### **9. Share Capital - continued**

- g) On December 21, 2010 the Company received gross proceeds of \$208,500 by issuing a combination of 400,000 flow-through units at a price of \$0.05 per share and 3,770,000 units at a price of \$0.05 per unit. Each flow through unit consists of one common share and one-half of one share purchase warrant. Each unit consists of one common share and one share purchase warrant. Each whole warrant is exercisable at a price of \$0.10 per share for a period of twelve months expiring December 21, 2011. The Company allocated \$174,306 to the common shares and \$34,194 to the share purchase warrants based upon the relative fair values.

The Company paid finder's fees to Union Securities of \$16,680 and issued 333,600 warrants each exercisable to purchase one common share at a price of \$0.10 for a period of one year expiring December 21, 2011. The Company recorded \$3,272 to share issuance costs to the finders warrants based upon the relative fair values.

- h) On December 29, 2010 the Company received gross proceeds of \$331,000 by issuing a combination of 5,300,000 flow-through units at a price of \$0.05 per share and 1,320,000 units at a price of \$0.05 per unit. Each flow through unit consists of one common share and one-half of one share purchase warrant. Each unit consists of one common share and two common share purchase warrants. Each whole warrant is exercisable at a price of \$0.10 per share for a period of twelve months expiring December 29, 2011. The Company allocated \$279,058 to the common shares and \$51,942 to the share purchase warrants based upon the relative fair values.

The Company paid finder's fees to various brokers of \$22,080 and issued 441,600 warrants each exercisable to purchase one common share at a price of \$0.10 for a period of one year expiring December 29, 2011. The Company recorded \$4,111 to share issuance costs to the finders warrants based upon the relative fair values.

- i) On January 17, 2011 the Company closed the final tranche of the private placement announced on December 10, 2010 and received gross proceeds of \$1,867,500 by issuing a combination of 1,760,000 flow-through units at a price of \$0.05 per share and 35,590,000 units at a price of \$0.05 per unit. Each flow through unit consists of one common share and one-half of one share purchase warrant. Each unit consists of one share purchase warrant. Each whole warrant is exercisable at a price of \$0.10 per share for a period of twelve months expiring January 17, 2012. The Company allocated \$1,119,641 to the common shares and \$747,859 to the share purchase warrants based upon the relative fair values.

The Company paid finder's fees to various brokers of \$123,200 and issued 2,424,000 warrants each exercisable to purchase one common share at a price of \$0.10 for a period of one year expiring January 17, 2012. The Company recorded \$80,955 to share issuance costs to the finders warrants based upon the relative fair values.

- j) On January 17, 2011, the Company issued 100,000 shares pursuant to a property purchase agreement. The shares were valued at \$7,500. *(Note 8m)*

## Alto Ventures Ltd.

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### 9. Share Capital - continued

#### Warrants:

Warrants have been issued and are exercisable to purchase common shares of the Company as follows:

	Number of warrants	Weighted Average Exercise Price
Balance – June 30, 2009	-	-
Issued	3,130,000	0.10
Agent warrants issued	1,408,166	0.10
Balance – June 30, 2010	4,538,166	\$ 0.10
Issued	59,759,200	0.10
Expired	(1,085,000)	0.10
<b>Balance – June 30, 2011</b>	<b>63,212,366</b>	<b>\$ 0.10</b>

Of the warrants outstanding at June 30, 2011, the following are stock warrants:

- 3,130,000 warrants are exercisable at \$0.10 per share up to December 9, 2011. (Note 9e)
- 10,750,000 warrants are exercisable at \$0.10 per share up to December 15, 2011. (Note 9g)
- 3,970,000 warrants are exercisable at \$0.10 per share up to December 21, 2011. (Note 9h)
- 3,970,000 warrants are exercisable at \$0.10 per share up to December 29, 2011. (Note 9i)
- 36,470,000 warrants are exercisable at \$0.10 per share up to January 17, 2012 (Note 9j)

Of the warrants outstanding at June 30, 2011 following are agent warrants:

- 323,166 warrants are exercisable at \$0.10 per share up to December 15, 2011. (Note 9c)
- 1,400,000 warrants are exercisable at \$0.10 per share up to December 15, 2011 (Note 9g)
- 333,600 warrants are exercisable at \$0.10 per share up to December 21, 2011 (Note 9h)
- 441,600 warrants are exercisable at \$0.10 per share up to December 29, 2011 (Note 9i)
- 2,424,000 warrants are exercisable at \$0.10 per share up to January 17, 2012 (Note 9j)

## Alto Ventures Ltd.

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### 9. Share Capital - continued

#### Warrants - continued

Warrant pricing models require the input of highly subjective assumptions including the expected 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 warrants. The estimated fair value of the warrants granted and issued during the year was determined using a Black-Scholes option-pricing model with the following assumptions:

	2011
Expected dividend yield	0%
Expected stock price volatility	97-100%
Risk free rate	1.66%
Expected life of warrants	1 year

#### Stock 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 options vest immediately except for investor relations employees which vest quarterly over a one year period.

Stock option transactions were as follows:

	Number of options	Weighted Average Exercise Price
Balance – June 30, 2009	3,910,000	0.17
Granted	1,765,000	0.10
Forfeited	(725,000)	0.15
Expired	(1,345,000)	0.15
Balance – June 30, 2010	3,605,000	\$ 0.14
Granted	3,600,000	0.10
Forfeited	(945,000)	0.14
<b>Balance – June 30, 2011</b>	<b>6,260,000</b>	<b>\$ 0.12</b>

## Alto Ventures Ltd.

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### 9. Share Capital - continued

#### Stock Options - Continued

- i) During the year ended June 30, 2011, 350,000 options were granted to an investor relations consultant. \$2,698 has been recorded as stock based compensation based upon the vesting of the options granted. In addition, during the period, 255,000 options were cancelled due to termination of certain officers, employees and consultants.
- ii) During the year ended June 30, 2011, the Company granted a total of 3,250,000 stock options to certain directors, officers, employees at an exercise price of \$0.10. \$233,419 has been recorded as stock based compensation based upon the vesting of options granted. All of the options are exercisable for a period of 5 years from the date of grant.

The total fair value of the options granted during the year ended June 30, 2011 was \$236,117 and was recorded as stock-option compensation expense.

The following is a summary of the Company's options outstanding as at June 30, 2011:

Number	Price per share	Expiry date	Options exercisable
450,000	\$0.12	December 19, 2011	450,000
50,000	\$0.10	May 16, 2012	50,000
1,035,000	\$0.20	December 16, 2012	1,035,000
1,125,000	\$0.10	December 18, 2012	1,125,000
100,000	\$0.10	November 15, 2015	50,000
3,250,000	\$0.10	January 17, 2016	3,250,000
250,000	\$0.10	May 31, 2016	-
<b>6,260,000</b>			<b>5,960,000</b>

Option pricing models require the input of highly subjective assumptions including the expected 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. The estimated fair value of the stock options granted during the year was determined using a Black-Scholes option pricing model with the following assumptions:

	2011
Expected dividend yield	0%
Expected stock price volatility	103%
Risk free rate	3.01%
Expected life of warrants	5 years

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## Alto Ventures Ltd.

(An Exploration Stage Company)

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### 10. Related Party Transactions

- a) At June 30, 2011, the Company owed \$11,219 (June 30, 2010: \$13,762) to companies with directors and officers in common. There are no repayment terms or interest associated with this balance.
- b) At June 30, 2011, White Label Corporate Services Inc., a management services company with officers in common, owed the Company \$38,000. (June 30, 2010 - \$Nil) relating to a deposit for services paid to the related company.
- c) During the prior year, the Company wrote off an amount of \$40,377 due from HRG Management Ltd, a company with a director and officer in common, due to the unlikely collectability of the amount. (See Note 12)
- d) The following related party transactions were in the normal course of operations and are measured at fair value being their exchange amounts:

	June 30, 2011	June 30, 2010
	\$	\$
HRG Management Ltd. – administrative services- property and equipment (Company with Director and Officer in Common, see Note 12)	58,833	229,297
White Label Corporate Services Inc. – administrative services (officers in common)	149,250	-
Mike Koziol – salary services (Officer and Company with Director in Common)	156,000	156,000
Hamilton Capital Partners Limited- management fees (Company with a Former Director in Common)	9,000	18,000
Mirador Management – management fees (Company with an Officer in Common)	21,000	-
McMillan LLP – legal fees (formerly Lang Michener) (Legal firm with a Partner and Company Director in Common)	8,191	29,074
Gary Zak – consulting services (Officer and Director in Common)	24,487	-
Len Schmidt & Associates – accounting services (Company with former officer in common)	9,000	-
<b>Total</b>	<b>435,762</b>	<b>432,371</b>

### 11. Supplementary Disclosure of Cash Flow Information

Supplemental Disclosure of Non-Cash Financing and Investing Activities include:	June 30, 2011	June 30, 2010
Shares issued in exchange under mineral property agreements	\$ 10,000	\$ 4,750
Shares received under mineral property agreement	\$ 7,500	\$ 111,804
Share issuance costs	\$ 102,070	\$ 23,037
Accounts payable included in mineral properties	\$ 284,989	\$ 62,926

## Alto Ventures Ltd.

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(Canadian Funds)

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### 12. Commitments

On February 1, 2009, the Company entered into a services agreement with HRG whereby the Company agreed to pay a monthly corporate administration fee of \$12,174 that includes office rent, administration, accounting, corporate secretarial, chief financial officer, investor relations and other related services. The Company also contributed additional fees for office equipment leases. HRG was a management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost recovery basis. The Company shares one director and an officer in common with HRG. The agreement could terminate by either party with 60 days written notice.

During the year ended June 30, 2011, HRG provided written notice of termination to the Company and the agreement was terminated on October 31, 2010.

The Company entered into a new services agreement with White Label Corporate Services Inc. ("WLM") on November 1, 2010 and has agreed to pay a monthly corporate administration fee of \$19,000 that includes office rent, administration, accounting, corporate secretarial, chief financial officer, executive assistant, IT computer maintenance and other related services. The agreement can be terminated by either party prior to expiration with 60 days written notice. The Company shares two officers in common with WLM.

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### 13. Exploration Advances Payable

The Company has received exploration advances of \$168,302 from PFN to be spent on the Destiny mineral property pursuant to the joint venture agreement. (See Note 8a)

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### 14. Income Taxes

The income taxes shown in the statement of loss, comprehensive loss and deficit differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

	<b>June 30, 2011</b>	June 30, 2010
Net loss for the year	<b>(908,452)</b>	(1,257,142)
Statutory tax rate	<b>27.50%</b>	29.25%
Expected income tax recovery	<b>(249,824)</b>	(367,714)
Non-deductible differences	<b>47,889</b>	22,952
Losses for which no future income tax has been recognized	<b>201,935</b>	235,584
Income tax benefit recognition from the renouncement of flow-through shares and other	<b>(335,160)</b>	-
Income tax recovery	<b>(335,160)</b>	(109,178)

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## Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

(Canadian Funds)

### 14. Income Taxes - continued

The significant components of the Company's future tax assets are as follows:

	June 30, 2011	June 30, 2010
<i>Future income tax assets</i>		
Non-capital losses	998,080	640,783
Capital losses	188,567	188,567
Property, plant and equipment	5,642	5,465
Resource property costs	-	367,062
Share issuance costs	78,952	37,734
Total future tax assets	1,271,241	1,239,611
Less: valuation allowance	(1,145,514)	(1,239,611)
Net future income tax assets	125,727	-
<i>Future income tax liabilities</i>		
Resource property costs	125,727	-
Future income tax liabilities	125,727	-
Future income tax liability, net	-	-

The Company has accumulated losses of \$3,992,322 that may be used to reduce future year's taxable income. These losses expire as follows:

Year	Amount - \$
2014	55,836
2015	593,359
2026	548,013
2027	636,187
2028	222,457
2029	507,281
2030	685,328
2031	743,861
	3,992,322

Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance because of uncertainty of their recovery.

## **Alto Ventures Ltd.**

*(An Exploration Stage Company)*

Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010

*(Canadian Funds)*

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### **15. Subsequent Event**

The Company announced that it has entered into an Assignment Agreement with AVC Ventures Capital Corp. ("AVC") whereby the Company has agreed to assign to AVC all of its rights under an existing option agreement to acquire a 100% interest in the Chilko property within the Chilcotin Plateau area of British Columbia. Under the terms of the Assignment Agreement, AVC is to pay the Company \$5,000 on execution (paid subsequently) and a further \$25,000 on closing, subject to certain adjustments.

AVC is also required to issue the Company 200,000 shares on closing and a further 100,000 shares on exercise of the option under the Option Agreement or upon AVC electing not to proceed to exercise the Option. AVC has also agreed to grant the Company a 1% net smelter returns royalty, subject to the right of AVC to repurchase one half of such royalty for \$500,000.

In order to exercise the Option, AVC is required to incur work expenditures on the Chilko Property totalling approximately \$380,000 over a period expiring April 30, 2014. AVC would also be required over the next 18 months to make cash payments to the original vendors under the Option Agreement of \$70,000 and to issue such number of shares of AVC as would have a value equal to that of 350,000 of the Company's shares, based on each company's trading price at the time of issuance. Under the terms of the Option Agreement the original vendors retain a 2% net smelter returns royalty and AVC has the Option to purchase one half of such royalty for \$1,000,000.

The agreement remains subject to the approval of the TSX-V



**MANAGEMENT DISCUSSION AND  
ANALYSIS**

**For the Year Ended  
June 30, 2011**

**As at October 28, 2011**

**Alto Ventures Ltd.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2011 and 2010**

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**INTRODUCTION**

The following interim management's discussion and analysis (MD&A) of the Company has been prepared as of October 28, 2011. This MD&A should be read in conjunction with the audited annual financial statements of Alto Ventures Ltd. and the notes thereto for the year ended June 30, 2011, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts referred to herein are in Canadian dollars unless otherwise specified. Additional information relating to the Company including material change notices, certifications of annual and interim filings, and press releases are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

**DESCRIPTION OF BUSINESS**

The Company was incorporated under the provisions of the British Columbia Business Corporations Act 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 gold 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.

The Company has investigated ownership of its mineral interests as at June 30, 2011 and, to the best of its knowledge, ownership of its interests are in good standing.

**HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2011**

- i) During the year ended June 30, 2011, the Company has settled the outstanding claim of \$278,948 against Wescan Goldfield pertaining to exploration work completed on the Mud Lake project in 2008. Under the terms of the settlement, the Company received \$25,000 in cash payment on November 1, 2010 and an additional \$25,000 in cash on June 30, 2011. Wescan issued 3,000,000 of its shares to the Company on November 1, 2010. The shares had an approximately value of \$255,000 at the date of settlement. No further action will be pursued on this matter.
- ii) On November 13, 2010 Foundation Resources has notified the Company that they have fulfilled the terms of the option agreement on the Coldstream mineral property and has now earned 60 per cent interest by spending \$3 million in exploration on the property.
- iii) On December 15, 2010, the Company received gross proceeds of \$1,075,000 by issuing 21,500,000 flow-through units at a price of \$0.05 per unit. Each unit consists of one common share and one-half of one share purchase warrant.
- iv) On December 21, 2010, the Company received gross proceeds of \$208,500 by issuing a combination of 400,000 flow-through units and 3,770,000 units at a price of \$0.05 per unit. Each flow through unit consists of one common share and one-half of one share purchase warrant. Each unit consists of one common share and one share purchase warrant.
- v) On December 29, 2010, the Company received gross proceeds of \$331,000 by issuing a combination of 5,300,000 flow-through units and 1,320,000 units at a price of \$0.05 per unit. Each flow through unit consists of one common share and one-half of one share purchase warrant. Each unit consists of one common share and two common share purchase warrants

**Alto Ventures Ltd.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2011 and 2010**

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**HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2011- *continued***

- vi) The Company announced that Marian (Mike) Koziol, Richard Mazur, David Cowan as well as two new Directors, Mr. Jerry Bulman and Mr. Gary F. Zak were elected as Directors of the Company at the Company's Annual General Meeting (AGM) held on December 10, 2010. The following officers were appointed: Jerry Bulman as Chairman, Richard Mazur as CEO, Mike Koziol as President, Robert Anderson as CFO, Gary Zak as Vice President of Corporate Development and Jacqueline Collins as Corporate Secretary of the Company.
- vii) The Company closed the final tranche of the private placement announced on December 10, 2010 and received gross proceeds of \$1,867,500 by issuing a combination of 1,760,000 flow-through units at a price of \$0.05 per share and 35,590,000 units at a price of \$0.05 per unit. Each flow through unit consists of one common share and one-half of one share purchase warrant. Each unit consists of one share purchase warrant. Each whole warrant is exercisable at a price of \$0.10 per share for a period of twelve months expiring January 17, 2012.
- The Company paid finder's fees to various brokers of \$123,200 and issued 2,424,000 warrants each exercisable to purchase one common share at a price of \$0.10 for a period of one year expiring January 17, 2012.
- viii) The Company granted a total of 3,600,000 stock options to certain directors, officers, employees at an exercise price of \$0.10. All of the options are exercisable for a period of 5 years from the date of grant.
- ix) On February 21, 2011, the Company paid \$20,000 and issued 100,000 common shares in conjunction with their Chilko mineral property option agreement.

**HIGHLIGHTS SUBSEQUENT TO THE YEAR ENDED JUNE 30, 2011**

See Resource Properties – Chilko, British Columbia.

**EXPLORATION HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2011**

**Destiny Project, Quebec**

The Destiny project is host to a Mineral Resource calculated consistent with guideline set out in National Instrument 43-101. The Resource Estimate was prepared by Wardrop, A Tetra Tech Company (Wardrop) of Sudbury, Ontario and filed on SEDAR on March 7, 2011. At the 0.5 g/t gold cut-off grade, Wardrop estimates that the Indicated Mineral Resources of the DAC Deposit total approximately 10.8 million tonnes at an average grade of 1.05 g/t gold. In addition, at the same gold cut-off grade, Wardrop estimates that the Inferred Mineral Resources total approximately 8.3 million tonnes at an average grade of 0.92 g/t gold. The contained ounces in the Indicated category are 364,000 plus 247,000 ounces in the Inferred classification.

During the year ended June 30, 2011, the Company completed exploration work on the Destiny gold project including airborne and ground geophysical surveying as well as 1,358 m of diamond drilling. A Surface geochemistry program was started in June and consisted of the collection of 2,500 soil samples. These were analyzed for gold and other metals using the MMI (Mobile Metal Ions) extraction techniques.

Diamond drilling is planned for late fall of 2011.

Subsequent to year-end, on August 8, 2011, PFN announced that it has assigned its interest in the Option Agreement to Next Gen Metals Inc. Next Gen can now earn 60% interest in the project by assuming PFN's obligations under the original Option Agreement with Alto.

**Alto Ventures Ltd.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2011 and 2010**

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**EXPLORATION HIGHLIGHTS FOR THE YEAR ENDED JUNE 30, 2011 - continued**

**Coldstream Project, Ontario**

On January 18, 2011, the Company announced that Foundation has earned 60% interest by spending \$3 million on the property and that future exploration and project funding will be carried out as a 40% Alto and 60% Foundation Joint Venture.

A 6,000 m diamond drilling program started on January 28, 2011 and was completed in mid-March 2011 to further test the East Coldstream Gold Deposit and new targets in the Iris Lake area. A new high-grade gold zone was reported by the Company on March 22 in the Iris Lake area which is located approximately 1.5 km north of the four zones that comprise the East Coldstream Deposit. Results are very significant and include hole IL-11-02 which intersected 8.39 g/t gold over 11.0 m from 18.0 to 29.0 m down hole depth. The mineralization in this hole is contained within a wider envelope that averages 3.68 g/t gold over 26.9 m. A second drilling program consisting of approximately 6,000 m started in June, 2011. This program further tested the East Coldstream Gold Deposit and the Iris Lake area. Results for the Iris Lake drilling are pending.

Subsequent to year-end, on September 20, 2011 the Company released a draft of an NI43-101 Technical Report including a Mineral Resource Estimate for the East Coldstream Gold Deposit prepared by Wardrop, a Tetra Tech Company (Wardrop). At a cut-off grade of 0.4 g/t gold and using the Inverse Distance Squared (ID2) estimation method, the two parallel gold horizons contain an Indicated Resource of about 3.5 million tonnes with an average grade of 0.85 g/t gold. In addition, the Inferred Resource totals approximately 30.5 million tonnes with an average grade of 0.78 g/t gold. At the 0.4 g/t cut-off the Deposit is estimated to contain 763,276 ounces of gold in the Inferred category and 96,400 ounces of gold in the Indicated category (see news release dated September 20, 2011).

There are four other significant gold targets (e.g., Iris Lake, Goldie Zone, Burchell West and Span Lake) on the Property which are not part of the current resource estimates.

**Miner Lake, Ontario**

The Company started surface exploration work in May, 2011 and continued through to July 2011. The work consisted of mapping, overburden stripping, washing and sampling. Mapping and prospecting have outlined a brittle/ductile deformation zone within variably altered feldspar porphyries intruding intermediate to felsic volcanic rocks. Numerous iron sulphide (pyrite and pyrrhotite) occurrences lie within shear zones in this corridor and many contain gold which is associated mainly with chalcopyrite, a copper sulphide mineral. In addition to the gold in shear zones, gold also occurs in chlorite altered breccia zones within the feldspar porphyry. The extent of these breccias has not been mapped out yet and they can be potentially significant as they have many visual similarities to the Cote Lake gold mineralization reported by Trelawney Mining and Exploration Inc. The Cote Lake zone is located approximately 150 km north of Sudbury and is reported to contain 131 million tonnes averaging 1.0 g/t gold containing 4.2 million ounces.

Subsequent to year-end, diamond drilling on nine holes, totalling 1,732 m was completed in August, 2011. Eight of the nine holes intersected significant gold anomalies with hole MIN11-06 intersecting 39.2 m at an average grade of 0.6 g/t gold.

**Oxford Lake, Manitoba**

The Company increased the size of the Oxford Lake property to over 30,000 ha through the acquisition of two Mineral Exploration Licences. In June, 2011 a helicopter supported VTEM electromagnetic and magnetometer surveys were contracted and approximately 1,700 line km of surveying was completed in August, 2011.

**Alcudia Property, Quebec**

In January 2011, the Company drilled 11 holes, totalling 1,688 m to test ground geophysical targets for their gold potential. The drilling did not discover significant gold mineralization in the areas that were tested.

**Alto Ventures Ltd.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2011 and 2010**

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**RESULTS OF OPERATIONS**

*For the year ended June 30, 2011*

The Company's loss for the year ended June 30, 2011 (the "Current Period") was \$573,292 or \$0.01 per share as compared with a loss of \$1,257,142 or \$0.01 per share for the year ended June 30, 2010. (the "Comparative Period").

General and administrative expenses were \$579,974 lower in the Current Period at \$874,831 compared with \$1,454,805 in the Comparative Period. These decreases were mainly due to a reduction in mineral property write-downs (\$3,582 versus \$648,948) due to maintaining the value of mineral properties capitalized, decreases in office and miscellaneous (\$204,696 versus \$279,134) due to a write-off in the prior year of related party debt that was deemed to be un-collectible. The Company also recognized a bad debt recovery (\$90,000 recovery versus \$116,021 write-off) due to the Company obtaining a debt settlement in relation to Wescan Goldfield mineral property agreement. These decreases were offset by increases in stock based compensation costs (\$236,117 versus \$46,177) due to an increase in stock options issued to directors and officers and outside consultants, an increase in professional fees (\$207,665 versus \$125,274) due to legal fees associated with the Company's debt settlement and , legal court costs for the Wescan Goldfield debt settlement and drafting of property agreements, an increase in consulting fees (\$40,567 versus \$18,000) due to an investor relations agreement with CEE Merchant Services, an increase in investor and shareholder relations fees (\$105,604 versus \$82,759) due to increased advertising and promotion of the Company.

The Company capitalizes all acquisition and exploration costs until the property to which those costs relate is placed into production, sold or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized mineral property costs will vary from one year to the next and typically cannot be predicted in advance. Write-off of exploration costs of \$3,582 in the Current Period was lower than the Comparative Period at \$648,948. These write-offs pertain to mineral properties no longer being actively explored or general exploration. The Company realized interest and other income in the Current Period of \$14,486 compared with \$5,155 in the Comparative Period. The Company also realized management fee recoveries of \$39,033 in the Current Period compared with \$83,686 in the Comparative Period. The reduction in management fee recoveries is due to lower exploration activity on the Company's joint venture mineral property agreements. The Company also recognized a permanent impairment loss on marketable securities during the Current Period of \$87,140 due to the uncertainty of recovery on the fair value recorded on the securities.

*For the three-month period ended June 30, 2010*

The Company's loss for the three-month period ended June 30, 2011 (the "Current Period") was \$243,163 or \$0.00 per share as compared with a loss of \$1,021,345 or \$0.00 per share for the three-month period ended June 30, 2010 (the "Comparative Period").

General and administrative expenses were \$881,547 lower in the Current Period at \$141,416 compared with \$1,022,963 in the Comparative Period. These decreases were mainly due to a reduction in mineral property write-downs (\$Nil versus \$635,775) due to maintaining the value of mineral properties capitalized, decreases in office and miscellaneous (\$62,398 versus \$210,839) due to a write-off in the prior year of related party debt that was deemed to be un-collectible and lower stock-based compensation costs (\$1,117 versus \$46,177) due to the granting of options to directors, officers and employees in the Comparative Period. The Company also recognized a bad debt recovery (\$25,000 recovery versus \$116,021 write-off) due to the Company obtaining a debt settlement in relation to Wescan Goldfield mineral property agreement. These decreases were offset by increases in professional fees (\$62,596 versus \$34,374) due to legal fees associated with the Company's debt settlement and legal court costs for the Wescan Goldfield debt settlement and drafting of property agreements and increases in investor and shareholder relations fees (\$27,738 versus \$8,152) due to increased advertising and promotion of the Company.

**Alto Ventures Ltd.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2011 and 2010**

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**RESULTS OF OPERATIONS - continued**

*For the Three Month Period ended June 30, 2011- continued*

The Company capitalizes all acquisition and exploration costs until the property to which those costs relate is placed into production, sold or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized mineral property costs will vary from one year to the next and typically cannot be predicted in advance. The Company realized interest and other income in the Current Period of \$6,444 compared with \$345 in the Comparative Period. The Company also realized management fee recoveries of \$3,949 in the Current Period compared with \$1,273 in the Comparative Period. The reduction in management fee recoveries is due to lower exploration activity on the Company's joint venture mineral property agreements.

**SELECTED ANNUAL INFORMATION**

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the audited financial statements, prepared in accordance with Canadian generally accepted accounting principles, and related notes.

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	Years Ended June 30,		
	2011	2010	2009
Total Revenues	\$ Nil	\$ Nil	\$ Nil
General and administrative expenses	874,831	1,454,805	1,859,561
Resource costs written off	3,582	648,948	1,308,774
Interest income	14,486	5,155	43,620
Loss for the year	573,292	1,257,142	1,838,386
Basic and diluted loss per share	0.01	0.01	0.02
Total Assets	9,762,088	6,908,197	6,710,366
Total long term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

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**Alto Ventures Ltd.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2011 and 2010**

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**SUMMARY OF QUARTERLY RESULTS (000's) (unaudited)**

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

	June 30, 2011	March 31, 2010	December 31, 2010	September 30, 2010	June 30, 2010	March 31,2010	December 31, 2009	September 30, 2009
<i>In thousands \$</i>								
<b>Financial results</b>								
Net loss (gain) for period	(92)	443	103	119	1,257	120	125	100
Basic and diluted loss per share	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00
Mineral property expenditures	447	692	117	199	164	469	580	157
<b>Balance sheet data</b>								
Cash and short term deposits	2,302	2,372	2,105	630	1,052	383	791	852
Resource properties	6,551	6,104	5,413	5,295	5,097	5,639	5,498	5,468
Total assets	9,763	10,079	8,438	7,158	6,908	7,140	6,933	6,949
Shareholders' equity	9,246	9,757	8,123	6,877	6,791	6,942	10,267	6,578

Mike Koziol, P. Geo, Alto's President, and Director is the qualified person responsible for the technical information reported in this MD&A.

**RESOURCE PROPERTIES**

**a) Destiny Property, Quebec**

The Destiny 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 is 100% owned by Alto subject to certain underlying production royalties. Pacific North West Capital Corp has entered into an Option Agreement with Alto under which PFN can earn 60% interest in the project.

Subsequent to year-end, on August 8, 2011, PFN announced that it has assigned its interest in the Option Agreement to Next Gen Metals Inc. Next Gen can now earn 60% interest in the project by assuming PFN's obligations under the original Option Agreement with Alto.

The project is host to a Mineral Resource calculated consistent with guideline set out in National Instrument 43-101. The Resource Estimate was prepared by Wardrop, A Terta Tech Company (Wardrop) of Sudbury, Ontario and filed on SEDAR on March 7, 2011. At the 0.5 g/t gold cut-off grade, Wardrop estimates that the Indicated Mineral Resources of the DAC Deposit total approximately 10.8 million tonnes at an average grade of 1.05 g/t gold. In addition, at the same gold cut-off grade, Wardrop estimates that the Inferred Mineral Resources total approximately 8.3 million tonnes at an average grade of 0.92 g/t gold. The contained ounces in the Indicated category are 364,000 plus 247,000 ounces in the Inferred classification.

*Current Activity and Future Plans*

The Company started a surface geochemistry program in June, 2011 consisting of the collection of 2,500 soil samples and analysing them for gold and other metals using the MMI (Mobile Metal Ions) extraction techniques. The survey was completed in July.

Diamond drilling to further test the DAC Deposit and the Despinassy Shear is planned for the Fall of 2011.

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**Alto Ventures Ltd.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2011 and 2010**

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**RESOURCE PROPERTIES - continued**

On March 7, 2011 the company filed on SEDAR, a NI43-101 Technical Report including a new Mineral Resource Estimate for the DAC Gold Deposit on the Destiny Project located near Val d'Or, Quebec. The Report was prepared by Wardrop, a Tetra Tech Company (Wardrop) and incorporates over 7,600 m of additional drilling that was completed on the deposit subsequent to an earlier NI43-101 compliant resource estimate calculated by W. A. Hubacheck Consultants Ltd and filed on SEDAR in 2007.

Indicated and Inferred resources have been determined for the DAC Deposit. The deposit is made up of narrow high grade gold-bearing quartz veins occurring within five parallel alteration zones. These alteration zones carry gold at lower grades than the quartz veins but are significantly wider. The Wardrop report indicates that the additional drilling has expanded the DAC Deposit and significantly increased the contained ounces of gold.

At a cut-off grade of 0.5 g/t gold and using the Inverse Distance Squared (ID2) estimation method, the five gold zones contain an Indicated Resource of about 10.8 million tonnes with an average grade of 1.05 g/t gold (364,000 contained ounces). In addition, the Inferred Resource totals 8.3 million tonnes with an average grade of 0.92 g/t gold (247,000 contained ounces). The current resource estimate indicates that the contained ounces are more than five times greater than was reported in the previous resource estimate report in 2007.

Table 1 summarises the Resource Estimate at the 0.5 g/t cut-off.

Table 1. DAC Resource Estimation Summary (using ID2 method) at 0.5 g/t gold cut-off grade

Class	Zone	Capping Grade (g/t)	Tonnes Above Capped Grade	Average Grade (g/t)	Average True Width (m)	Au Ounces
Indicated	1	7.53	1,395,600	0.84	16	37,760
	2	19.63	2,942,700	1.19	30	112,644
	3	6.66	1,370,700	0.99	12	43,675
	4	10.80	3,542,600	1.06	21	121,221
	5	14.00	1,573,900	0.97	15	49,231
	Total			10,825,500	1.05	
Inferred	1	7.53	971,900	0.70	16	21,724
	2	19.63	1,841,100	1.06	30	62,487
	3	6.66	725,500	0.93	12	21,759
	4	10.80	3,085,300	0.89	21	88,767
	5	14.00	1,706,600	0.96	15	52,854
	Total			8,330,400	0.92	

**Alto Ventures Ltd.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2011 and 2010**

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**RESOURCE PROPERTIES - continued**

Table 2 Cut-off Sensitivities for the DAC Deposit Resource Estimate

Class	ID2 Cut-off (Au g/t)	Tonnes	Average Grade (Au g/t)	Contained Ounces Au
Indicated	0.2	24,275,300	0.65	509,960
	0.4	14,371,800	0.90	415,780
	0.5	10,825,500	1.05	364,530
	0.6	8,225,700	1.21	318,840
	0.8	5,359,200	1.48	255,370
	1.0	3,858,800	1.71	212,310
	1.5	1,820,100	2.26	132,490
	2.0	979,900	2.73	86,100
Inferred	0.2	22,541,600	0.55	401,190
	0.4	12,132,100	0.78	302,500
	0.5	8,330,400	0.92	247,590
	0.6	5,797,600	1.09	203,210
	0.8	3,534,600	1.35	153,420
	1.0	2,521,400	1.53	124,390
	1.5	1,133,600	1.93	70,360
	2.0	385,600	2.29	28,400

A cut off grade of 0.5 g/t gold was selected to tabulate the total resources based on the results of similar gold projects located in Ontario and Quebec. In addition, the following parameters were considered; 4:1 stripping ratio, operating costs of \$14.30/tonne at 10,000 tonnes per day, long term gold price of \$US973/troy ounce, \$US to \$Cdn conversion of 1.02 and gold recovery of 94%. The resources block considers the mineralization to start at approximately 15 m below surface down to a depth of 400m for the deepest zone (Zone 5).

Mineral Resources are not Mineral Reserves and by definition do not demonstrate economic viability.

An exploration program including high resolution airborne magnetometer surveying as well as Borehole EM testing of selected drill holes was completed in October 2010. The high resolution magnetometer survey is helpful in tracing the Despinassy Shear zone which is the host to the DAC Deposit as well as other major gold occurrences on the property. The Borehole EM testing was used to determine if there are conductive zones outside of the holes drilled as past work has determined the possibility of copper-zinc bearing sulphide zones in addition to the gold. Some of these targets were tested with three holes, totalling 1,358 m in December. The results from this drilling were reported on March 7, 2011. These include significant anomalies in gold such as in hole DES10-139 which returned 0.35 g/t gold over 28.5 m.

**b) Coldstream Property, Ontario**

The Coldstream property is located in the Shebandowan greenstone belt approximately 100 km west of Thunder Bay, Ontario. The property covers 6,250 ha of prospective geology including the former producing North Coldstream copper-silver-gold mine and the East Coldstream gold deposit. During the past few years the Company made strategic land acquisitions through staking and purchases to cover over 10 km of a prospective mineralized structure. In 2009 Foundation Resources Inc entered into an Option Agreement with Alto under which FDN can earn an initial 60% interest in the project. On January 18, 2011, the Company announced that Foundation has earned 60% interest and that future exploration will be carried out as a 40% Alto and 60% Foundation Joint Venture.

**Alto Ventures Ltd.**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2011 and 2010**

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**RESOURCE PROPERTIES - continued**

*Current Activity and Future Plans*

Subsequent to year-end, on September 20, 2011, the Company released a draft of an NI43-101 Technical Report including a Mineral Resource Estimate for the East Coldstream Gold Deposit prepared by Wardrop, a Tetra Tech Company (Wardrop). At a cut-off grade of 0.4 g/t gold and using the Inverse Distance Squared (ID2) estimation method, the two parallel gold horizons contain an Indicated Resource of about 3.5 million tonnes with an average grade of 0.85 g/t gold. In addition, the Inferred Resource totals approximately 30.5 million tonnes with an average grade of 0.78 g/t gold. At the 0.4 g/t cut-off the Deposit is estimated to contain 763,276 ounces of gold in the Inferred category and 96,400 ounces of gold in the Indicated category (see news release dated September 20, 2011).

There are four other significant gold targets (e.g., Iris Lake, Goldie Zone, Burchell West and Span Lake) on the Property which are not part of the current resource estimates.

A 6,000 m diamond drilling program started in June 2011 to further test the East Coldstream Gold Deposit as well as the Iris Lake area. Results for the Iris Lake drilling are pending.

A diamond drilling program consisting of approximately 6,000 m in 29 holes was completed in March, 2011. A new high-grade gold zone was reported by the Company on March 22, 2011 in the Iris Lake area which is located approximately 1.5 km north of the four zones that comprise the East Coldstream Deposit. Results are very significant and include hole IL-11-02 which intersected 8.39 g/t gold over 11.0 m from 18.0 to 29.0 m downhole depth. The mineralization in this hole is contained within a wider envelope that averages 3.68 g/t gold over 26.9 m. Two other holes intersected significant gold values in the Iris Lake area. Discovery of high grade gold at Iris Lake is very encouraging as it generated a new target area for follow-up drilling.

The drilling that was completed in 2010 and 2011 to test the East Coldstream Deposit has confirmed the continuity of gold mineralization between widely spaced historical holes and has extended the down-plunge and lateral continuity of the deposit. In 1991 Noranda calculated the deposit to contain a non-NI 43-101 compliant historic resource of 5.1 million tonnes grading 1.4 g/t gold (234,000 ounces contained gold)\*. On March 1, 2011 the Company and its Joint Venture partner announced the commissioning of a Resource Estimate Report for the East Coldstream Deposit to be prepared in compliance with NI43-101 standards. This report will incorporate the previous work completed as well as the 2011 drilling results.

\*A Qualified Person (QP), as defined in NI43-101, has not done sufficient work to classify this historical estimate as current mineral resources. Alto is not treating the historical estimate as current mineral resources, as defined in NI43-101, and thus the historical estimate should not be relied upon.

**c) Miner Lake, Ontario**

Alto owns 100% interest in the 864 ha (54 claim unit) Miner Lake Property.

*Current Activity and Future Plans*

The Company started surface exploration work in May, 2011 and continued through to July. The work consisted of overburden stripping, washing and sampling. Diamond drilling on nine holes, totalling 1,732 m was completed in August. The surface exploration continued to build on work that started in 2010 and identified widespread breccia zones with persistent gold mineralization. Eight of the nine holes intersected significant gold anomalies with hole MIN11-06 intersecting 39.2 m at an average grade of 0.6 g/t gold including 4.24 g/t gold over 1.5 m.

Results from the work on Miner Lake are very positive and indicate a persistent and widespread distribution of gold in the numerous hydrothermal breccia zones. This geological setting is similar to the styles of mineralization to the Cote Lake deposit operated by Trelawney Resources. The size potential of the mineralized breccia zones is not yet known but the intrusion hosting the gold has surface dimensions of approximately 2.5 km by 1.5 km

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**RESOURCE PROPERTIES - continued**

The 2010 Miner Lake exploration program was completed in October and included prospecting, geological mapping, overburden stripping and channel sampling. Mapping and prospecting have outlined an area approximately 1.5 km by 1 km of brittle/ductile deformation within variably altered feldspar porphyries intruding intermediate to felsic volcanic rocks. A corridor of better mineralization was traced within this deformation zone almost continuously for one kilometre along strike and it varies from 100 to 300 m in width. Numerous iron sulphide (pyrite and pyrrhotite) occurrences lie within shear zones in this corridor and many contain gold which is associated mainly with chalcopyrite, a copper sulphide mineral. In addition to the gold in shear zones, gold also occurs in chlorite altered breccia zones within the feldspar porphyry. The extent of these breccias has not been mapped out yet and they can be potentially significant as they have many visual similarities to the Cote Lake gold mineralization reported by Trelawney Mining and Exploration Inc. The Cote Lake zone is located approximately 150 km north of Sudbury and is reported to contain 131 million tonnes averaging 1.0 g/t gold containing 4.2 million ounces.

Results obtained to date include highly anomalous gold values, in both grab and channel samples. Results from Alto's 2009 surface saw-cut channel sampling of the shear hosted mineralization returned significant gold at the Whaleback Trench averaging 1.78 g/t gold and 0.11 % copper across 19 m and includes one section of 3.36 g/t gold and 0.24% copper across 5.0 m and another section of 6.29 g/t gold and 0.08% copper across 2.0m. These higher grade sections are contained within a wide sulphide-rich envelope that is almost 50 m wide.

Channel sampling of the breccia zones in 2010 returned very encouraging results which include 6.79 g/t gold across 1.0 m and 4.14 g/t gold across 1.4 m. These results are very significant as the breccia zones appear monotonous and until recently have not been recognized as potential host to gold mineralization.

Channel sampling results from other areas along the mineralized corridor include 1.1 g/t gold and 0.2% copper over 4.0 m. Significant gold and copper values were also obtained in grab samples, including 3.57 g/t gold and 0.17% copper; 1.7 g/t gold and 1.3% copper; 2.71 g/t gold; and 1.52 g/t gold and 0.71% copper. Other metals are also associated with some of the sulphide occurrences including zinc (up to 2.5% in grabs), molybdenite (up to 0.1% in grabs) and silver (up to 13 g/t in grabs).

The main target on this property is a large gold (with copper) deposit that might be exploited by open pit mining.

**d) Oxford Lake Property, Manitoba**

*Current activity and Future Plans*

The Company has significantly increased its property holdings to over 30,000 ha through the acquisition of two Mineral Exploration Licenses ("MEL") to surround the existing staked claims. In June 2011, the Company contracted an airborne geophysical survey to be flown over the mineral claims and MEL's. The survey was flown in August and consisted of 1,700 line km of helicopter VTEM and magnetometer surveying.

The Oxford Lake property has excellent potential to host gold deposits as demonstrated with the discovery of the historical Rusty Zone gold deposit. The Rusty Zone has reported historical resources of 800,000 tonnes averaging 6 g/t gold (154,000 ounces)\*. The property also covers geology that is favourable for hosting volcanogenic massive sulphide ("VMS") type deposits. VMS deposits tend to be rich in copper, zinc and silver.

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**RESOURCE PROPERTIES - continued**

**e) Mud Lake Property, Ontario**

*Current activity and Future Plans*

No field exploration work was carried out during this reporting period. The Company owns 100% interest in the project. On October 15, 2010 the Company has agreed to settle an outstanding claim of \$278,948 against Wescan Goldfield pertaining to exploration work completed on the Mud Lake project in 2008. Under the terms of the settlement, the Company received \$25,000 in cash payment on November 1, 2010 and a final payment of \$25,000 in cash was received on June 30, 2011. Wescan also issued 3,000,000 of its shares to the Company on November 1, 2010. The shares had an approximately value of \$225,000 at that time. No further action will be pursued on this matter.

**f) Cote-Archie Lake Property, Ontario**

*Current activity and Future Plans*

Kodiak Exploration Ltd has completed a program of mechanical stripping and sampling in November, 2010 and there are no results to report yet. Kodiak is working towards earning 51% interest in the property and has made the fourth and final option payment as required by the Option Agreement. Under the terms of the Option Agreement, Kodiak can earn an initial 51% interest in the project by spending \$1,000,000 on exploration work and paying Alto \$100,000 in cash or Kodiak shares over the same period. In July, the Company has granted a one year extension for Kodiak to complete a new total of \$1.1 million in exploration work. Kodiak has to September 4, 2011 to complete approximately \$300,000 in exploration work.

Subsequent to year-end, on September 1, 2011, Prodigy Gold Inc (formerly Kodiak Exploration Ltd) has informed the Company that they have terminated the Option. Alto has retained 100% ownership of the property.

**g) Greenoaks Property, Ontario**

*Current activity and Future Plans*

No field exploration work was carried during this reporting period.

The Greenoaks property lies adjacent to the Miner Lake project and surface work will be carried out simultaneous with the surface exploration program at Miner Lake.

**h) Dog Lake Property, Ontario**

*Current activity and Future Plans*

No exploration work was completed during this period and as the Company is currently focused in the Abitibi area of Quebec and the Beardmore-Geraldton area, Ontario, the Company is seeking a joint venture partner.

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**RESOURCE PROPERTIES - continued**

**i) Alcudia Property, Quebec**

*Current activity and Future Plans*

Work during this fiscal year included grid preparation and a small program of ground magnetometer and horizontal loop EM surveying in preparation for drilling. The Company completed 11 holes totalling 1,688 m of drilling in January, 2011 to test previously delineated IP anomalies. Assay results which were reported on March 17, 2011 did not return any significant gold mineralization. The Urban-Barry gold belt continues to be very active with recent exploration success reported by Bonterra Resources and Eagle Hill Exploration Corp on near by properties. The Company will monitor activities on the neighbouring properties but has no plans for additional work at this time.

**j) Empress - Ridout Property, Ontario**

*Current activity and Future Plans*

No field exploration work was carried out during this reporting period. The claims are in good standing until 2012 and no work is planned for the first half of 2012.

**k) Three Towers (formerly Cote-801) Property, Ontario**

*Current activity and Future Plans*

The Company completed a mapping and trenching program at the east end of the property.

There are no plans to carry out additional work this year.

**l) Vassal, Quebec**

The Vassal Property is located in the Vassal Township approximately 75 km north of Val d'Or and less than 5 km northwest of the Despinassy Project. The property covers approximately 5,660 ha and is 100% owned by Alto.

*Current Activity and Future Plans*

No Field work was completed during this reporting period.

**m) Expansion Lake, Ontario**

No field work was completed during this reporting period.

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**RESOURCE PROPERTIES** - *continued*

**n) Chilko, British Columbia**

In February of 2010, the Company has entered into an Option Purchase Agreement to acquire 100% interest in the 14,484 ha Chilko property within the Chilcotin Plateau area of British Columbia. The property is located approximately 100 km west southwest of Williams Lake and has excellent road access. It lies 15 km north of the Newton gold zone which is being explored as a bulk tonnage gold deposit by Amarc Resources Ltd, an affiliate of the Hunter Dickenson Group. The Prosperity gold-copper porphyry property operated by Taseko Mines Ltd is located 50 km south of the Chilko property. The Prosperity deposit has 1.0 billion tonnes of measured and indicated resources containing 13.3 million ounces of gold and 5.3 billion pounds of copper.

Till sampling and Soil Geochemistry programs were completed in September and the technical report was received in February, 2011. A number of gold-in-till anomalies were identified and follow-up work was recommended.

Subsequent to year-end, the Company announced that it has entered into an Assignment Agreement with AVC Ventures Capital Corp. ("AVC") whereby the Company has agreed to assign to AVC all of its rights under an existing option agreement to acquire a 100% interest in the Chilko property within the Chilcotin Plateau area of British Columbia. Under the terms of the Assignment Agreement, AVC is to pay the Company \$5,000 on execution (paid subsequently) and a further \$25,000 on closing, subject to certain adjustments.

AVC is also required to issue the Company 200,000 shares on closing and a further 100,000 shares on exercise of the option under the Option Agreement or upon AVC electing not to proceed to exercise the Option. AVC has also agreed to grant the Company a 1% net smelter returns royalty, subject to the right of AVC to repurchase one half of such royalty for \$500,000.

In order to exercise the Option, AVC is required to incur work expenditures on the Chilko Property totalling approximately \$380,000 over a period expiring April 30, 2014. AVC would also be required over the next 18 months to make cash payments to the original vendors under the Option Agreement of \$70,000 and to issue such number of shares of AVC as would have a value equal to that of 350,000 of the Company's shares, based on each company's trading price at the time of issuance. Under the terms of the Option Agreement the original vendors retain a 2% net smelter returns royalty and AVC has the Option to purchase one half of such royalty for \$1,000,000.

The agreement remains subject to the approval of the TSX-V.

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**LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 2011 the Company had approximately \$2.3 million in cash. The Company does not have any cash flow from operations as they are an exploration stage company therefore financings have been the sole source of funds.

At June 30, 2011 the Company had working capital of \$2,693,947. In the opinion of management this working capital is sufficient to support the Company's general administrative and corporate operating requirements on an ongoing basis for the next 6 months. Should the Company wish to continue fieldwork on its exploration projects in 2011, further financing will be required and the Company will likely have to go to the market to achieve this.

Given the volatility in equity markets, global uncertainty in economic conditions, cost pressures and results of exploration activities, management constantly reviews expenditures and exploration programs and equity markets such that the Company has sufficient liquidity to support its growth strategy.

During the year ended June 30, 2011, the main expenditures include exploration expenditures of \$1,610,399 before contributions and recoveries of joint venture partners and operating expenditures of \$1,163,900. The Company also received proceeds from private placements in the amount of \$3,482,000.

**LIQUIDITY OUTLOOK**

The Company's cash position is highly dependent on the ability to raise cash through financings and the expenditures on its exploration programs. Capital expenditures are not expected to have any material impact on liquidity.

Management believes that even with the recent financing in December of 2010 and January 2011, the Company will likely need external financings for the upcoming year in order to fund further exploration. As results of exploration programs are determined and other opportunities become available to the Company, management may complete an external financing.

The outlook is based on the Company's current financial position and is subject to change if opportunities become available based on current exploration program results and/or external opportunities. At present, the Company's operations do not generate cash inflows and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control.

In order to finance the Company's future exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities and from optioning its resource properties. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes that there will be risks involved which may be beyond its control.

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**GOING CONCERN**

The Company is engaged in the acquisition, exploration and development of Canadian gold projects. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether its properties contain economically recoverable ore reserves. The Company has not generated any revenues from its operations and consequently is considered to be in the exploration stage. The amounts shown as mineral properties and deferred costs represent expenditures incurred to date, less amounts written off, and do not necessarily represent present or future values. The recoverability of the carrying amounts for mineral properties is dependent upon raising financing, sale or joint venturing of the mineral properties, and/or the attainment of profitable operations.

At June 30, 2011, the Company has working capital of \$2,693,947, incurred losses for the year-end of \$573,292 and has an accumulated deficit of \$11,871,980. These conditions give rise to significant doubt about the Company's ability to continue as going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to raise additional financing to meet mineral property expenditures and administration costs. During the year ended June 30, 2011, the Company closed a non-brokered private placement with the issuance 69,640,000 common shares at \$0.05 for total gross proceeds of \$3,482,000.

Management plans to continue to secure the necessary financing through a combination of the issue of new equity instruments and the entering into of joint venture arrangements. However, there is no assurance that the Company will be successful in these actions.

These financial statements do not give effect to adjustments to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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**TRANSACTIONS WITH RELATED PARTIES**

- a) At June 30, 2011, the Company owed \$11,219 (June 30, 2010: \$13,762) to companies with directors and officers in common. There are no repayment terms or interest associated with this balance.
- b) At June 30, 2011, White Label Corporate Services Inc., a management services company with officers in common, owed the Company \$38,000. (June 30, 2010 - \$Nil) relating to a deposit for services paid to the related company.
- c) During the prior year, the Company wrote off an amount of \$40,377 due from HRG Management Ltd, a company with a director and officer in common, due to the unlikely collectability of the amount.
- d) The following related party transactions were in the normal course of operations and are measured at fair value being their exchange amounts:

	<b>June 30, 2011</b>	June 30, 2010
	\$	\$
HRG Management Ltd. – administrative services, property and equipment (Company with Director and Officer in Common, see Note 12)	<b>58,833</b>	229,297
White Label Corporate Services Inc. – administrative services (officers in common)	<b>149,250</b>	-
Mike Koziol –salary services (Officer and Company with Director in Common)	<b>156,000</b>	156,000
Hamilton Capital Partners Limited- management fees (Company with a Former Director in Common)	<b>9,000</b>	18,000
Mirador Management – management fees (Company with an Officer in Common)	<b>21,000</b>	-
McMillan LLP – legal fees (formerly Lang Michener) (Legal firm with a Partner and Company Director in Common)	<b>8,191</b>	29,074
Gary Zak – consulting services (Officer and Director in Common)	<b>24,487</b>	-
Len Schmidt & Associates – accounting services (Company with former officer in common)	<b>9,000</b>	-
<b>Total</b>	<b>435,762</b>	432,371

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**COMMITMENTS**

On February 1, 2009, the Company entered into a services agreement with HRG whereby the Company agreed to pay a monthly corporate administration fee of \$12,174 that includes office rent, administration, accounting, corporate secretarial, chief financial officer, investor relations and other related services. The Company also contributed additional fees for office equipment leases. HRG was a management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost recovery basis. The Company shares one director and an officer in common with HRG. The agreement can be terminated by either party with 60 days written notice.

During the year ended June 30, 2011, HRG provided written notice of termination to the Company and the agreement was terminated on October 31, 2010.

The Company entered into a new services agreement with White Label Corporate Services Inc. (“WLM”) on November 1, 2010 and has agreed to pay a monthly corporate administration fee of \$19,000 that includes office rent, administration, accounting, corporate secretarial, chief financial officer, executive assistant, IT computer maintenance and other related services. The agreement can be terminated by either party prior to expiration with 60 days written notice. The Company shares two officers in common with WLM.

**SHARE CAPITAL INFORMATION**

The table below presents the Company’s common share data as of October 28, 2011.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			190,245,455
Securities convertible into common shares			
Stock			
Warrants	\$0.10	December 9, 2011	3,130,000
	\$0.10	December 15, 2011	323,166
	\$0.10	December 15, 2011	10,750,000
	\$0.10	December 21, 2011	3,970,000
	\$0.10	December 29, 2011	3,970,000
	\$0.10	January 17, 2012	36,470,000
Broker			
Warrants	\$0.10	December 15, 2011	1,400,000
	\$0.10	December 21, 2011	333,600
	\$0.10	December 29, 2011	441,600
	\$0.10	January 17, 2012	2,424,000
Stock			
Options	\$0.12	December 19, 2011	450,000
	\$0.10	May 16, 2012	50,000
	\$0.20	December 16, 2012	1,035,000
	\$0.10	December 18, 2012	1,125,000
	\$0.10	November 15, 2015	100,000
	\$0.10	January 17, 2016	3,230,000
	\$0.10	May 31, 2016	250,000
			<b>259,697,821</b>

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**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**RECENT ACCOUNTING PRONOUNCEMENTS**

*International Financial Reporting Standards (“IFRS”)*

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian GAAP with International Financial Reporting Standards (“IFRS”) for all Canadian Publicly Accountable Enterprises (“PAEs”). The effective changeover date is July 1, 2010, at which time Canadian GAAP will cease to apply for Alto Ventures and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter for the year ending September 30, 2012 including comparative IFRS financial results and an opening balance sheet as at July 1, 2010. The first annual IFRS financial statements will be prepared for the year ended June 30, 2012 with restated comparatives for the year ended June 30, 2011.

**IFRS CHANGEOVER PLAN DISCLOSURE**

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian GAAP with International Financial Reporting Standards (“IFRS”) for all Canadian Publicly Accountable Enterprises (“PAEs”). The effective changeover date is July 1, 2010, at which time Canadian GAAP will cease to apply for the Company and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter ending September 30, 2012 including comparative IFRS financial results and an opening balance sheet as at July 1, 2010. The first annual IFRS financial statements will be prepared for the year ended June 30, 2012 with restated comparatives for the year ended June 30, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company’s first quarter; 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at July 1, 2011, any necessary conversion adjustments and reconciliations, preparation of fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

As the Company elects and approves the IFRS accounting policy for each of the areas, management will determine and disclose the potential impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company’s consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management’s assessment of the information system currently used by the Company, all information required to be reported under IFRS is expected to be available with minimal system changes. In addition, based upon the Company’s current operations, it is management’s opinion that the adoption of IFRS is not expected to have a significant impact on internal controls and reporting procedures.

Management, members of the board of directors and audit committee have the required financial reporting expertise to ensure the adequate organization and transition to IFRS.

Management has completed phase one, the IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

# **Alto Ventures Ltd.**

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#### **IFRS CHANGEOVER PLAN DISCLOSURE – *continued***

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, “First-Time Adoption of International Financial Reporting Standards”, provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. During the second quarter of 2011, management intends to conduct an IFRS educational session for the Audit Committee and the Board of Directors that will focus on the key issues and transitional choices under IFRS 1 applicable to the Company.

Set out below are the most significant areas, identified to date by management, where changes in accounting policies may have the highest potential impact on the Company’s consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors. In the period leading up to the changeover, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company’s consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

#### *Asset Impairment*

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, “Impairment of Assets” uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Currently the Company has no significant assets for which impairment testing is required. However, as events and circumstances of the Company’s operations change that give rise to impairment testing, IAS 36 will be applied.

#### *Share Based Payments*

IFRS and Canadian GAAP largely converge on the accounting treatment for share – based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight-line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using currently using the graded-vesting method and is compliant with IFRS 2 for all grants and therefore the change to IFRS standards will not have a material impact when transitioning to IFRS.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized as they occur. The Company is currently using the estimate of forfeitures when determining the number of equity instruments expected to vest.

Upon adoption of IFRS 2, the Company will be fully compliant with the new standard and the adoption is not expected to have an impact on the financial statements.

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**IFRS CHANGEOVER PLAN DISCLOSURE – continued**

*Exploration and Evaluation Assets*

Under the Company's current accounting policy, acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon are capitalized.

Upon adoption of IFRS, the Company has yet to determine the accounting policy for exploration and evaluation assets. The Company can decide to apply the International Accounting Standards Board ("IASB") Framework which requires exploration expenditures to be expensed and capitalization of expenditures only after the completion of a feasibility study or choose to and keep the existing Company's policy, if relevant and reliable.

*Property, Plant and Equipment*

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Currently, the only asset the Company consists of computer equipment. The value of this asset is not material enough to require componentization and as a result there will not be a significant impact on the adoption of either IFRS model on the Company's financial statements. The Company intends to adopt the cost model for PP&E.

In accordance with IAS 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and accounts for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

*Foreign Currency*

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with IAS 21 and the entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). Currently, the functional currency of the consolidated entity is the Canadian dollar ("CAD") which is also the presentation currency of the Company's financial statements. As events and conditions relevant to the Company change, management will need to re-consider the primary and secondary indicators, as described in IAS 21, in determining the functional currency for each entity. Going forward under IFRS, management will assess the appropriate functional currency based on existing circumstances, which may have a significant impact on the Company's consolidated financial statements prepared under IFRS.

*Future Income Taxes*

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, Income Taxes will not have a significant impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

# **Alto Ventures Ltd.**

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#### **IFRS CHANGEOVER PLAN DISCLOSURE – *continued***

##### *Reclamation and Closure Cost Obligations*

Under IFRS the Company's obligation for closure and reclamation is based on management's best estimate of such future expenditures discounted for the country specific risk free rates. Under Canadian GAAP the obligation is determined based on the fair value of future estimated expenses using quoted market prices and discounted using the Company's current credit adjusted risk free rate. The change in accounting policy is not expected to have a material impact on the consolidated financial statements. One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosure requirements. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required for its consolidated financial statements.

The Company currently does not have any debt covenants, capital requirements, compensation arrangements, or material contracts that impact its current business activities that would affect the conversion to IFRS.

#### **FINANCIAL AND OTHER INSTRUMENTS**

##### **Financial Instruments – Recognition and Measurement**

The Company's financial instruments consist of cash and cash equivalents, restricted cash, marketable securities, receivables, due from joint venture partner, advances from related parties, accounts payable and accrued liabilities. The fair value of arms-length financial instruments approximates their carrying value due to their short-term maturity.

The Company has designated each of its significant categories of financial instruments as follows:

Cash and cash equivalents	Loans and receivables
Marketable securities	Available-for-sale
Accounts receivable	Loans and receivables
Due from option partner	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

##### *Amendment to Financial Instruments – Disclosures*

CICA Handbook Section 3862, Financial Instruments – Disclosures was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has adopted these amendments for the year ended June 30, 2011.

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

##### *Fair Value*

Cash and marketable securities are carried at fair value using a level 1 fair value measurement. The carrying value of receivables and accounts payable and accrued liabilities approximated their fair value because of the short-term nature of these instruments.

# **Alto Ventures Ltd.**

## **Management Discussion and Analysis**

### **For the year ended June 30, 2011 and 2010**

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#### **FINANCIAL AND OTHER INSTRUMENTS – *continued***

##### *Interest rate risk*

The Company has non-material exposure at June 30, 2011 to interest rate risk through its financial instruments.

##### *Currency Risk*

As at June 30, 2011, all of the Company's cash were held in Canadian dollars, the Company's measurement currency. The Company has no operations in foreign jurisdictions at this time and as such has no currency risk associated with its operations.

##### *Credit risk*

The Company has some cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by Canadian financial institutions with which it keeps its bank accounts and management believes the risk of loss to be remote.

Accounts and other receivables consist of goods and services tax due from the Federal Government of Canada, Quebec exploration tax credits receivable, and amounts due from joint venture and option partners for funds advanced for exploration.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations. Management believes the risk to be minimal.

##### *Liquidity Risk*

The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at June 30, 2011, the Company had a cash balance of \$2,302,226 (with \$Nil being held as restricted cash pertaining to flow-through commitments - Comparative Period - June 30, 2010 - \$735,000) (Comparative Period - June 30, 2010 - \$1,052,369) to settle current liabilities of \$515,849 (Comparative Period - June 30, 2010 - \$117,631) Further information relating to liquidity risk is disclosed in Note 1 to the financial statements.

##### *Sensitivity analysis*

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- Cash and cash equivalents include deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by \$23,022 annually.
- The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

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**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 that 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.

**RISKS AND UNCERTAINTIES**

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities or joint ventures, 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 favorable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

Resource acquisition, exploration, development, and operation is a highly speculative business that involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of precious metals and other minerals may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish economically viable mineral deposits, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the acquisition, exploration or development programs planned by the Company will result in a profitable commercial mining operation. The potential for any project to eventually become an economically viable operation depends on numerous factors including: the quantity and quality of the minerals discovered if any, the proximity to infrastructure, metal and mineral prices (which vary considerably over time) and government regulations. The exact effect these factors can have on any given exploration property cannot accurately be predicted but the effect can be materially adverse.

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**RISKS AND UNCERTAINTIES** – *continued*

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The market price of precious metals and other minerals is volatile and cannot be controlled.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

The Company's directors and officers serve as directors or officers, or may be associated with other reporting companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction.

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning Alto's general and administrative expenses and mineral property costs is provided in the Company's Annual Statement of Loss contained in its Annual Financial Statements for the year ended June 30, 2011. These statements are available on Alto's website at [www.altoventures.com](http://www.altoventures.com) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

**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.

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures "(DC&P)" and internal control over financial reporting "(ICFR)", as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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**DIVIDENDS**

Alto has no earnings or dividend record and is unlikely to pay any dividends in the foreseeable future as it intends to employ available funds for mineral exploration and development. Any future determination to pay dividends will be at the discretion of the Board of Directors of Alto and will depend on Alto's financial condition, results of operations, capital requirements and such other factors as the Board of Directors of Alto deem relevant.

**NATURE OF THE SECURITIES**

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

**PROPOSED TRANSACTIONS**

At the present time, there are no proposed transactions that are required to be disclosed.

**APPROVAL**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the annual financial statements and the disclosure contained in this annual MD&A. A copy of this MD&A will be provided to anyone who requests it.

**ADDITIONAL INFORMATION**

Additional information is available on the Company's website at [www.altoventures.com](http://www.altoventures.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

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**FORWARD LOOKING INFORMATION**

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, permitting risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual financial statements which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements