

**ALTO VENTURES LTD.**  
**(A Development Stage Company)**

Interim Financial Statements  
For the Six Months Ended  
December 31, 2006 and 2005  
(Expressed in Canadian Funds)

(Unaudited and Prepared by Management)

**Auditor Review** - These interim financial statements and related schedules were prepared by management. They have not been reviewed by the Company's external independent auditor.

## Balance Sheets

As at December 31, 2006 and June 30, 2006  
Canadian Funds

ASSETS	December 31, 2006	June 30, 2006
<b>Current</b>		
Cash and cash equivalents	\$ 86,504	\$ 587,712
Marketable securities (Note 3)	-	9,000
Receivables (Note 7)	41,116	110,085
Quebec Exploration Tax Credit receivable	191,700	191,700
Subscriptions receivable	246,750	-
Prepaid expenses and deposits	55,092	24,845
	621,163	923,342
<b>Mineral Properties (Note 5)</b>	4,278,079	3,789,154
<b>Property and Equipment (Note 4)</b>	11,075	12,227
	\$ 4,910,317	\$ 4,724,723

## LIABILITIES

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 40,521	\$ 136,557
Advances from related parties (Note 7)	156,663	15,817
	197,184	152,374

Going Concern and Nature of Operations (Note 1)

Subsequent events (Notes 5 and 12)

Commitments (Notes 11)

## SHAREHOLDERS' EQUITY

<b>Share Capital (Note 6a)</b>	11,560,508	11,161,682
<b>Contributed Surplus (Note 6a)</b>	630,000	610,101
<b>Deficit - Statement 2</b>	(7,477,375)	(7,199,434)
	4,713,133	4,572,349
	\$ 4,910,317	\$ 4,724,723

ON BEHALF OF THE BOARD:

"David Cowan"  
David Cowan  
Director

"Mike Koziol"  
Mike Koziol  
Director

- See Accompanying Notes -

**Statements of Loss and Deficit**

As at December 31  
Canadian Funds

	Three months ended December 31, 2006	Three months ended December 31, 2005	Six months ended December 31, 2006	Six months ended December 31, 2005
<b>Expenses</b>				
Investor relations and shareholder information	\$ 49,048	\$ 31,160	\$ 87,050	\$ 53,014
Office and miscellaneous	27,973	18,130	52,811	34,662
Administrative services	17,898	14,400	35,856	36,866
Professional fees	12,739	11,296	26,030	19,911
Directors' fees	12,000	12,000	24,000	24,000
Management fees	10,500	24,000	21,000	48,000
Rent	9,131	6,835	17,772	15,171
Consulting	11,714	8,640	20,214	11,166
Transfer agent and regulatory fees	11,973	5,614	13,628	6,852
Travel and promotion	3,495	2,108	4,101	11,145
Amortization	576	576	1,152	1,152
Interest and bank charges	197	175	980	894
	<b>167,244</b>	134,934	<b>304,593</b>	262,834
<b>Other Items</b>				
Interest income	(340)	(1,340)	(2,313)	(4,276)
Gain on sale of marketable securities	(24,340)	(12,048)	(24,340)	(12,048)
	<b>(24,680)</b>	(13,388)	<b>(26,653)</b>	(16,324)
<b>Net Loss for the Period</b>	<b>142,564</b>	121,546	<b>277,941</b>	246,510
Deficit - Beginning of Period	7,334,811	6,780,265	7,199,434	6,655,301
<b>Deficit – End of Period</b>	<b>\$ 7,477,375</b>	\$ 6,901,811	<b>7,477,375</b>	\$ 6,901,811
<b>Weighted Average Shares</b>				
<b>Outstanding</b>	<b>55,242,559</b>	43,439,854	<b>55,206,857</b>	43,204,166
<b>Loss per Share – Basic and Diluted</b>				
	<b>\$ 0.00</b>	\$ 0.00	<b>\$ 0.01</b>	\$ 0.01

**Statements of Cash Flows**

As at December 31  
Canadian Funds

	Three months ended December 31, 2006	Three months ended December 31, 2005	Six months ended December 31, 2006	Six months ended December 31, 2005
<b>Cash Resources Provided By (Used In)</b>				
<b>Operating Activities</b>				
Loss for the period	\$ (142,564)	\$ (121,546)	\$ (277,941)	\$ (246,510)
Items not affected by cash:				
Amortization	576	576	1,152	1,152
Gain on sale of marketable securities	(24,340)	(12,048)	(24,340)	(12,048)
	<b>(166,328)</b>	<b>(133,018)</b>	<b>(301,129)</b>	<b>(257,406)</b>
Changes in non-cash working capital items	10,582	14,109	(31,225)	(57,388)
Net cash used in operating activities	<b>(155,746)</b>	<b>(118,909)</b>	<b>(332,354)</b>	<b>(314,794)</b>
<b>Financing Activities</b>				
Advances from related parties	156,663	(6,794)	140,846	(18,339)
Common shares issued	332,000	-	332,000	-
Subscriptions received	(246,750)	-	(246,750)	-
Net cash used by financing activities	<b>241,913</b>	<b>(6,794)</b>	<b>226,096</b>	<b>(18,339)</b>
<b>Investing Activities</b>				
Deferred exploration costs	(92,086)	(101,411)	(243,950)	(335,415)
Acquisition of properties	-	-	(160,000)	-
Sale of marketable securities	9,000	27,048	9,000	27,048
Net cash used by investing activities	<b>(83,086)</b>	<b>(74,364)</b>	<b>(394,950)</b>	<b>(308,367)</b>
<b>Net decrease in Cash and Cash Equivalents</b>	<b>3,081</b>	<b>(200,067)</b>	<b>(501,208)</b>	<b>(641,500)</b>
Cash and cash equivalents - Beginning of Period	83,423	546,853	587,712	988,286
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 86,504</b>	<b>\$ 346,786</b>	<b>\$ 86,504</b>	<b>\$ 346,786</b>

Supplementary Cash Flow Information (Note 9)

- See Accompanying Notes -

**Alto Ventures Ltd.**

*(A Development Stage Company)*

## **Notes to Financial Statements**

**As at December 31, 2006 and 2005**

*Canadian Funds*

---

### **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 these properties contain economically recoverable ore reserves. The Company has not generated any revenues from its operations to date 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 amortized and/or written off, and do not necessarily represent present or future values. While these financial statements have been prepared on a going concern basis which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business there are conditions and events that cast substantial doubt on the validity of that assumption. The Company has a working capital of \$423,979 (2005 - \$456,170) and accumulated deficit of \$7,477,375 (2005 - \$6,901,811). Its ability to continue as a going concern is dependant upon the continued support of related parties, the ability of the Company to raise equity financing, the ability to meet property commitments and administration costs, the discovery of economically recoverable reserves and the attainment of profitable operations. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

### **2. Significant Accounting Policies**

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

#### **a) Cash and Cash Equivalents**

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

#### **b) Loss per Share**

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

**Alto Ventures Ltd.**

*(A Development Stage Company)*

## **Notes to Financial Statements**

**As at December 31, 2006 and 2005**

*Canadian Funds*

---

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

#### **c) Fair Value of Financial Instruments**

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

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

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. The Company recognizes compensation expense for each grant on the later of the date of regulatory approval of the grant and the date of vesting, as applicable.

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

#### **e) Property and Equipment**

Property and equipment are valued at cost less accumulated amortization. The Company provides for amortization for all property and equipment classes using the declining balance method at rates between 20% and 45% and applies only one-half of the applicable rate in the year of acquisition.

#### **f) Asset Retirement Obligations**

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2006, the Company does not have any asset retirement obligations.

#### **g) Income Taxes**

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

**Alto Ventures Ltd.**

*(A Development Stage Company)*

## **Notes to Financial Statements**

**As at December 31, 2006 and 2005**

*Canadian Funds*

---

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

#### **h) Mineral Properties**

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

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

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

The Company assesses its capitalized mineral property costs on a regular basis. A property is written-down or written-off when the Company determines that a permanent impairment of value has occurred or when exploration results indicate that no further work is warranted.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments is recorded as a gain on option or disposition of mineral property.

#### **i) Mineral Exploration Tax Credits ("METC")**

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

#### **j) Property Option Agreements**

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

#### **k) Impairment of Long-Lived Assets**

The Company assesses the impairment of long-lived assets, which consist primarily of property, plant and equipment, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying value of the asset to its fair value. If such assets are considered to be impaired, the amount of the impairment is measured by the amount by which the carrying amount of the asset exceeds its fair value.

**Alto Ventures Ltd.**

*(A Development Stage Company)*

**Notes to Financial Statements**

**As at December 31, 2006 and 2005**

*Canadian Funds*

---

**2. Significant Accounting Policies - Continued**

**l) Share Capital**

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

**m) Variable Interest Entities**

The Company adopted a policy in 2005 for determination of identifying variable interest entities ("VIE") and if there are any VIE's would consolidate them. At this time the Company does not have any VIE's.

**3. Marketable Securities**

Marketable securities consist of no shares on December 31, 2006 (2005 - 275,000) of Noront Resources Inc. ("Noront") at a no cost (2005 - \$41,250) and no market value on December 31, 2006 (2005: \$64,625). The Company's past share ownership in Noront was minimal and they had no control or significant influence over Noront.

**4. Property and Equipment**

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
Computer equipment	\$ 22,539	\$ 11,486	\$ 11,053	\$ 9,505
Furniture and equipment	1,676	1,654	22	73
	<u>\$ 24,215</u>	<u>\$ 13,141</u>	<u>\$ 11,075</u>	<u>\$ 9,578</u>

**Alto Ventures Ltd.***(A Development Stage Company)***Notes to Financial Statements****As at December 31, 2006 and 2005***Canadian Funds***5. Mineral Properties**

The following table shows the activity from July 1, 2006 to December 31, 2006:

<b>Property</b>	<b>June 30, 2006</b>	<b>Acquisitions</b>	<b>Deferred Explorations</b>	<b>Tax Credit</b>	<b>December 31, 2006</b>
Alcudia Claims	\$ 108,774	\$ -	\$ 15,108	\$ -	\$ 123,882
Coldstream Property	614,059	-	112,344	-	726,403
Cote Archie Lake Property	204,381	15,000	-	-	219,381
Despinassy JV Property	985,554	150,000	44,393	-	1,179,947
Dog Lake Property	231,928	-	-	-	231,928
Greenoaks Gold Property	457,072	-	-	-	457,072
Mud Lake Property	146,846	5,000	19,661	-	171,507
Oxford Lake Property	922,529	-	5,381	-	927,910
Empress-Ridout Property	26,277	-	37,287	-	63,564
Other exploration	91,734	-	84,751	-	176,485
<b>Total Mineral Properties</b>	<b>\$ 3,789,154</b>	<b>\$ 170,000</b>	<b>\$ 318,925</b>	<b>\$ -</b>	<b>\$ 4,278,079</b>

The following table shows the activity from July 1, 2005 to June 30, 2006:

<b>Property</b>	<b>June 30, 2005</b>	<b>Acquisitions</b>	<b>Deferred Explorations</b>	<b>Tax Credit</b>	<b>June 30, 2006</b>
Alcudia Claims	\$ 109,607	\$ -	\$ (833)	\$ -	\$ 108,774
Coldstream Property	191,484	77,750	344,825	-	614,059
Cote Archie Lake Property	111,802	15,000	77,579	-	204,381
Despinassy JV Property	717,423	100,000	551,867	(383,736)	985,554
Dog Lake Property	221,055	-	10,873	-	231,928
Greenoaks Gold Property	456,090	-	982	-	457,072
Mud Lake Property	64,331	20,000	62,515	-	146,846
Oxford Lake Property	894,712	-	27,817	-	922,529
Empress-Ridout Property	20,000	-	6,277	-	26,277
Other exploration	12,892	16,095	62,747	-	91,734
<b>Total Mineral Properties</b>	<b>\$ 2,799,396</b>	<b>\$ 228,845</b>	<b>\$ 1,144,649</b>	<b>\$ (383,736)</b>	<b>\$ 3,789,154</b>

**Alto Ventures Ltd.***(A Development Stage Company)***Notes to Financial Statements****As at December 31, 2006 and 2005***Canadian Funds***5. Mineral Properties – Continued**

<b>Mineral Property Costs</b>	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Diamond drilling	\$ 93,920	\$ 13,165
Acquisition and claim staking	172,643	149,452
Management and planning of projects	41,484	42,856
Mapping	41,420	14,964
Line cutting, trenching and blasting	14,379	32,578
Geological surveys	2,195	47,188
Prospecting	-	37,302
Data compilation and digitizing	21,796	21,549
Travel, camp and other expenses	2,035	19,565
Assessment reports and filing works	2,836	5,338
License, permits and taxes	20,917	291
Stock-based compensation	74,975	-
Leases	-	1,440
Assays	325	29,727
<b>Mineral Property Costs for the Period</b>	<b>488,925</b>	<b>415,415</b>
<b>Mineral Property Costs – Beginning of Period</b>	<b>3,789,154</b>	<b>2,799,396</b>
<b>Mineral Property Costs – End of Period</b>	<b>\$ 4,278,079</b>	<b>\$ 3,214,811</b>

**a) Alcudia Claims**

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

**b) Coldstream Property**

Pursuant to a letter of agreement dated August 1, 2002 with Hidefield Gold, PLC (“Hidefield”), a company with directors in common with the Company, the Company was granted an option to acquire a 100% interest in 71 contiguous patented claims and licenses of occupation in the Burchell Lake area, Thunder Bay, Ontario. As consideration, the Company issued 800,000 shares valued at \$80,000 (\$0.10 per share) to Hidefield and is required to expend \$100,000 (expended) in exploration expenditures over a three-year period. The property is subject to a 2% NSR. The Company also staked twenty mining claims adjoining the property.

**Alto Ventures Ltd.**

*(A Development Stage Company)*

**Notes to Financial Statements**

**As at December 31, 2006 and 2005**

*Canadian Funds*

---

**5. Investment - Mineral Properties - *Continued***

**b) Coldstream Property - *Continued***

On May 16, 2006, the Company acquired 100% interest in 416 hectares immediately west of existing property from Inco Ltd (“Inco”). The claims were acquired by making a cash payment of \$20,000 and issuing 250,000 common shares valued at \$43,750 to Inco. There are no royalties and the property is in good standing till 2010.

Pursuant to an agreement dated May 8, 2006, the Company acquired a 100% interest in 3 mineral claims located in the Burchell Lake area, Thunder Bay, Ontario. The consideration for the acquisition includes a cash payment of \$4,000 (paid) and the issuance of 50,000 common shares (issued) of the Company valued at \$10,000. Further, the vendors will retain a 2.0% NSR royalty which the Company retains the right to buyout 1% of the NSR at anytime for \$1,000,000.

**c) Oxford Lake Property**

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

By agreement dated March 22, 2005, the Company acquired a 100% interest in an additional 150 hectares on the Oxford Lake property. Consideration for the acquisition included a cash payment of \$25,000 (paid) and the issuance of 200,000 common shares (issued) of the Company. Further, the vendor retained a 2.5% NSR royalty of which the Company can repurchase 1% for \$1,000,000.

In addition to this acquisition, also on June 4, 2004, the Company has been granted a 5,516 hectare mineral exploration permit surrounding the Company’s existing claims.

**d) Despinassy JV Property**

The Company completed its acquisition of a 70% interest in the property from Cameco Corporation on August 21, 2006 by making a one time payment of \$150,000 (paid) after the purchase agreement was amended to adjust the original purchase price to \$350,000 from \$700,000.

Pursuant to an agreement dated September 30, 2004, the Company acquired an option to earn 70% interest in a joint venture with Commander Resources Ltd. (“Commander”) from Cameco Corporation (“Cameco”),

**e) Greenoaks Gold Property**

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

**Alto Ventures Ltd.**

*(A Development Stage Company)*

**Notes to Financial Statements**

**As at December 31, 2006 and 2005**

*Canadian Funds*

---

**5. Investment – Mineral Properties - Continued**

**f) Dog Lake Property**

By agreements dated June 4, 2004, the Company purchased the Dog Lake Gold property located approximately 14 kilometres southwest of Missinabie, Ontario from Hidefield in consideration for 2,200,000 (issued) common shares of the Company. .

**g) Mud Lake Property**

On August 1, 2004, the Company obtained the option, from an unrelated party, to acquire a 100% interest in the Mud Lake property by making a cash payment of \$10,000 and issuing 50,000 common shares of the Company (issued and paid) on signing the agreement, a cash payment of \$15,000 (paid) and issuing 50,000 shares valued at \$5,000 upon the first anniversary date of the agreement (issued) and a cash payment of \$15,000 and issuing 50,000 shares upon the second anniversary date of the agreement (issued and paid). The vendors will retain a 2.5% NSR and the Company has the right to buyback 1.5% of the NSR for \$500,000.

**h) Cote-Archie Lake Property**

On September 13, 2004, the Company obtained the option from, an unrelated party, to acquire a 100% interest in the Cote-Archie Lake property by making a cash payment of \$20,000 and issuing 50,000 common shares of the Company valued at \$5,000 (issued and paid) on signing of the agreement, a cash payment of \$10,000 and issuing 50,000 shares upon the first anniversary date of the agreement valued at \$5,000 (issued and paid) and a cash payment of \$10,000 and issuing 50,000 shares (issued and paid) upon the second anniversary date of the agreement. The vendors will retain a 2.0% NSR and Alto has the right to buyback 1.0% of the NSR for \$1,000,000.

**i) Empress-Ridout Property**

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

**g) Burchell Property**

On May 3, 2006, the Company entered into an agreement with Canadian Golden Dragon Resources Ltd. (“CGD”) to acquire a 100% interest in the Burchell Property located in the province of Ontario by making a cash payment of \$5,000 and issuing 25,000 common shares of the Company valued at \$4,375 (issued and paid) on signing of the agreement, a cash payment of \$10,000 and issuing 50,000 shares upon the first anniversary date of the agreement and a cash payment of \$25,000 and issuing 125,000 shares upon the second anniversary date of the agreement and a cash payment of \$50,000 and issuing 200,000 shares upon the third anniversary date of the agreement. The vendors will retain a 2.0% NSR. The Company is required to incur exploration expenditures to maintain the property in good standing.

**Alto Ventures Ltd.***(A Development Stage Company)***Notes to Financial Statements****As at December 31, 2006 and 2005***Canadian Funds***6. Share Capital**a) **Common shares**

Authorized: Unlimited common shares without par value

	Number of Shares	Amount	Contributed Surplus
<b>Issued:</b>			
Balance – June 30, 2005	42,803,648	\$ 10,241,130	\$ 261,240
Units issued in exchange for cash (*)	11,090,000	797,218	311,782
Fair value of options granted	-	-	33,768
Fair value of options exercised	-	10,165	(10,165)
Fair value of agent warrants granted	-	-	13,476
Stock options exercised	95,000	14,250	-
Share issuance costs	-	(44,206)	-
Issued in exchange for mineral properties	1,082,895	143,125	-
Balance – June 30, 2006	55,071,543	\$ 11,161,682	\$ 610,101
Units issued in exchange for cash (*)	3,337,500	333,750	-
Fair value of warrants granted	-	55,076	(55,076)
Fair value of options granted	-	-	74,975
Issued in exchange for mineral properties	100,000	10,000	-
<b>Balance – December 31, 2006</b>	<b>58,509,043</b>	<b>\$ 11,560,508</b>	<b>\$ 630,000</b>

\* The Company completed the first tranche of a private placement raising \$333,750 through the issuance of 3,337,500 units. Each unit was sold at \$0.10 and consists of one common share and one warrant. Each warrant will entitle the holder to purchase an additional common share at a price of \$0.20 during the first year. The warrants attached have been valued at \$55,076 based upon average of the residual method and the Black Scholes method (using the assumptions as follows):

<b>Assumption</b>	
Expected dividend yield	0.00%
Expected stock price volatility	91.0%
Risk-free interest rate	3.80%
Expected life of warrants	1 year

The terms and conditions of the warrants also contain an accelerated exercise provision that, if the Company's shares trade on a weighted average of \$0.30 for 20 consecutive trading days, warrant holders will be given notice that they have 30 days to exercise or their warrants will expire.

**Alto Ventures Ltd.**  
*(A Development Stage Company)*  
**Notes to Financial Statements**  
**As at December 31, 2006 and 2005**  
*Canadian Funds*

**6. Share Capital - Continued**

b) **Warrants**

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

	Number of Warrants	Weighted Average Exercise Price
Balance – June 30, 2005	19,118,889	\$ 0.26
Granted	11,090,000	0.15
Agents warrants *	306,700	0.15
Expired	(8,000,000)	0.20
Balance – June 30, 2006	22,515,589	\$ 0.22
Granted	3,320,000	0.20
Agents warrants	17,500	0.20
Expired	(11,118,889)	0.30
<b>Balance – December 31, 2006</b>	<b>14,734,200</b>	<b>0.16</b>

Of the warrants outstanding at December 31, 2006:

- 7,668,200 warrants are exercisable at \$0.15 per share up to January 24, 2007 and \$0.20 per share up to January 24, 2008
- 3,728,500 warrants are exercisable at \$0.15 per share up to February 9, 2007 and \$0.20 per share up to February 9, 2008
- 3,337,500 warrants are exercisable at \$0.20 per share up to December 27, 2007.

**Alto Ventures Ltd.***(A Development Stage Company)***Notes to Financial Statements****As at December 31, 2006 and 2005***Canadian Funds***6. Share Capital – Continued****c) Share Purchase Options**

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

The following is a summary of the Company's options at June 30, 2006 and December 31, 2006 and the changes for the period are as follows:

Exercise Price	Outstanding June 30, 2006	Granted	Exercised	Outstanding December 31, 2006	Expiry Date
\$0.10	131,000	-	-	131,000	August 30, 2007
\$0.15	1,200,000	-	-	1,200,000	September 30, 2009
\$0.15	790,000	-	-	790,000	June 20, 2010
\$0.16	240,000	-	-	240,000	March 21, 2011
\$0.12	-	550,000	-	550,000	December 19, 2011
	2,361,000	550,000	-	2,911,000	

**7. Related Party Transactions**

- a) At December 31, 2006, the Company owed \$156,663 (2005: \$9,661) to companies with Directors in common and officers .

The following are related party transactions for the three months ended December 31, 2006 and 2005:

	December 31, 2006	December 31, 2005
	\$	\$
Hamilton Capital Partners Limited (Company with a Director in Common)	7,500	7,500
RWA Management – administrative services (Company with a former Officer in Common)	-	20,400
HRG Management Ltd. – administrative services, fixed assets (Company with Directors in Common, see note 10)	54,546	-
Mirador Management (Company with a Director in Common)	21,000	24,000
John Prochnau- consulting (Director)	4,000	-
Mike Koziol – geological consulting services (Officer)	36,000	23,400
Lang Michener – legal services (Legal Company with a Company Director)	738	1,024
<b>Total</b>	<b>123,784</b>	<b>76,324</b>

**Alto Ventures Ltd.***(A Development Stage Company)***Notes to Financial Statements****As at December 31, 2006 and 2005***Canadian Funds*

---

**8. Segment Information**

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

**9. Supplementary Cash Flow Information**

<b>Non-Cash Financing and Investing Activities include:</b>	<b>2006</b>		<b>2005</b>	
Shares issued for property costs	\$	<b>10,000</b>	\$	85,000
Stock option compensation (mineral properties)	\$	<b>74,975</b>	\$	-
Accounts payable included in resource properties	\$	<b>12,835</b>	\$	10,024

**10. Commitments**

The Company entered into a services agreement, effective February 1, 2006 (renewed February 1, 2007), with HRG Management Ltd. ("HRG") in which the Company will pay a monthly corporate administration fee of approximately \$12,262 (2006 - \$13,141) which includes office administration, accounting, corporate secretarial, chief financial officer, investor relations and other related services at cost. HRG is a captive management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost only basis. The Company shares two common directors with HRG.

**11. Subsequent events**

1. Subsequent to December 31, 2006, the Company completed the second tranche of financing raising \$750,000 through the issuance of 7,500,000 units. Each unit was sold at \$0.10 and consists of one common share and one warrant. Each warrant will entitle the holder to purchase an additional common share at a price of \$0.20 during the first year.
2. Subsequent to December 31, 2006, the Company converted a related party advance of \$100,000 from Hidefield Gold Plc ("HIF") into units in the second tranche of financing. The Company has directors in common with HIF.



**MANAGEMENT DISCUSSION AND  
ANALYSIS**

**FOR THE SIX MONTHS ENDED DECEMBER 31, 2006**



## INTRODUCTION

The following discussion of performance and financial condition should be read in conjunction with the annual audited financial statements of the Company for the year ended June 30, 2006. The Company's financial statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is February 27, 2006.

## DESCRIPTION OF BUSINESS

Alto Ventures Ltd. (the "Company") was incorporated under the provisions of the British Columbia Business Corporations Act (formerly the BC Company 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.

## RESULTS OF OPERATIONS

### Quarter-to-date

The Company incurred a \$142,564 loss for the three months ended December 31, 2006 as compared to a loss of \$121,546 for the same period last year. This amounts to a \$21,018 increase over same period last year. Expenses that decreased were management fees (\$13,500). Increases were due to expanded investor relations and corporate communications (\$17,888), regulatory fees (\$6,359) and office expenses (\$9,843).

Cash and cash equivalents balance increased by \$3,081 to \$86,504 at December 31, 2006. The cash spending for mineral properties was \$92,086. Cash expenditures on exploration included \$19,824 on the Despinassy JV, Coldstream (\$38,034), \$4,338 on Mud Lake, and \$29,890 on other/new projects.

### Year-to-date

The Company incurred a \$277,941 loss for the six months ended December 31, 2006 as compared to a loss of \$246,510 for the same period last year. This amounts to a \$31,431 increase over same period last year. Expenses that decreased were management fees (\$27,000) and travel (7,044). Increases were due to expanded investor relations and corporate communications (\$34,000), professional fees (\$6,119) and office expenses (\$18,149).

---

**RESULTS OF OPERATIONS****Year-to-date (continued)**

Cash and cash equivalents balance decreased by \$501,208 to \$86,504 at December 31, 2006. The cash spending for mineral properties was \$403,950. Cash expenditures on exploration included \$194,393 on the Despinassy JV, Coldstream (\$112,344), Cote-Archie Lake (\$15,000), \$19,661 on Mud Lake, \$37,287 on Empress Ridout and \$25,265 on other/new projects.

**SUMMARY OF QUARTERLY RESULTS**

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

In thousands(000's)	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
<b>Financial results</b>								
Net loss for period	143	135	121	176	122	125	302	84
Basic and diluted loss per share	-	0.01	-	-	-	0.01	0.01	-
Expenditures on resource properties (cash)	92	312	579	240	176	234	215	472
<b>Balance sheet data</b>								
Cash and short term deposits	87	83	588	1,054	347	547	988	1,427
Resource properties	4,278	4,133	3,789	3,534	3,215	3,038	2,799	2,584
Total assets	4,910	4,527	4,725	4,788	3,722	3,816	3,965	4,250
Shareholders' equity #	4,713	4,447	4,572	4,612	3,681	3,727	3,847	4,070

**SUBSEQUENT EVENT**

Subsequent to December 31, 2006, the Company completed the second tranche of financing raising \$750,000 through the issuance of 7,500,000 units. Each unit was sold at \$0.10 and consists of one common share and one warrant. Each warrant will entitle the holder to purchase an additional common share at a price of \$0.20 during the first year.

Subsequent to December 31, 2006, the Company converted the related party advance of \$100,000 from Hidefield Gold Plc ("HIF") into units as part of the second tranche of financing. The Company has directors in common with HIF.

## LIQUIDITY

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

The financial statements from Schedule A have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	December 31, 2006	June 30, 2006	June 30, 2005
Working capital(deficit)	\$ 423,979	\$ 770,968	\$ 1,036,943
Deficit	\$ (7,477,375)	\$ (7,199,434)	\$ (6,655,301)

## TRANSACTIONS WITH RELATED PARTIES

- a) At December 31, 2006, the Company owed \$156,663 (2005:\$9,661) to companies with common Directors.
- a) Mirador Management is compensation for an Officer's services to the Company. The following are related party transactions for the three months ended December 31, 2006 and 2005:

	December 31, 2006	December 31, 2005
Mike Koziol – geological consulting services (Officer)	\$ 36,000	\$ 23,400
Mirador Management (Company with a Director in Common)	21,000	24,000
RWA Management – administrative services (Company with a former Officer in Common)	-	20,400
HRG Management Ltd. – administrative services and fixed assets (Company with Directors in Common, see note 10)	54,546	-
Hamilton Capital Partners Limited (Company with a Director in Common)	7,500	7,500
John Prochnau – consulting (Director)	4,000	-
Lang Michener – legal services (Legal Company with a Company Director)	738	1,024
<b>Total</b>	<b>\$ 123,784</b>	<b>\$ 76,324</b>

## COMMITMENTS

Entered into a services agreement, effective February 1, 2006 (renewed February 1, 2007), with HRG Management Ltd. (“HRG”) in which the Company will pay a monthly corporate administration fee of approximately \$12,262 (2006 - \$13,141) which includes office administration, accounting, corporate secretarial, chief financial officer, investor relations and other related services at cost. HRG is a captive management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost only basis. The Company shares two common directors with HRG.

## SHARE CAPITAL INFORMATION

The table below presents the Company’s common share data as of February 27, 2007.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			66,009,043
Securities convertible into common shares			
Warrants	\$0.20	January 24, 2008	7,668,200
	\$0.20	February 9, 2008	3,728,500
	\$0.20	December 27, 2007	3,337,500
	\$0.20	January 19, 2008	7,500,000
Options	\$0.10	August 30, 2007	131,000
	\$0.15	December 2, 2009	1,200,000
	\$0.15	May 12, 2010	790,000
	\$0.16	March 21, 2011	240,000
	\$0.12	December 19, 2011	550,000
			<u>91,154,243</u>

### Common Shares

The Company completed the first tranche of a private placement raising \$333,750 through the issuance of 3,337,500 units. Each unit was sold at \$0.10 and consists of one common share and one warrant. Each warrant will entitle the holder to purchase an additional common share at a price of \$0.20 during the first year.

### Stock Options

On December 19, 2006, 550,000 stock options were granted at \$0.12 exercisable on or before December 19, 2011

The weighted average remaining contractual life of the outstanding options is 3.0 years.

**INVESTMENT IN MINERAL PROPERTIES**

The following table shows the activity from July 1, 2006 to December 31, 2006:

<b>Property</b>	<b>June 30, 2006</b>	<b>Acquisitions</b>	<b>Deferred Explorations</b>	<b>Tax Credit</b>	<b>December 31, 2006</b>
Alcudia Claims	\$ 108,744	-	\$ 15,108	\$ -	\$ 123,882
Coldstream Property	614,059	-	112,344	-	726,403
Cote Archie Lake	204,381	\$ 15,000	-	-	219,381
Despinassy JV Property	984,554	150,000	44,393	-	1,179,947
Dog Lake Property	231,928	-	-	-	231,928
Greenoaks Gold Property	457,072	-	-	-	457,072
Mud Lake Property	146,846	5,000	19,661	-	171,507
Oxford Lake	922,529	-	5,381	-	927,910
Empress-Ridout Property	26,277	-	37,287	-	63,564
Generative exploration	91,734	-	84,751	-	176,485
<b>Total Mineral Properties</b>	<b>\$ 3,789,154</b>	<b>\$ 170,000</b>	<b>\$ 318,925</b>	<b>\$ -</b>	<b>\$ 4,278,079</b>

The following table shows the activity from July 1, 2005 to June 30, 2006:

<b>Property</b>	<b>June 30, 2005</b>	<b>Acquisitions</b>	<b>Deferred Explorations</b>	<b>Tax Credit</b>	<b>June 30, 2006</b>
Alcudia Claims	\$ 109,607	\$ -	\$ (833)	\$ -	\$ 108,774
Coldstream Property	191,484	77,750	344,825	-	614,059
Cote Archie Lake Property	111,802	15,000	77,579	-	204,381
Despinassy JV Property	717,423	100,000	551,867	(383,736)	985,554
Dog Lake Property	221,055	-	10,873	-	231,928
Greenoaks Gold Property	456,090	-	982	-	457,072
Mud Lake Property	64,331	20,000	62,515	-	146,846
Oxford Lake Property	894,712	-	27,817	-	922,529
Empress-Ridout Property	20,000	-	6,277	-	26,277
Generative exploration	12,892	16,095	62,747	-	91,734
<b>Total Mineral Properties</b>	<b>\$ 2,799,396</b>	<b>\$ 228,845</b>	<b>\$ 1,144,649</b>	<b>\$ (56,250)</b>	<b>\$ 3,789,154</b>

**INVESTMENT IN MINERAL PROPERTIES (continued)**

<b>Deferred Mineral Costs</b>	<b>December 31, 2006</b>	<b>December 31, 2005</b>
Diamond drilling	\$ 93,920	\$ 13,165
Acquisition and claim staking	172,643	149,452
Management and planning of projects	41,484	42,856
Mapping	41,420	14,964
Line cutting, trenching and blasting	14,379	32,578
Geological surveys	2,195	47,188
Prospecting	-	37,302
Data compilation and digitizing	21,796	21,549
Travel, camp and other expenses	2,035	19,565
Assessment reports and filing works	2,836	5,338
License, permits and taxes	15,524	291
Stock-based compensation	74,975	-
Assays	325	29,727
Leases	-	-
<b>Deferred Exploration Costs for the Year</b>	<b>488,925</b>	<b>415,415</b>
<b>Deferred Exploration Costs – Beginning of Year</b>	<b>3,789,154</b>	<b>2,799,396</b>
<b>Deferred Exploration Costs – End of Year</b>	<b>\$ 4,278,079</b>	<b>\$ 3,214,811</b>

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

a) Despinassy Property, Quebec

The Despinassy project is located in Despinassy Township, approximately 75 km northeast of Val d'Or, Quebec and lies within the Archean age Abitibi greenstone belt in the eastern Superior Province in Quebec. The property consists of 4,454 hectares held by the Despinassy Joint Venture. The Company completed its purchase of a 70 % interest in the property from Cameco Corporation during the quarter by making a one time payment of \$150,000. Commander Resources Ltd. is a 30% joint venture partner. In addition, the Company owns 6,457 hectares of 100% owned ground. Prior to the Company's acquisition of the property, a total of 23,005 metres (m) was drilled by Cameco and previous operators, resulting in the discovery of the DAC deposit with gold mineralization encountered to a depth of 600 m and over a 5 km strike extent along the Despinassy Shear Zone.

---

**INVESTMENT IN MINERAL PROPERTIES (continued)**Despinassy Property, Quebec (continued)

The Company completed Phase 1 and Phase 2 diamond drilling programs on the Despinassy Property in 2005 and 2006 which combined totalled over 10,400 m. The drilling was sufficient to prepare a Mineral Resource Estimate consistent with guideline set out in National Instrument 43-101. The Resource Estimate was prepared by Hubacheck Consulting Geologists (HCG) of Mississauga, Ontario in January 2007. At the 3.0 g/t gold cut-off grade, HCG estimates that the Indicated Mineral Resources of the DAC Deposit total 167,000 at an average grade of 6.88 g/t. In addition, at the 2.0 g/t gold cut-off grade, HCG estimates that the Inferred Mineral Resources total 445,000 tonnes at an average grade of 4.46 g/t gold. Deep drilling by an earlier operator intersected significant gold mineralization at 600 m depth that is not included in the current resource estimates. Some of the intercepts from this deep drill hole include 26.6 g/t gold over 1.1 m, 8.4 g/t over 1.0 m and 9.4 g/t over 1.4m. Alto is currently studying the possibility of taking the project to an underground exploration stage. Estimates of costs to carry out an underground exploration program were requested from a qualified mining contractor.

Drilling one kilometre to the east of the DAC Deposit along the same shear/alteration corridor resulted in the discovery of the Darla Zone where 19.5 g/t gold over 2.1 m was discovered. The discovery of the Darla Zone indicates potential for additional shallow gold resources and further demonstrates the exploration potential of the 6 km long Despinassy Shear.

b) Coldstream Property, Ontario

The Company owns a 100% interest in 3,056 hectares located in the Shebandowan greenstone belt approximately 100 km west of Thunder Bay, Ontario. The property includes the former producing North Coldstream copper-silver-gold mine and the East Coldstream gold deposit. During the past year, the Company made strategic land purchases that cover approximately 10 km of a prospective mineralized structure and completed a 2,062 m drill program on the East Coldstream gold deposit. Drilling has confirmed the wide zones of gold mineralization grading 1.2 g/t gold over 68 m and has extended the mineralization along strike. The mineralized system has now been traced for two km at East Coldstream and remains open along strike and to depth.

The East Coldstream gold deposit occurs at the northeast end of a linear corridor that extends west-southwest for over 20 km and includes the North Coldstream copper-gold-silver mine (historical production of 102 million pounds of copper, 440,000 ounces of silver and 22,000 ounces of gold from 2.7 million tons of ore), the Company's Burchell property with multiple gold zones of up to 0.95 g/t gold over 34 m, the Moss Lake gold deposit with a NI43-101 resource estimate of 50.9 million tonnes grading 0.92 g/t gold (1.5 million contained ounces of gold) and several significant mineral occurrences to the southwest.

---

**INVESTMENT IN MINERAL PROPERTIES (continued)****b) Coldstream Property, Ontario (continued)**

The styles of alteration and mineralization at East Coldstream display many characteristics of Iron-Oxide- Copper-Gold (IOCG) deposits found in other parts of the world. Recognition of this style of mineralization is significant since IOCG deposits are typically large deposits with substantial quantities of gold, copper and other metals.

**c) Oxford Lake Property, Manitoba**

The Company owns a 100% interest in 2,870 hectares of mineral claims and a 5,516 hectare mineral exploration permit, located 160 km southeast of Thompson, Manitoba. Noranda outlined an historical resource estimate of 800,000 tonnes grading 6 grams gold per tonne, totalling 154,000 ounces of gold at the Rusty Zone (see SEDAR Filing dated December 23, 2004 for NI43-101 disclosure on this resource estimate). Further gold mineralization up to 10 g/t gold over 2 metres was encountered by Noranda, 2 km east of the Rusty Zone in the same oxide iron formation. In total, 6 km of strike length of prospective auriferous iron formation has been identified on the property that has never been drilled. A consolidation of the land position in the past year has positioned the property for joint venture.

**d) Mud Lake Property, Ontario**

The Mud Lake property, located 25 km northeast of Beardmore, Ontario, consists of 1,696 hectares located in the Beardmore-Geraldton gold camp. The Company has earned a 100% interest in the project.

The 2005 summer exploration program identified 10 main gold showings ranging from 4.1 to 50.6 g/t in grab samples. Gold occurs principally within quartz-carbonate veins and areas of silicification along a major auriferous shear structure that extends for 6 kilometres along strike within the Coyle Lake Intrusive. The property has only seen limited drilling since the 1930's. Several of the veined shears that are cut by stringers of pyrite and chalcopyrite carry the best gold values. A 16.9 line kilometre Induced Polarization survey has outlined 20 anomalies along strike of existing surface showings and in overburden covered areas.

In February, 2007, the Company drilled 12 shallow holes totalling 730 m to test three (Clarke, Oliver-Severn and Trench 6) of the showings along the 6 km shear structure. The results are pending.

**INVESTMENT IN MINERAL PROPERTIES (continued)**e) Cote-Archie Lake Property, Ontario

The Cote Archie Lake property, located 5 km north of Beardmore, Ontario consists of 2,672 hectares in the Beardmore-Geraldton Gold Camp. The Company has earned a 100% interest in the project. Alto confirmed the existence of an extensive shear hosted gold-quartz vein system (Cote-Archie Shear) that was traced along strike for over two kilometres on the property. Individual shears are up to 12 metres wide and carry highly anomalous gold values, with higher grades up to 11.2 g/t over 1.0m continuous chip sample.

The Cote-Archie Shear is a major auriferous shear system that is interpreted to lie on strike with the shear system associated with the Leitch Mine which produced 860,000 ounces gold at an average grade of 0.92 opt (31.5 grams per tonne) gold prior to its closure in 1968. Despite previous work by Placer Dome in the 1980's, the Cote-Archie Shear Zone had not been recognized before and consequently has only been sparsely drilled at its northeast end. The Cote-Archie Shear is a new and highly prospective auriferous vein structure that is ready for drilling

In February 2007, the Company drilled 2 holes totalling 181 m to test the wide auriferous Cote-Archie Shear exposed by the Company in 2005. The results are pending

f) Greenoaks Property, Ontario

The 100% owned Greenoaks property, consisting of 409 hectares is located 43 kilometres northeast of Beardmore, Ontario. A gold bearing quartz vein has been tested to a depth of 30 m with grades averaging 15 g/t. In February, 2007 the Company completed five holes totalling 332 m to extend the mineralization along strike and to test for down plunge extensions to the previously discovered high-grade gold-quartz veins. Results are pending.

g) Dog Lake Property, Ontario

The Dog Lake property, located 14 km southwest of Missinabie, Ontario, in the Michipicoten greenstone belt, consists of 8 patented claims that cover 155 hectares. Previous work delineated gold bearing quartz veins with dimensions up to 34 metres long by 3 metres thick containing an average of 0.19 oz. /t gold. A short program of prospecting, mapping and sampling was completed in September 2005 located a shear zone that is from 20 to 25 metre wide and extends for approximately 1.5 kilometres across the property. Wide spread carbonate alteration and quartz veining are associated with the shear zone which occurs within a blue quartz-eye diorite. Results from the Company's 2005 work program returned up to 26.8 g/t gold and up to 0.41 g/t Pt+Pd.

**INVESTMENT IN MINERAL PROPERTIES (continued)**h) Alcudia Property, Ontario

The 100% owned Alcudia property totalling 320 hectares is located adjacent to Noront's Windfall Lake property in Urban Township. A surface hydraulic stripping-trenching and sampling program was completed on the property in September 2006. Future work on this project will be based in part on the results obtained from underground exploration that is being initiated by Noront Resources on the adjoining Windfall Property

i) Empress-Ridout Properties, Ontario

The Empress gold project is comprised of 1,312 hectares and is located adjacent to the Trans-Canada Highway near Terrace Bay in the productive Schreiber-Hemlo greenstone belt, Ontario. The Company has acquired a 100% interest from Cameco Corporation for cash consideration of \$20,000, subject to a 2% net smelter royalty with a buyback of 1% for \$1 million.

Gold mineralization on the project claims occurs within a 15-25 m wide shear zone identified at the historic Empress gold mine immediately to the west and traceable for 1.8 km within the property.

A summer program of mapping and prospecting was completed in 2006. The work has confirmed the presence of a well mineralized shear zone that extends for almost 2 kilometres across the property. The shear zone is up to 25 metres wide and locally contains high gold grades. Gold mineralization obtained from previous work includes 22.3 g/t gold across 3 metres in surface trenching and 44.4 g/t gold over 0.6 metres in diamond drilling. The 2006 work has identified specific diamond drill targets along the mineralization shear zone and approximately 1,000 metres of drilling is required to test these targets.

**FINANCIAL AND OTHER INSTRUMENTS**

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

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

## **CRITICAL ACCOUNTING ESTIMATES**

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

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

## **RISKS AND UNCERTAINTIES**

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

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available on acceptable terms in the future.
- c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.

**RISKS AND UNCERTAINTIES (continued)**

- d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future.
- f) There is no certainty that the properties which the Company has deferred as assets on its balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

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

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

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

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information. The company's CEO and CFO have confirmed to the Company that they are satisfied with the effectiveness of the Company's system of disclosure controls and procedures as at December 31, 2006 based upon their evaluation of the effectiveness of such disclosure controls and procedures.

**OTHER 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).

**CAUTION REGARDING FORWARD LOOKING STATEMENTS**

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