

ALTO VENTURES LTD.
(An Exploration Stage Company)

Interim Financial Statements

December 31, 2007 and 2006

Un-audited

Management Responsibility for Financial Reporting

The accompanying financial statements have been prepared by management and are in accordance with Canadian generally accepted accounting principles. Other information contained in this document has also been prepared by management and is consistent with the data contained in the financial statements. A system of internal control is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has a process in place to evaluate internal control over financial reporting. Based on that evaluation, management has concluded that internal control over financial reporting was effective as of December 31, 2007.

The board of directors approves the financial statements and ensures that management discharges its financial responsibilities. The board's review is accomplished principally through the audit committee. The audit committee meets periodically with management and the auditors to review financial reporting and control matters.

“Kenneth P. Judge”
Chairman of the Board

“Mike Koziof”
President & CEO

February 26, 2008
Vancouver, British Columbia

Alto Ventures Ltd.
(An Exploration Stage Company)
Interim Balance Sheets

Statement 1

As at
Canadian Funds
Unaudited

ASSETS	December 31, 2007	June 30, 2007(Audited)
Current		
Cash and cash equivalents	\$ 1,790,393	\$ 301,123
Restricted cash <i>(Note 2a)</i>	1,248,617	-
Subscriptions receivable <i>(Note 6b)</i>	100,000	-
Marketable securities <i>(Note 3)</i>	12,000	17,500
Receivables	139,639	97,010
Due from joint venture partner	27,450	-
Quebec Exploration Tax Credit receivable	23,038	23,038
Prepaid expenses and deposits	134,858	26,025
	3,475,995	464,696
Mineral Properties <i>(Note 5)</i>	4,885,777	4,652,648
Property and Equipment <i>(Note 4)</i>	7,155	8,417
	\$ 8,368,927	\$ 5,125,761

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 92,733	\$ 52,381
Advances from related parties <i>(Note 7)</i>	3,335	3,335
	96,068	55,716

SHAREHOLDERS' EQUITY

Share Capital <i>(Note 6a)</i>	14,768,960	12,030,090
Contributed Surplus <i>(Note 6a)</i>	1,834,523	853,996
Deficit - Statement 2	(8,325,124)	(7,814,041)
Accumulated Other Comprehensive Loss - Statement 3	(5,500)	-
	8,272,859	5,070,045
	\$ 8,368,927	\$ 5,125,761

Going Concern and Nature of Operations *(Note 1)*

Subsequent events *(Note 12)*

Commitments *(Notes 10)*

ON BEHALF OF THE BOARD:

"David Cowan"
David Cowan
Director

"Mike Koziol"
Mike Koziol
Director

The accompanying notes are an integral part of these interim financial statements

Alto Ventures Ltd.*(An Exploration Stage Company)*Statement 2**Interim Statements of Loss and Deficit***Canadian Funds**Unaudited*

	Three month period ended December 31, 2007	Six month period ended December 31, 2007	Three month period ended December 31, 2006	Six month period ended December 31, 2006
Expenses				
Stock-based compensation	\$ 195,975	\$ 199,977	\$ -	\$ -
Investor relations and shareholder information	62,400	88,392	49,048	87,050
Office and miscellaneous	35,322	55,348	27,973	52,811
Professional fees	21,670	34,580	12,739	26,030
Administrative services	16,536	33,070	17,898	35,856
Directors' fees	15,000	30,000	12,000	24,000
Transfer agent and regulatory fees	14,446	16,234	11,973	13,628
Salaries and wages	14,330	41,844	-	-
Consulting fees	10,250	17,750	11,714	20,214
Rent	8,400	16,646	9,131	17,772
Travel and promotion	6,619	16,593	3,495	4,101
Amortization	631	1,263	576	1,152
Management fees	-	-	10,500	21,000
Interest and bank charges	-	-	197	980
	401,579	551,697	167,244	304,594
Other Income				
Joint venture management fees	(18,229)	(20,677)	-	-
Interest income	(17,772)	(19,937)	(340)	(2,313)
Gain on sale of marketable securities	-	-	(24,340)	(24,340)
	365,578	511,083	142,564	277,941
Net Loss for the Period	365,578	511,083	142,564	277,941
Deficit - Beginning of Period	7,959,546	7,814,041	7,334,811	7,199,434
Deficit – End of Period	\$ 8,325,124	\$ 8,325,124	\$ 7,477,375	\$ 7,477,375
Weighted Average Shares Outstanding	84,672,023	75,397,571	55,242,559	55,206,857
Loss per Share – Basic and Diluted	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.01

The accompanying notes are an integral part of these interim financial statements

Alto Ventures Ltd.*(An Exploration Stage Company)***Interim Statements of Comprehensive Loss***Canadian Funds**Unaudited*Statement 3

		Three months period ended December 31, 2007	Six months period ended December 31, 2007		Three months period ended December 31, 2006	Six months period ended December 31, 2006
Loss for the period	\$	365,578	511,083	\$	-	-
Unrealized loss on available for sale securities		<u>1,250</u>	<u>5,500</u>		-	-
Comprehensive loss for the period	\$	366,828	516,583	\$	-	-

The accompanying notes are an integral part of these interim financial statements

Alto Ventures Ltd.*(An Exploration Stage Company)***Interim Statements of Cash Flows***Canadian Funds**Unaudited*Statement 4

Cash Resources Provided By (Used In)	Three months ended December 31, 2007	Six months ended December 31, 2007	Three months ended December 31, 2006	Six months ended December 31, 2006
Operating Activities				
Loss for the period	\$ (365,578)	\$ (511,083)	\$ (142,564)	\$ (277,941)
Items not affected by cash:				
Amortization	631	1,263	576	1,152
Stock based compensation	195,975	199,978	-	-
Gain on sale of marketable securities	-	-	(24,340)	(24,340)
	(168,972)	(309,842)	(166,328)	(301,129)
Changes in non-cash working capital items	(114,845)	(138,560)	10,582	(31,225)
Net cash used in operating activities	(283,817)	(448,402)	(155,746)	(332,354)
Financing Activities				
Advances from related parties	-	-	156,663	140,846
Share issuance costs	(106,864)	(106,864)	-	-
Common shares issued	3,561,020	3,561,020	332,000	332,000
Subscriptions receivable	(100,000)	(100,000)	(246,750)	(246,750)
Net cash used by financing activities	3,354,156	3,354,156	241,913	226,096
Investing Activities				
Mineral property expenditures	(280,448)	(341,005)	(92,086)	(243,950)
Acquisition of mineral properties	(39,677)	(58,635)	-	(160,000)
Contributions of joint venture partner received	182,293	231,773	-	-
Due to joint venture partner	(53,072)	-	-	-
Sale of marketable securities	-	-	9,000	9,000
Net cash used by investing activities	(190,904)	(167,867)	(83,086)	(394,950)
Net decrease in Cash and Cash Equivalents	2,879,435	2,737,887	3,081	(501,208)
Cash and cash equivalents - Beginning of Period	159,575	301,123	83,423	587,712
Cash and Cash Equivalents - End of Period	\$ 3,039,010	\$ 3,039,010	\$ 86,504	\$ 86,504

Supplementary Cash Flow Information *(Note 9)*

The accompanying notes are an integral part of these interim financial statements

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

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. Its ability to continue as a going concern is dependant upon 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

Cash equivalents consist of highly liquid investments which 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 is shown on the balance sheet as "Restricted Cash." As at December 31, 2007 there was \$1,248,617 (2006 -\$NIL) in restricted cash as exploration expenditures in 2007 was less than the required expenditures pursuant to flow through share agreements.

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 loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method.

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

2. Significant Accounting Policies - Continued

c) Financial Instruments – Recognition and Measurement

On July 1, 2007, the Company adopted Section 3855 of the CICA Handbook which 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 OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instruments or other contracts but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in the Company's loss for the period, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI. Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855.

Other significant accounting implications arising on adoption of Section 3855 include the initial recognition of certain financial guarantees at fair value on the balance sheet and the immediate expensing of any related transaction costs, fees or premiums.

The fair value of amounts due to and from related parties is estimated to approximate carrying value. Fair value adjustments, if any, are not reasonably determinable by management as comparable interest rate and risk profiles are not available.

Net smelter return ("NSR") royalties and related purchase provisions associated with mineral property interests represent derivatives that are financial instruments. The fair value of such instruments, where reserves and economic feasibility have not been established, cannot be readily determined with reliability. Accordingly, management has not made a determination of fair value for these 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, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

2. Significant Accounting Policies - *Continued*

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, 2007, 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.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

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 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.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

2. Significant Accounting Policies - Continued

1) Joint Venture Accounting

A portion of the Company's exploration activities is 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.

3. Marketable Securities

Marketable securities consist of 50,000 shares of Wescan Goldfields Inc. ("WGF") on December 31, 2007. (2006 – nil) with a market value of \$12,000 (September 30, 2007: \$4,250) and cost of \$17,500. For the period ended December 31, 2007, \$1,250 has been recorded as an un-realized loss and recorded to other comprehensive loss. June 30, 2006 market securities consisted of 60,000 shares of Noront Resources Inc. ("Noront") market value of \$10,200 and book value of \$9,000. The Company's current/past share ownership in WGF and Noront was minimal and do not result in control or significant influence over either WGF or Noront.

4. Property and Equipment

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 22,539	\$ 15,384	\$ 7,155
Furniture and equipment	1,676	1,676	-
	<u>\$ 24,215</u>	<u>\$ 17,060</u>	<u>\$ 7,155</u>

	June 30, 2007		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 22,539	\$ 14,122	\$ 8,417
Furniture and equipment	1,676	1,676	-
	<u>\$ 24,215</u>	<u>\$ 15,798</u>	<u>\$ 8,417</u>

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

5. Mineral Properties

The following table shows the activity from July 1, 2007 to December 31, 2007:

Property	June 30, 2007	Acquisitions	Deferred Explorations	JV Recovery	December 31, 2007
Alcudia Claims	\$ 128,542	\$ -	\$ -	\$ -	\$ 128,542
Coldstream Property	776,517	-	15,038	-	791,555
Cote Archie Lake Property	272,005	-	5,747	(25,000)	252,752
Cote 801 Property	3,564	38,660	15,986	-	58,210
Despinassy JV Property	1,212,140	-	39,749	-	1,251,889
Dog Lake Property	232,546	-	-	-	232,546
Greenoaks Gold Property	540,847	2,799	11,489	-	555,135
Mud Lake Property	323,863	-	182,214	(182,293)	323,784
Oxford Lake Property	928,222	-	42,254	-	970,476
Empress-Ridout Property	63,886	-	-	-	63,886
Other exploration properties	170,516	20,177	66,309	-	257,002
Total Mineral Properties	\$ 4,652,648	\$ 61,636	\$ 378,786	\$ (207,293)	\$ 4,885,777

The following table shows the activity from July 1, 2006 to June 30, 2007:

Property	June 30, 2006	Acquisitions	Deferred Explorations	JV and Tax Credit Recovery	June 30, 2007
Alcudia Claims	\$ 108,774	\$ -	\$ 19,767	\$ -	\$ 128,541
Coldstream Property	614,059	-	162,458	-	776,517
Cote Archie Lake Property	204,381	15,000	52,624	-	272,005
Cote 801 Property	-	3,564	-	-	3,564
Despinassy JV Property	985,554	150,000	99,624	(23,038)	1,212,140
Dog Lake Property	231,928	-	618	-	232,546
Greenoaks Gold Property	457,072	-	83,775	-	540,847
Mud Lake Property	146,846	5,000	189,517	(17,500)	323,863
Oxford Lake Property	922,529	-	5,693	-	928,222
Empress-Ridout Property	26,277	-	37,609	-	63,886
Other exploration	91,734	-	82,346	-	170,516
Total Mineral Properties	\$ 3,789,154	\$ 170,000	\$ 734,032	\$ (40,538)	\$ 4,652,648

Alto Ventures Ltd.

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Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

5. Mineral Properties – Continued

Mineral Property Costs	December 31, 2007	June 30, 2007
Diamond drilling	\$ 208,204	\$ 365,360
Acquisition and claim staking	61,636	200,270
License, permits and taxes	44,150	36,498
Line cutting, trenching and blasting	44,072	43,829
Stock based compensation	39,208	47,411
Data compilation and digitizing	16,395	26,835
Mapping	5,770	48,940
Prospecting	5,703	26,123
Assessment reports and filing works	4,395	53,628
Assays	3,724	(2,617)
Geological surveys	(1,691)	2,195
Management and planning of projects	(5,871)	55,186
Exploration tax credits	(10,273)	(23,038)
JV partner contribution	(182,293)	(17,500)
Travel, camp and other expenses	-	374
Mineral Property Costs for the Period	233,129	863,494
Mineral Property Costs – Beginning of Period	4,652,648	3,789,154
Mineral Property Costs – End of Period	\$ 4,885,777	\$ 4,652,648

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. 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 acquired 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 to Hidefield and expend \$100,000 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.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

5. Investment - Mineral Properties - *Continued*

b) Coldstream Property - *Continued*

On May 16, 2006, the Company acquired 100% interest in 416 hectares immediately west of the 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. 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 was a cash payment of \$4,000 (paid) and the issuance of 50,000 common shares (issued) of the Company valued at \$10,000. The vendors retain a 2.0% NSR royalty which the Company has 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 was 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

Pursuant to an agreement dated September 30, 2004, the Company acquired a 70% interest in the Despinassy property from Cameco Corporation for total consideration of \$350,000 in cash and shares when it made the final cash payment of \$150,000 on August 31, 2006.

On May 8, 2007, the Company received a confirmation letter establishing the new participation interest in the Despinassy Joint Venture 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 Despinassy Project. Under the terms of the LOI, the Company will acquire all of Commander’s interest in the Despinassy Joint Venture for a one time cash payment of \$375,000 and issue to Commander 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 will have the right to buy-down .5% of the NSR on the 83 claims for \$500,000.

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For the six month period ended December 31, 2007

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5. Investment – Mineral Properties - *Continued*

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.

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**

By an agreement dated August 1, 2004, the Company acquired a 100% interest in the Mud Lake property by making cash payments totalling \$40,000 and issuing 150,000 common shares of the Company (issued and paid). The vendors retain a 2.5% NSR and the Company has the right to buyback 1.5% of the NSR for \$500,000.

On June 13, 2007, the Company entered into an Option Agreement with Wescan Goldfields Inc. ("Wescan"). Under the term of the agreement, Wescan has the option to earn a 50% interest in the Mud Lake property by issuing 50,000 Wescan shares to Alto on execution of the agreement (shares received), issuing 50,000 Wescan shares upon the first anniversary date of the agreement, and issuing 50,000 Wescan shares upon the second anniversary of the agreement. In addition, Wescan is required to spend \$250,000 on exploration before the first anniversary date of the agreement and a further \$350,000 before the second anniversary date of the agreement. Alto will remain the project operator until a positive pre-feasibility is completed at which time, Wescan will have the option to become project operator.

h) **Cote-Archie Lake Property**

On September 13, 2004, the Company acquired a 100% interest in the Cote-Archie Lake property by making cash payments totalling \$45,000 and issuing 150,000 common shares of the Company (issued and paid). The vendors retain a 2.0% NSR and Alto has the right to buyback 1.0% of the NSR for \$1,000,000.

On July 18, 2007 the Company entered into an Option Agreement with Kodiak Exploration Ltd. Under the terms of the agreement, Kodiak has the option to earn a 51% interest in the Cote-Archie Lake property by paying \$25,000 in cash or issuing \$25,000 worth of Kodiak shares to the company (cash payment received), on the Effective Date of the Agreement, that being September 1, 2007. Additional payment terms are as follows: \$25,000 in cash or Kodiak shares upon the first anniversary of the Effective Date, \$25,000 in cash or Kodiak shares upon the second anniversary of the Effective Date and \$25,000 in cash or Kodiak shares upon the third anniversary date of the Effective Date. In addition, Kodiak must spend \$200,000 on exploration prior to the first anniversary, a further \$300,000 prior to the second anniversary and a final \$500,000 (for a total of \$1,000,000) prior to the third anniversary of the Effective Date of the agreement.

Upon earning a 51% interest, Kodiak then has the option to earn an additional 19% interest (for a total of 70%) by funding the completion of a positive feasibility study. Once Kodiak has earned a 70% interest in the project, the Company will have the option to participate in a 70%-30% Joint Venture or convert its interest to a 2.5% NSR royalty.

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

5. Investment – Mineral Properties - *Continued*

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 payable to original owners of the property. The Company has the option to buyout the 1% NSR for \$1 million.

j) 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 (paid) and issuing 50,000 shares (issued) 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 retain a 2.0% NSR. The Company is required to incur exploration expenditures to maintain the property in good standing.

k) Cote-801 Property

On July 5, 2007 the Company entered into an agreement to acquire the Cote-801 Property. Under the terms of the agreement, the Company has the option to acquire 100% interest by making cash payments of \$10,000 and issuing 30,000 shares of the Company upon signing the agreement (cash paid and shares issued), a cash payment of \$10,000 and issuing 30,000 shares of the Company upon the first anniversary date of the agreement and final cash payment of \$10,000 and issuing 30,000 shares of the Company upon the second anniversary date of the agreement. The Vendors will retain a 2% NSR royalty and the Company has the option to buyout 1% for \$1,000,000.

6. Share Capital

a) Common shares

Authorized: Unlimited common shares without par value

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

6. Share Capital - Continued

a) Common shares (continued)

	Number of Shares	Amount	Contributed Surplus
Issued:			
Balance – June 30, 2005	42,803,648	\$ 10,241,130	\$ 261,240
Units issued for cash pursuant to private placement, net of \$311,782 allocated to warrants (i)	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
Issued in exchange for options	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 for cash pursuant to private placement, net of \$178,842 allocated to warrants (ii)	10,575,000	878,658	178,842
Share issuance costs	-	(52,500)	-
Fair value of options granted	-	-	65,053
Finder fees	262,500	26,250	-
Issued in exchange for mineral properties	150,000	16,000	-
Balance – June 30, 2007	66,059,043	\$ 12,030,090	\$ 853,996
Units issued for cash pursuant to private placement, net of \$720,814 allocated to warrants (iii)	22,232,362	1,938,046	720,814
Issued in exchange for mineral properties	30,000	3,000	-
Issued in exchange for warrants	4,222,050	844,410	-
Issued in exchange for options	415,000	57,750	-
Share issuance costs	-	(251,764)	-
Fair value of agent's warrants granted	-	-	144,900
Fair value of warrants exercised	-	104,439	(104,439)
Stock based compensation	-	-	262,241
Fair value of options exercised	-	42,989	(42,989)
Balance – December 31, 2007	92,958,455	\$ 14,768,960	\$ 1,834,523

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

6. Share Capital - Continued

a) Common shares (continued)

- i. During the fiscal year ended June 30, 2006, the Company completed a private placement raising \$1,109,000 through the issuance of 11,090,000 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 \$0.15 during the first year and \$0.20 in the second year. The warrants attached were valued at \$311,782 based upon average of the residual method and the Black Scholes method.
- ii. During the fiscal year ended June 30, 2007, the Company completed a private placement raising \$1,057,500 through the issuance of 10,575,000 units in two tranches. Finder's fees of 262,500 units and \$26,250 were issued and paid. 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 \$178,842 based upon average of the residual method and the Black Scholes method (using the assumptions as follows):

Assumption	
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.

- iii. During the period ended December 31, 2007, the Company completed a private placement raising \$2,658,860 through the issuance of 10,664,998 flow through shares at a price of \$0.13 per share and 11,567,364 units at a price of \$0.11 per unit in three separate tranches. Each non-flow through unit will consist of one common share and one purchase warrant which entitles the holder to purchase an additional common share at a price of \$0.20 exercisable within one year of closing. Finder's fees paid on this financing amounted to \$80,983 in cash, 581,780 in broker's warrants at \$0.13 per warrant on the flow through portion and 105,000 in broker's warrants at \$0.11 per warrant on the unit portion. All broker warrants are exercisable for a period of one year. All securities issued pursuant to the private placement are subject to a four month hold period expiring March 1st and March 6th, 2008.

The warrants attached to the above private placement have been valued at \$720,814 based upon the Black Scholes model which utilizes the following assumptions: Expected dividend yield of nil, Expected stock price volatility of 112-114%, Risk-free interest rate of 4.06-4.22%, and Expected life of warrants of 12 months.

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

6. Share Capital - Continued

a) Common shares (continued)

- iii. The broker warrants attached to the above private placement have been valued at \$144,900 based upon the Black Scholes model which utilizes the following assumptions: Expected dividend yield of nil, Expected stock price volatility of 112-114%, Risk-free interest rate of 4.18-4.22%, and Expected life of warrants of 12 months.

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 granted	306,700	0.15
Expired	(8,000,000)	0.20
Balance – June 30, 2006	22,515,589	\$ 0.22
Granted	10,575,000	0.20
Agents warrants granted	262,500	0.20
Expired	(11,118,889)	0.30
Balance – June 30, 2007	22,234,200	0.20
Granted	11,567,964	0.20
Agents warrants granted	686,780	0.20
Exercised	(4,222,050)	0.20
Expired	(1,845,000)	0.20
Balance - December 31, 2007	28,421,894	0.20

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

6. Share Capital – Continued

b) Warrants (continued)

On January 3, 2008, the Company received the \$100,000 in subscriptions receivable related to the exercise of warrants during the period. During the period, 4,222,050 warrants were exercised for total proceeds of \$844,410. As part of the exercises, there was \$104,439 in fair value associated with these warrants upon original grant that have been transferred from contributed surplus to common shares.

Of the warrants outstanding at December 31, 2007:

- 6,594,250 warrants are exercisable at \$0.20 per share up to January 24, 2008
- 3,193,500 warrants are exercisable at \$0.20 per share up to February 9, 2008
- 6,380,000 warrants are exercisable at \$0.20 per share up to January 19, 2008
- 900,000 warrants are exercisable at \$0.20 per share up to October 24, 2008
- 484,830 warrants are exercisable at \$0.13 per share up to October 24, 2008
- 63,000 warrants are exercisable at \$0.11 per share up to October 24, 2008
- 42,000 warrants are exercisable at \$0.11 per share up to October 31, 2008
- 8,712,816 warrants are exercisable at \$0.20 per share up to October 31, 2008
- 96,950 warrants are exercisable at \$0.13 per share up to October 31, 2008
- 1,954,548 warrants are exercisable at \$0.20 per share up to November 6, 2008

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.

During the period, the Company granted a total of 1,795,000 stock options, exercisable on or before December 16, 2012 at a price of \$0.20. The total fair value of the options granted during the period was \$299,478. Since the options for investor relations do not vest immediately, \$29,197 of the fair value has not yet been recorded in the Company's accounts. \$191,866 has been recorded as stock-option compensation expense, and \$78,415 has been charged to mineral property costs. In addition, investor relations options granted in 2006 vested during the period in the amount of \$4,109 and have been recorded as stock option compensation expense.

During the period, 415,000 options were exercised for total proceeds of \$57,750. As part of the exercises, there was \$42,989 in fair value associated with these options upon original grant that have been transferred from contributed surplus to common shares.

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.

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

6. Share Capital – Continued

c) Share Purchase Options (continued)

The estimated fair value of the stock options was determined using a Black-Scholes option pricing model with the following assumptions, Expected dividend yield – 0%, Expected stock price volatility – 107%, Risk free rate – 3.84%, and Expected life of options – 5 years.

The following is a summary of the Company's options as at December 31, 2007 and June 30, 2007 and the changes for the period are as follows:

Exercise Price	Outstanding June 30, 2007	Granted	Cancelled/ Expired	Exercised	Outstanding December 31, 2007	Expiry Date
\$0.10	131,000	-	(131,000)	-	-	August 30, 2007
\$0.15	1,170,000	-	-	(45,000)	1,125,000	September 30, 2009
\$0.15	715,000	-	(125,000)	(250,000)	340,000	June 20, 2010
\$0.16	240,000	-	-	-	240,000	March 21, 2011
\$0.12	550,000	-	-	(75,000)	475,000	December 19, 2011
\$0.10	150,000	-	-	(45,000)	105,000	May 16, 2012
\$0.20	-	1,795,000	-	-	1,795,000	December 16, 2012
	2,956,000	1,795,000	(256,000)	(415,000)	4,080,000	

7. Related Party Transactions

- a) At December 31, 2007, the Company owed \$3,335 (June 30, 2007: \$3,335) to companies with Directors and officers in common. There are no repayment terms or interest associated with this balance.

The following are related party transactions for the periods ended December 31, 2007 and December 31, 2006:

	December 31, 2007	December 31, 2006
HRG Management Ltd. – administrative services, fixed assets (Company with Director in Common, see note 10)	\$ 64,455	\$ 54,546
Mike Koziol – salary services (officer)	39,504	36,000
John Prochnau – consulting (Director)	2,750	4,000
Mirador Management – management fees (Company with a Director in Common)	-	21,000
Hamilton Capital Partners Limited- management fees (Company with a Director in Common)	15,000	7,500
Lang Michener – legal services (Legal Company with a Company Director)	2,325	738
Total	\$ 124,034	\$ 123,784

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

8. Segmented Information

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

9. Supplementary Cash Flow Information

	2007	2006
Cash position consists of:		
Cash	\$ 1,790,393	\$ 301,123
Restricted cash – flow through	1,248,617	-
Cash position end of year	\$ 3,039,010	\$ 301,123

Non cash transactions during the six month period ended December 31, 2007 were as follows:

Non-Cash Financing and Investing Activities include:	Six month period ended December 31, 2007	Six month period ended December 31, 2006
Shares issued for property costs	\$ 3,000	\$ 10,000
Accounts payable included in mineral properties	\$ 83,553	\$ 12,835
Stock based compensation included in mineral properties	\$ 78,416	\$ 74,975

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 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 expires December 31, 2008 and can be terminated by either party prior to expiration with 90 days written notice.

Alto Ventures Ltd.

(An Exploration Stage Company)

Notes to the Interim Financial Statements

For the six month period ended December 31, 2007

Canadian Funds

Unaudited

11. Corporate Tax Losses Carry Forwards

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

Year of Expiry	Amount
2007	121,000
2008	136,000
2009	96,000
2010	190,000
2014	56,000
2015	593,000
2026	548,000
2027	<u>636,000</u>
	<u>\$2,376,000</u>

12. Subsequent events

- a) Subsequent to December 31, 2007, the Company received \$145,400 from the exercise of 727,000 warrants. In addition, 12,309,200 warrants expired without being exercised.
- b) 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 Despinassy Project in Quebec. Under the terms of the LOI, the Company will acquire all of Commander's interest in the Despinassy Joint Venture for a one time cash payment of \$375,000 and issue to Commander 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 will have the right to buy-down .5% of the NSR on the 83 claims for \$500,000.

This offer remains subject to approval by the Board of Directors of Commander Resources Ltd and of the Company. Completion of the purchase is subject to acceptance by the TSX Venture Exchange.

13. Comparative Figures

Certain comparative amounts have been reclassified to conform to the current period's presentation.



**MANAGEMENT DISCUSSION AND
ANALYSIS**

FOR THE SIX MONTHS ENDED DECEMBER 31, 2007

INTRODUCTION

The following discussion of performance and financial condition should be read in conjunction with the interim financial statements of the Company for the six months ended December 31, 2007. 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 26, 2008.

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 \$365,578 loss for the three months ended December 31, 2007 as compared to a loss of \$142,564 for the same period last year. This amounts to a \$223,014 increase over same period last year. Expenses that increased were salaries and wages (\$14,330), travel and promotion (\$3,124), investor and shareholder relations (\$13,352), professional fees (\$8,931) and stock based compensation (\$195,975) and expenses that decreased where management fees of \$10,500.

Cash and cash equivalents balance increased by \$2,879,435 to \$3,039,010 at December 31, 2007. The cash spending for mineral properties was \$320,125. Cash expenditures on exploration included Mud Lake (\$182,292), Expansion Lake (\$15,789), Cote 801 (\$25,198), Despinassy (\$37,775), Oxford Lake (\$41,870) and a total of (\$17,201) on other projects. During the period, the Company recovered \$182,293 through its joint exploration property agreements.

Year-to-date

The Company incurred a \$511,083 loss for the six months ended December 31, 2007 as compared to a loss of \$277,941 for the same period last year. This amounts to a \$233,142 increase over same period last year. Expenses that increased were stock based compensation (\$199,977), professional fees (\$8,000), director fees (\$6,000), salaries and wages (\$41,844), and travel (\$12,492). Expenses that decreased were management fees (\$21,000) and consulting fees (\$2,464).

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

Cash and cash equivalents balance increased by \$2,737,887 to \$3,039,010 at December 31, 2007. The cash spending for mineral properties was \$370,753. Cash expenditures on exploration included Despinassy JV (\$39,749), Cote-801(\$42,884), Mud Lake (\$181,792), Oxford Lake (\$42,254), Expansion Lake (\$15,789), Denton Lake (\$27,609) and Other projects (\$20,676). During the same period, the Company recovered \$231,773 through its joint exploration property agreements.

SUMMARY OF QUARTERLY RESULTS

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

In thousands(000's)	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
Financial results								
Net loss for period	365	145	167	158	143	135	121	176
Basic and diluted loss per share	-	-	0.01	-	-	0.01	-	-
Expenditures on resource properties	137	66	61	350	92	312	579	240
Balance sheet data								
Cash and short term deposits	3,038	159	305	365	87	83	588	1,054
Resource properties	4,885	4,670	4,653	4,594	4,278	4,133	3,789	3,534
Total assets	8,368	5,058	5,126	5,265	4,910	4,527	4,725	4,788
Shareholders' equity #	8,272	4,911	5,082	5,223	4,713	4,447	4,572	4,612

SUBSEQUENT EVENTS

- a) Subsequent to December 31, 2007, the Company received \$145,400 from the exercise of 727,000 warrants. In addition, 12,309,200 warrants expired without being exercised.

SUBSEQUENT EVENTS (continued)

- b) 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 Despinassy Project in Quebec. Under the terms of the LOI, the Company will acquire all of Commander’s interest in the Despinassy Joint Venture for a one time cash payment of \$375,000 and issue to Commander 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 will have the right to buy-down .5% of the NSR on the 83 claims for \$500,000.

This offer remains subject to approval by the Board of Directors of Commander Resources Ltd and of the Company. Completion of the purchase is subject to acceptance by the TSX Venture Exchange.

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, 2007	June 30, 2007	June 30, 2006
Working capital	\$ 3,379,927	\$ 408,980	\$ 770,968
Deficit	\$ (8,325,124)	\$ (7,802,541)	\$ (7,199,434)

TRANSACTIONS WITH RELATED PARTIES

- a) At December 31, 2007, the Company owed \$3,335 (June 30, 2007:\$3,335) to companies with common Directors. There are no repayment terms or interest associated with this balance.

TRANSACTIONS WITH RELATED PARTIES (continued)

- b) The following are related party transactions for the period ended December 31, 2007 and 2006:

	December 31, 2007	December 31, 2006
	\$	\$
HRG Management Ltd. – administrative services, fixed assets (Company with Director in Common, see note 10)	64,455	54,546
Mike Koziol –salary services(officer)	39,504	36,000
John Prochnau – consulting (Director)	2,750	4,000
Mirador Management – management fees (Company with a Director in Common)	-	21,000
Hamilton Capital Partners Limited- management fees (Company with a Director in Common)	15,000	7,500
Lang Michener – legal services (Legal Company with a Company Director)	2,325	738
Total	\$ 124,034	\$ 123,784

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 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 expires December 31, 2008 and can be terminated by either party prior to expiration with 90 days written notice.

SHARE CAPITAL INFORMATION

The table below presents the Company's common share data as of February 26, 2008.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			93,685,455
Securities convertible into common shares			
Warrants	\$0.11	October 24, 2008	63,000
	\$0.20	October 24, 2008	900,000
	\$0.13	October 24, 2008	484,830
	\$0.13	October 31, 2008	35,000
	\$0.11	October 31, 2008	42,000
	\$0.20	October 31, 2008	8,712,816
	\$0.20	November 6, 2008	1,954,548
Options	\$0.15	September 30, 2009	1,125,000
	\$0.15	June 20, 2010	340,000
	\$0.16	March 21, 2011	240,000
	\$0.12	December 19, 2011	475,000
	\$0.10	May 16, 2012	105,000
	\$0.20	December 16, 2012	1,795,000
			109,957,649

Common Shares

On October 26, 2007, the Company closed the first tranche of its non-brokered private placement previously announced on October 16, 2007. The Company has raised \$999,400 through the issuance of 6,926,152 flow through common shares at a price of \$0.13 per share and 900,000 units at a price of \$0.11 per unit. The units consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase an additional common share at a price of \$0.20 for a period of one year expiring October 24, 2008. Finder's fees were paid on this portion of the financing in the amount of \$64,961 in cash, 484,830 in broker's warrants at \$0.13 per warrant share on the flow through portion and 63,000 in broker's warrants at \$0.11 per warrant share on the unit portion. All broker warrants are exercisable for a period of one year expiring October 24, 2008 at exercises prices of \$0.13 and \$0.11, respectively.

On November 7, 2007, the Company closed the second and final tranches of its non-brokered private placement previously announced on October 16, 2007. The Company has raised \$1,659,460 through the issuance of 3,738,846 flow through common shares at a price of \$0.13 per share and 10,667,364 units at a price of \$0.11 per unit. The units consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase an additional common share at a price of \$0.20 for a period of one year from closing.

SHARE CAPITAL INFORMATION (continued)*Common Shares – continued*

Finders' fees were paid on a portion of the financing in the amount of \$16,022 in cash, the issuance of 96,950 broker warrants at a price of \$0.13 per warrant share and 42,000 broker warrants at a price of \$0.11 per warrant share.

All broker warrants are exercisable for a period of one year expiring October 31, 2008 at exercise prices of \$0.13 and \$0.11, respectively. All securities issued pursuant to the private placement are subject to a four month hold period expiring March 1st and March 6th, 2008.

The total gross proceeds raised via this placement are \$2,658,859.

Stock Options

During the period, the Company granted a total of 1,795,000 stock options, exercisable on or before December 16, 2012 at a price of \$0.20. The total fair value of the options granted during the period was \$299,478. Since the options for investor relations do not vest immediately, \$29,197 of the fair value has not yet been recorded in the Company's accounts. \$191,866 has been recorded as stock-option compensation expense, and \$78,415 has been charged to mineral property costs. In addition, investor relations options granted in 2006 vested during the period in the amount of \$4,109 and have been recorded as stock option compensation expense.

During the period, 415,000 options were exercised for total proceeds of \$57,750. As part of the exercises, there was \$42,989 in fair value associated with these warrants upon original grant that have been transferred from contributed surplus to common shares.

Warrants

During the period, 4,222,050 warrants were exercised for total proceeds of \$844,410. As part of the exercises, there was \$104,439 in fair value associated with these warrants upon original grant that have been transferred from contributed surplus to common shares.

INVESTMENT IN MINERAL PROPERTIES

The following table shows the activity from July 1, 2007 to December 31, 2007:

Property	June 30, 2007	Acquisitions	Deferred Explorations	JV Recovery	December 31, 2007
Alcudia Claims	\$ 128,542	\$ -	\$ -	\$ -	128,542
Coldstream Property	776,517	-	15,038	-	791,555
Cote Archie Lake Property	272,005	-	5,747	(25,000)	252,752
Cote 801 JV Property	3,564	38,660	15,986	-	58,210
Despinassy JV Property	1,212,140	-	39,749	-	1,251,889
Dog Lake Property	232,546	-	-	-	232,546
Greenoaks Gold Property	540,847	2,799	11,489	-	555,135
Mud Lake Property	323,863	-	182,214	(182,293)	323,784
Oxford Lake Property	928,222	-	42,254	-	970,476
Empress-Ridout Property	63,886	-	-	-	63,886
Other exploration properties	170,516	20,177	66,309	-	257,002
Total Mineral Properties	\$ 4,652,648	\$ 61,636	\$ 378,786	\$ (207,293)	\$ 4,885,777

The following table shows the activity from July 1, 2006 to June 30, 2007:

Property	June 30, 2006	Acquisitions	Deferred Explorations	JV and Tax Credit Recovery	June 30, 2007
Alcudia Claims	\$ 108,774	\$ -	\$ 19,767	\$ -	128,541
Coldstream Property	614,059	-	162,458	-	776,517
Cote Archie Lake Property	204,381	15,000	52,624	-	272,005
Cote 801 JV Property	-	3,564	-	-	3,564
Despinassy JV Property	985,554	150,000	99,624	(23,038)	1,212,140
Dog Lake Property	231,928	-	618	-	232,546
Greenoaks Gold Property	457,072	-	83,775	-	540,847
Mud Lake Property	146,846	5,000	189,517	(17,500)	323,863
Oxford Lake Property	922,529	-	5,693	-	928,222
Empress-Ridout Property	26,277	-	37,609	-	63,886
Other exploration	91,734	-	82,346	-	170,516
Total Mineral Properties	\$ 3,789,154	\$ 170,000	\$ 734,032	\$ (40,538)	\$ 4,652,648

INVESTMENT IN MINERAL PROPERTIES (continued)

<i>Mineral Property Costs</i>	December 31, 2007	June 30, 2007
Diamond drilling	\$ 208,204	\$ 365,360
Acquisition and claim staking	61,636	200,270
License, permits and taxes	44,150	36,498
Line cutting, trenching and blasting	44,072	43,829
Stock based compensation	39,208	47,411
Data compilation and digitizing	16,395	26,835
Mapping	5,770	48,940
Prospecting	5,703	26,123
Assessment reports and filing works	4,395	53,628
Assays	3,724	(2,617)
Geological surveys	(1,691)	2,195
Management and planning of projects	(5,871)	55,186
Exploration tax credits	(10,273)	(23,038)
JV partner contribution	(182,293)	(17,500)
Travel, camp and other expenses	-	374
<i>Mineral Property Costs for the Period</i>	233,129	863,494
<i>Mineral Property Costs – Beginning of Period</i>	4,652,648	3,789,154
<i>Mineral Property Costs – End of Period</i>	\$ 4,885,777	\$ 4,652,648

Mike Koziol, P.Geol, Alto's President, CEO and Director 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 by making payments in cash and shares totaling \$350,000 and Commander Resources Ltd., initially a 30% joint venture partner has reduced its interest by not participating in exploration work. The current ownership in the Property is 75.5% by the Company and 24.5% by 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 Despinassy Project. Under the terms of the LOI, the Company will acquire all of Commander's interest in the Despinassy Joint Venture for a one time cash payment of \$375,000 and issue to Commander 1,875,000 common shares of the Company.

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

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 will have the right to buy-down .5% of the NSR on the 83 claims for \$500,000.

Prior to the Company's acquisition of the property in 2004, a total of 23,005 metres (m) was drilled by previous operators, resulting in the discovery of the DAC deposit with gold mineralization encountered to a depth of 600 m. Drilling along the Despinassy Shear Zone encountered gold for more than six km strike extent.

In 2005 and 2006 the Company completed over 10,400 m of diamond drilling to provide sufficient data 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.

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 intersected. The discovery of the Darla Zone demonstrates potential for additional near-surface gold resources and further demonstrates the exploration potential of the 6 km long Despinassy Shear.

Drilling by an earlier operator three kilometres east of the DAC Deposit, and previously referred to as Area 3, intersected two gold zones grading 4.4 g/t gold across 2.0 m and 2.4 g/t gold across 6.0 m respectively. These zones were not followed up by additional drilling.

In addition to the Joint Venture lands, the Company owns 100% interest in 6,457 hectares adjoining the Despinassy Project

b) Coldstream Property, Ontario

The Company owns a 100% interest in 3,808 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 acquisitions through staking and purchases to cover over 10 km of a prospective mineralized structure. In 2006 a program consisting of 2,062 m of diamond drilling was completed testing the East Coldstream gold deposit.

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

Drilling has confirmed the presence of wide zones of gold mineralization with some intersections up to 68 m in core length and grading 1.2 g/t gold. The mineralized gold 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 claims with multiple gold zones of up to 0.95 g/t gold over 34 m, the Moss Lake gold deposit owned by Moss Lake Mines Ltd 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 other significant mineral occurrences to the southwest.

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, ranging in size from tens of millions of tonnes to several hundred million tonnes with substantial quantities of gold. Recognition of geology and alteration consistent with IOCG style of mineralization in proximity to the 50 million tonnes Moss Lake gold deposit confirms the potential for the presence of huge deposits on the Coldstream property.

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 historical resources estimated at 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 project). 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 been only sparsely drilled. A consolidation of the land position in the past years 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 2,592 hectares in the Beardmore-Geraldton gold camp. The Company owns 100% interest in the project and in June, 2006 the Company has signed an Option Agreement with Wescan Goldfields Inc. Under the terms of the Agreement, Wescan can earn 50% interest in the project by funding \$600,000 worth of exploration and issuing 150,000 Wescan shares to Alto over two years. The Company will remain the project operator until a positive pre-feasibility is produced.

INVESTMENT IN MINERAL PROPERTIES (continued)**d) Mud Lake Property, Ontario - continued**

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. A 16.9 line kilometre Induced Polarization survey was completed in the same year and 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 753 m to test three (Clarke, Oliver-Severn and Trench 6) of the showings along the 6 km shear structure. Nine holes, totalling 625 m were drilled in December to test another three of the surface gold showings. A summary of the significant results from the February and December drilling is provided below.

Table of Significant Assay Results from the 2007 Mud Lake Project Drilling Programs

Hole	From (m)	To (m)	Width (m)	Au (g/t)	Zone
MUD07- 01	15.1	16.1	1.0	0.99	Trench 6
MUD07- 03	15.3	16.0	0.7	3.2	Trench 6
MUD07- 06	12.3	18.4	6.1	3.39	Oliver-Severn Zone 1
Includes	14.9	15.4	0.5	9.64	
	17.4	18.4	1.0	13.97	
	28.6	29.6	1.0	5.56	Oliver-Severn Zone 2
MUD07-11	26.5	28.5	2.0	2.11	Clarke Zone 1
	51.5	53.2	1.7	2.35	Clarke Zone 2
MUD07-12	80.0	88.8	8.0	0.94	Clarke
Includes	82.8	84.8	2.0	2.16	
MUD07-14	19.0	21.0	2.0	2.12	No. 3 Showing
MUD07-16	21.1	21.6	0.5	6.34	No. 4 Showing
MUD07-17	23.7	24.7	1.0	3.77	No 4 Showing
MUD07-19	61.3	62.3	1.0	1.44	No 5 Showing

The drilling program continued into January with the completion of an additional nine holes totalling 658 m. The assays for these holes are pending.

The results have surpassed objectives; well developed shear zones containing quartz veins that carry significant gold, including high grades, were intersected at each of the three areas drilled. The intersection of gold at each of these areas confirms that gold is abundant in the region and highlights the need for more work on this under-explored property.

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

The Cote Archie Lake property is located 5 km north of Beardmore, Ontario in the Beardmore-Geraldton Gold Camp. The property consists of 2,672 ha and is owned 100% by Alto. In July, 2007 the Company has entered into an Option Agreement with Kodiak Exploration Ltd where Kodiak can earn 51% interest. The existence of an extensive shear system (Cote-Archie Shear) containing gold-bearing quartz veins was confirmed by prospecting and trenching and it 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) prior to its closure in 1968. Despite previous work in the area, the Cote-Archie Shear is a highly prospective auriferous vein structure that has not been recognized before and consequently has only been sparsely drilled at its northeast end.

In February 2007, the Company attempted to drill two holes but only one was completed and the other was terminated before reaching its target. COT07-01 was drilled to test the Cote Shear and it intersected the target, a well developed and altered shear zone that is twenty metres wide and contains variable quartz veining including a 2.4 m wide quartz vein/vein breccia that contains minor amounts of sulphides. Although the assay results obtained from this first hole are not economic, the intersection of strongly sheared rocks that contain auriferous quartz veins is very encouraging for a first-pass drill program (please see table below).

Hole COT07-02 attempted to test the same structure as COT07-01 but 50 m west along strike. The hole was terminated at 44 metres and well short of its target due to logistical problems related to water shortages caused by the very cold snap during the drilling of this hole. A weakly developed shear with 1 to 3% sulphides was intersected halfway down the hole and it too contains anomalous gold.

Table of Significant Results from Cote-Archie Lake 2007 Winter Drilling

Hole	From (m)	To (m)	Width (m)	Au (g/t)	Zone
COT07-01	70.6	76.6	6.0	0.35	Cote Shear
Includes	74.6	75.6	1.0	1.13	Quartz vein
	80.6	89.0	8.4	0.5	Cote Shear
	80.6	83.0	2.4	1.35	Quartz vein
COT07-02	19.1	22.0	2.9	0.52	Weak shearing in front of Cote Shear

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

In May, 2007 the Company completed a prospecting program on the Angle Lake block, located 5km east of the drilled area. Prospectors have located a northeast trending shear zone that returned up to 8 g/t gold in grab samples.

f) Greenoaks Property, Ontario

The 100% owned Greenoaks property, consisting of 409 hectares is located 43 kilometres northeast of Beardmore, Ontario. Five holes, totaling 331 metres (m) were completed at Greenoaks in 2007. Two of the five holes intersected visible gold with assays including 12.5 g/t gold across 0.4 m and 7.08 g/t gold across 0.8m. Historical surface work resulted in the discovery of four zones along a 400 m segment of a west-northwest trending shear where gold-bearing quartz veins have been emplaced. Previous drilling, dating back to the 1960s, focused only on Zone 1 and intersected high grade gold mineralization including 1.2 ounces per ton (41 g/t) gold across 5 feet (1.5 m). Zones 3 and 4 were not drilled prior to the 2007 program.

The 2007 drilling has confirmed the mineralization in Zone 1 and indicates that more drilling is required to evaluate Zone 1 as well as Zones 3 and 4. The results presented in the table below are very encouraging.

Table of Significant Results from Greenoaks

Hole	From (m)	To (m)	Width (m)	Au (g/t)	Zone
GRN07-01	13.2	13.6	0.4	12.5	Zone 1, Visible Gold
GRN07-04	12.0	12.5	0.5	2.1	Zone 4, Visible Gold
GRN07-04	21.9	22.7	0.8	7.08	Zone 3, Visible Gold
GRN07-05	61.8	63.0	1.2	0.11	Zone 1, deepest mineralized intersection on the property

Hole GRN07-05 intersected Zone 1 at 50 m vertical depth and this is the deepest test of this zone. The zone was intersected from 61.8 m to 63.0 m downhole and it consists of solid quartz vein containing 5% sulphide minerals including pyrrhotite and chalcopyrite. The vein is visually impressive but since no visible gold was observed in the drill core, the gold assays are lower.

INVESTMENT IN MINERAL PROPERTIES (continued)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 completed in 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.

h) Alcudia Property, Ontario

The 100% owned Alcudia property covers 320 hectares and 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. Alto owns a 0.5% Net Smelter Royalty on any production from the Windfall property.

i) Empress-Ridout Properties, Ontario

The Empress gold project is comprised of 800 hectares and is located adjacent to the Trans-Canada Highway near Terrace Bay in the productive Schreiber-Hemlo greenstone belt, Ontario. The Company owns 100% interest in the property.

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. No work was completed in 2007 and the property was reduced in size from the previous 1312 hectares.

INVESTMENT IN MINERAL PROPERTIES (continued)j) Cote-801 Property

In July, 2007 the Company acquired the Cote-801 Property through an Option to Purchase Agreement. The property is located along Provincial Highway 11 approximately 20 km east of the Town of Beardmore, Ontario and 7 km south of Alto's Mud Lake Project.

Previous work in the project area dates back to the early 1990s and was limited to prospecting, ground geophysics, mechanical stripping and sampling. This work resulted in discovery of highly anomalous gold values along a 200 m corridor. Results reported include gold values up to 61.5 g/t (1.8 oz/ton) in grab samples and up to 4.5 g/t gold across 0.3m in surface channel samples. The gold is reported to reside with pyrite, arsenopyrite and quartz veins in sheared and sulphidized iron formation bands. These results are very encouraging as the style of mineralization found on the Cote-801 Project is similar to the gold deposits previously mined in the Geraldton area.

In late October 2007, the Company completed prospecting and sampling programs which confirmed the gold anomalous corridor to extend for over 400 m.

FINANCIAL AND OTHER INSTRUMENTS

On July 1, 2007, the Company adopted Section 3855 of the CICA Handbook which 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 OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost. Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instruments or other contracts but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in the Company's loss for the period, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI. Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855.

Other significant accounting implications arising on adoption of Section 3855 include the initial recognition of certain financial guarantees at fair value on the balance sheet and the immediate expensing of any related transaction costs, fees or premiums.

The fair value of amounts due to and from related parties is estimated to approximate carrying value. Fair value adjustments, if any, are not reasonably determinable by management as comparable interest rate and risk profiles are not available.

Net smelter return ("NSR") royalties and related purchase provisions associated with mineral property interests represent derivatives that are financial instruments. The fair value of such instruments, where reserves and economic feasibility have not been established, cannot be readily determined with reliability. Accordingly, management has not made a determination of fair value for these 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, accounts payable and accrued liabilities. 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.

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, 2007 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 or on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

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