

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

Interim Financial Statements  
For the Three Months Ended  
September 30, 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 September 30, 2006 and June 30, 2006  
Canadian Funds

ASSETS	September 30, 2006	June 30, 2006
<b>Current</b>		
Cash and cash equivalents	\$ 83,423	\$ 587,712
Marketable securities (Note 3)	9,000	9,000
Receivables (Note 7)	44,983	110,085
Quebec Exploration Tax Credit receivable	191,700	191,700
Prepaid expenses and deposits	53,353	24,845
	382,459	923,342
<b>Mineral Properties (Note 5)</b>	4,132,727	3,789,154
<b>Property and Equipment (Note 4)</b>	11,651	12,227
	\$ 4,526,837	\$ 4,724,723

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 79,865	\$ 136,557
Advances from related parties (Note 7)	-	15,817
	79,865	152,374

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

**Subsequent events (Notes 5 and 12)**

Commitments (Notes 5 and 10)

**SHAREHOLDERS' EQUITY**

<b>Share Capital (Note 6a)</b>	11,171,682	11,161,682
<b>Contributed Surplus (Note 6a)</b>	610,101	610,101
<b>Deficit - Statement 2</b>	(7,334,811)	(7,199,434)
	4,446,972	4,572,349
	\$ 4,526,837	\$ 4,724,723

ON BEHALF OF THE BOARD:

"David Cowan"

David Cowan  
Director

"Richard Mazur"

Richard Mazur  
Director

- See Accompanying Notes -

**Statements of Loss and Deficit**

As at September 30  
Canadian Funds

	<b>Three months ended September 30, 2006</b>	Three months ended September 30, 2005
<b>Expenses</b>		
Investor relations and shareholder information	\$ 38,002	\$ 21,855
Office and miscellaneous	24,839	16,532
Administrative services	17,958	22,466
Professional fees	13,291	8,615
Directors' fees	12,000	12,000
Management fees	10,500	24,000
Rent	8,641	8,336
Consulting	8,500	2,526
Transfer agent and regulatory fees	1,655	1,238
Interest and bank charges	783	719
Travel and promotion	606	9,037
Amortization	576	576
	<b>137,350</b>	127,900
<b>Other Items</b>		
Interest income	(1,973)	(2,936)
	<b>(1,973)</b>	(2,936)
<b>Net Loss for the Year</b>	<b>135,377</b>	124,964
Deficit - Beginning of Year	7,199,434	6,655,301
<b>Deficit – End of Year</b>	<b>\$ 7,334,811</b>	\$ 6,780,265
<b>Weighted Average Shares Outstanding</b>	<b>55,132,532</b>	44,871,780
<b>Loss per Share – Basic and Diluted</b>	<b>\$ 0.00</b>	\$ 0.00

- See Accompanying Notes -

## Statements of Cash Flows

As at September 30  
Canadian Funds

Cash Resources Provided By (Used In)	2006	2005
<b>Operating Activities</b>		
Loss for the year	\$ (135,377)	\$ (124,964)
Items not affected by cash:		
Amortization	576	576
	<u>(134,801)</u>	<u>(124,388)</u>
Changes in non-cash working capital items	<u>(41,807)</u>	<u>(71,497)</u>
Net cash used in operating activities	<u>(176,608)</u>	<u>(195,885)</u>
<b>Financing Activities</b>		
Advances from related parties	<u>(15,817)</u>	<u>(11,545)</u>
Net cash used by financing activities	<u>(15,817)</u>	<u>(11,545)</u>
<b>Investing Activities</b>		
Deferred exploration costs	(151,864)	(234,003)
Acquisition of properties	<u>(160,000)</u>	<u>-</u>
Net cash used by investing activities	<u>(311,864)</u>	<u>(234,003)</u>
<b>Net decrease in Cash and Cash Equivalents</b>	<b>(504,289)</b>	<b>(441,433)</b>
Cash and cash equivalents - Beginning of Year	<u>587,712</u>	<u>988,286</u>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 83,423</b>	<b>\$ 546,853</b>

### Supplementary Cash Flow Information (Note 9)

**Alto Ventures Ltd.**

*(A Development Stage Company)*

**Notes to Financial Statements**

**As at September 30, 2006 and 2005**

*Canadian Funds*

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

Alto Ventures Ltd. ("the Company") is engaged in the acquisition, exploration and development of Canadian gold projects. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether 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 \$302,594 (2005 - \$678,552) and accumulated deficit of \$7,334,811 (2005 - \$6,780,265). 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.

**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. As of September 30, 2006, the market value of marketable securities was \$9,000.

**Alto Ventures Ltd.**

*(A Development Stage Company)*

## **Notes to Financial Statements**

**As at September 30, 2006 and 2005**

*Canadian Funds*

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### **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 September 30, 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 September 30, 2006 and 2005**

*Canadian Funds*

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### **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 September 30, 2006 and 2005

Canadian Funds

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**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 60,000 (2005 – 375,000) shares of Noront Resources Inc. ("Noront") at a cost of \$9,000 (2005 - \$56,250) and market value of \$9,000 on September 30, 2006 (2005: \$63,750). The Company's share ownership in Noront is minimal and they have 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	\$ 11,001	\$ 11,538	\$ 9,991
Furniture and equipment	1,676	1,563	113	163
	<u>\$ 24,215</u>	<u>\$ 12,564</u>	<u>\$ 11,651</u>	<u>\$ 10,354</u>

**Alto Ventures Ltd.***(A Development Stage Company)***Notes to Financial Statements****As at September 30, 2006 and 2005***Canadian Funds***5. Mineral Properties**

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

<b>Property</b>	<b>June 30, 2006</b>	<b>Acquisitions</b>	<b>Deferred Explorations</b>	<b>Tax Credit</b>	<b>September 30, 2006</b>
Alcudia Claims	\$ 108,774	\$ -	\$ 13,905	\$ -	\$ 122,679
Coldstream Property	614,059	-	74,310	-	688,369
Cote Archie Lake Property	204,381	15,000	-	-	219,381
Despinassy JV Property	985,554	150,000	27,569	-	1,163,123
Dog Lake Property	231,928	-	-	-	231,928
Greenoaks Gold Property	457,072	-	-	-	457,072
Mud Lake Property	146,846	5,000	15,323	-	167,169
Oxford Lake Property	922,529	-	-	-	922,529
Empress-Ridout Property	26,277	-	37,193	-	63,470
Other exploration	91,734	-	5,273	-	97,007
<b>Total Mineral Properties</b>	<b>\$ 3,789,154</b>	<b>\$ 170,000</b>	<b>\$ 173,573</b>	<b>\$ -</b>	<b>\$ 4,132,727</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 September 30, 2006 and 2005***Canadian Funds***5. Mineral Properties – Continued**

<b>Mineral Property Costs</b>	<b>September 30, 2006</b>	<b>September 30, 2005</b>
Diamond drilling	\$ 69,531	\$ 13,544
Acquisition and claim staking	170,000	42,325
Management and planning of projects	20,051	4,764
Mapping	41,420	57,746
Line cutting, trenching and blasting	13,655	8,802
Geological surveys	-	47,188
Prospecting	-	19,388
Data compilation and digitizing	11,256	3,601
Travel, camp and other expenses	2,035	10,236
Assessment reports and filing works	100	25,020
License, permits and taxes	15,524	162
Assays	-	6,227
<b>Mineral Property Costs for the Period</b>	<b>343,573</b>	<b>239,003</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>\$ 4,132,727</b>	<b>\$ 3,038,399</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 September 30, 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 additional 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 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 September 30, 2006 and 2005**

*Canadian Funds*

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**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.**  
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**Notes to Financial Statements**  
**As at September 30, 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
Issued in exchange for mineral properties	100,000	10,000	-
<b>Balance – September 30, 2006</b>	<b>55,171,543</b>	<b>\$ 11,171,682</b>	<b>\$ 610,101</b>

\* 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 have been valued at \$311,782 based upon average of the residual method and the black scholes method (using the assumptions as follows):

<b>Assumption</b>	<b>1<sup>st</sup> Year</b>	<b>2<sup>nd</sup> Year</b>
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	111.94%	109.87%
Risk-free interest rate	3.83%	3.97%
Expected life of options	1 year	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 September 30, 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
<b>Balance – June 30, 2006 and September 30, 2006</b>	<b>22,515,589</b>	<b>\$ 0.22</b>

\* The agents warrants were valued using the Black Scholes option pricing model. Assumptions used are as follows:

<b>Assumption</b>	<b>1<sup>st</sup> Year</b>	<b>2<sup>nd</sup> Year</b>
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	111.94%	109.87%
Risk-free interest rate	3.83%	3.97%
Expected life of options	1 year	1 year

Of the warrants outstanding at September 30, 2006:

- 11,118,889 warrants are exercisable at \$0.30 per share up to December 30, 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

**Alto Ventures Ltd.***(A Development Stage Company)***Notes to Financial Statements****As at September 30, 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 September 30, 2006 and the changes for the period are as follows:

Exercise Price	Outstanding June 30, 2006	Granted	Exercised	Outstanding September 30, 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
	2,361,000	-	(95,000)	2,361,000	

**7. Related Party Transactions**

a) At September 30, 2006, the Company owed \$nil (2005: \$16,455) to companies with Directors in common .

The following are related party transactions for the period ended September 30, 2006 and 2005:

	September 30, 2006	September 30, 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)	-	40,166
HRG Management Ltd. – administrative services (Company with Directors in Common, see note 10)	39,423	-
Mirador Management (Company with a Director in Common)	21,000	24,000
Robert Anderson – accounting services (a former Officer)	-	6,000
Mike Koziol – geological consulting services (Officer)	36,000	23,400
Lang Michener – legal services (Legal Company with a Company Director)	1,196	289
<b>Total</b>	<b>105,119</b>	<b>101,355</b>

**Alto Ventures Ltd.***(A Development Stage Company)***Notes to Financial Statements****As at September 30, 2006 and 2005***Canadian Funds*

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**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	\$ 10,000	\$ 5,000
Accounts payable included in resource properties	\$ 29,000	\$ -

**10. Commitments**

The Company entered into a services agreement, effective February 1, 2006, with HRG Management Ltd. ("HRG") in which the Company will pay a monthly corporate administration fee of approximately \$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. Corporate Tax Losses Carry Forwards**

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

<b>Year of Expiry</b>	<b>Amount</b>
2007	121,000
2008	136,000
2009	96,000
2010	190,000
2011	56,000
2012	593,000
2013	548,000
	<u>\$1,740,000</u>

In addition, the Company has Canadian exploration and development expenditures approximating \$4,468,000 (2005- \$3,482,000), which are available to reduce future taxable income. The Company also has capital losses of \$1,553,000 (2005 - \$1,591,000).

**Alto Ventures Ltd.**

*(A Development Stage Company)*

**Notes to Financial Statements**

**As at September 30, 2006 and 2005**

*Canadian Funds*

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**11. Corporate Tax Losses Carry Forwards (continued)**

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

Future income tax assets:

	<b>2006</b>	<b>2005</b>
Statutory tax rate	34.12%	35.6%
Capital losses	264,870	283,278
Non-capital losses	593,688	424,352
Exploration and development expenditures	1,533,025	1,239,562
	2,391,583	1,947,192
Less: valuation allowances	(2,391,583)	(1,947,192)
	-	-

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

**12. Subsequent event**

Subsequent to September 30, 2006, the Company received an related party advance of \$100,000 from Hidefield Gold Plc ("HIF"). The Company directors in common with HIF. The advance carries interest at 2% above the Canadian bank rate, currently 6.5%.



**MANAGEMENT DISCUSSION AND  
ANALYSIS**

**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 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 November 24, 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**

### **YTD**

The Company incurred a \$135,377 loss for the three months ended September 30, 2006 as compared to a loss of \$124,926 for the same period last year. This amounts to a \$10,453 increase over same period last year. Expenses that decreased were management fees (\$13,500) and administrative services (4,500). Increases were due to expanded investor relations and corporate communications (\$16,000) and office expenses (\$8,000).

Cash and cash equivalents balance decreased by \$504,289 to \$83,423 at June 30, 2006. The cash spending for mineral properties was \$311,864. Cash expenditures on exploration included \$177,569 on the Despinassy JV, Coldstream (\$74,310), Cote-Archie Lake (\$10,000), \$15,323 on Mud Lake, \$77,193 on Empress Ridout and \$19,178 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)	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
<b>Financial results</b>								
Net loss for period	135	121	176	122	125	302	84	140
Basic and diluted loss per share	-	-	-	-	0.01	0.01	-	-
Expenditures on resource properties (cash)	312	579	240	176	234	215	472	1,702
<b>Balance sheet data</b>								
Cash and short term deposits	83	588	1,054	347	547	988	1,427	2,051
Resource properties	4,133	3,789	3,534	3,215	3,038	2,799	2,584	2,046
Total assets	4,527	4,725	4,788	3,722	3,816	3,965	4,250	4,208
Shareholders' equity #	4,447	4,572	4,612	3,681	3,727	3,847	4,070	4,131

## SUBSEQUENT EVENT

Subsequent to September 30, 2006, the Company received an related party advance of \$100,000 from Hidefield Gold Plc ("HIF"). The Company has directors in common with HIF. The advance carries interest at 2% above the Canadian bank rate, currently 6.5%..

## 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.

**LIQUIDITY (continued)**

	September 30, 2006	June 30, 2006	June 30, 2005
Working capital(deficit)	\$ 302,594	\$ 770,968	\$ 1,036,943
Deficit	\$ (7,334,811)	\$ (7,199,434)	\$ (6,655,301)

**TRANSACTIONS WITH RELATED PARTIES**

- a) At June 30, 2006, the Company owed \$nil (2005:\$16,455) 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 period ended September 30, 2006 and 2005:

	September 30, 2006	September 30, 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)	-	40,166
HRG Management Ltd. – administrative services (Company with Directors in Common, see note 10)	39,423	-
Hamilton Capital Partners Limited (Company with a Director in Common)	7,500	7,500
Robert Anderson – accounting services	-	6,000
Lang Michener – legal services (Legal Company with a Company Director)	1,196	289
<b>Total</b>	<b>\$ 105,119</b>	<b>\$ 101,355</b>

**COMMITMENTS**

Entered into a services agreement, effective February 1, 2006, with HRG Management Ltd. (“HRG”) in which the Company will pay a monthly corporate administration fee of approximately \$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 November 24, 2006.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			55,171,543
Securities convertible into common shares			
Warrants	\$0.30	December 30, 2006	11,118,889
	\$0.15/\$0.20	Jan. 24, 2007/2008	7,668,200
	\$0.15/\$0.20	Feb. 9, 2007/2008	3,728,500
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
			<b>80,048,132</b>

Common Shares

50,000 common shares were issued during the period as per purchase agreements for Cote-Archie and Mud Lake properties each.

Stock Options

The weighted average remaining contractual life of the outstanding options is 3.3 years.

**INVESTMENT IN MINERAL PROPERTIES**

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

Property	June 30, 2006	Acquisitions	Deferred Explorations	Tax Credit	September 30, 2006
Alcudia Claims	\$ 108,744	-	\$ 13,905	\$ -	\$ 122,679
Coldstream Property	614,059	-	74,310	-	688,369
Cote Archie Lake	204,381	\$ 15,000	-	-	219,381
Despinassy JV Property	984,554	150,000	27,569	-	1,163,123
Dog Lake Property	231,928	-	-	-	231,928
Greenoaks Gold Property	457,072	-	-	-	457,072
Mud Lake Property	146,846	5,000	15,323	-	167,169
Oxford Lake	922,529	-	-	-	922,529
Empress-Ridout Property	26,277	-	37,193	-	63,470
Generative exploration	91,734	-	5,273	-	97,007
<b>Total Mineral Properties</b>	<b>\$ 3,789,154</b>	<b>\$ 170,000</b>	<b>\$ 173,573</b>	<b>\$ -</b>	<b>\$ 4,132,727</b>

**INVESTMENT IN MINERAL PROPERTIES (continued)**

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

<b>Property</b>	June 30, 2005	Acquisitions	Deferred Explorations	Tax Credit	June 30, 2006
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>

<b>Deferred Mineral Costs</b>	<b>September 30, 2006</b>	<b>September 30, 2005</b>
Diamond drilling	\$ 69,531	\$ 13,544
Acquisition and claim staking	170,000	42,325
Management and planning of projects	20,051	4,764
Mapping	41,420	57,746
Line cutting, trenching and blasting	13,655	8,802
Geological surveys	-	47,188
Prospecting	-	19,388
Data compilation and digitizing	11,256	3,601
Travel, camp and other expenses	2,035	10,236
Assessment reports and filing works	100	25,020
License, permits and taxes	15,524	162
Assays	-	6,227
<b>Deferred Exploration Costs for the Year</b>	<b>343,573</b>	<b>239,003</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>\$ 4,132,727</b>	<b>\$ 3,038,399</b>

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

**INVESTMENT IN MINERAL PROPERTIES (continued)**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 are 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, Alto holds 6,457 hectares of 100% held ground. Prior to Alto'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.

Following a first phase drill program of 5,307 m last year, a mineral resource study by Hubacheck Consulting Geologists (HCG) of Mississauga, Ontario found that there was enough drill hole data to conclude that DAC deposit has gold potential for up to approximately 670,000 tonnes grading in a range from 6.8 g/t to 7.8 g/t. The results of the report confirm both the continuity of the mineralization of the DAC Deposit as well as the excellent exploration potential of the entire Despinassy project.

Alto designed a second phase drill program to increase the drill density in the DAC deposit in order to upgrade the resource to an inferred category. The program was also designed to test gold mineralization along strike to identify other gold mineralized shoots along the Despinassy Shear Zone. The Company completed a 5,106 m drill program during the quarter in 19 drill holes and successfully encountered positive drill results. The drill program again confirmed the continuity of the mineralization on the DAC deposit and the potential for further gold mineralization along the auriferous Despinassy Shear Zone. Numerous high grade gold intercepts extended the multiple veins along strike and down plunge. Highlights include an intercept of 178.5 g/t over 1 m on the DAC deposit and the discovery of the Darla Zone grading 19.5 g/t gold over 2.1 m, one kilometre to the east of DAC deposit. The Company is upgrading its resource estimate utilizing the data collected from the second phase drill program just completed.

b) Coldstream Property, Ontario

Alto owns a 100% interest in 3,056 hectares nearby the past producing North Coldstream Copper/Gold mine in the Shebandowan Greenstone Belt. The Company recently acquired a further 1,216 hectares adjoining the Coldstream project in a series of three acquisitions, including Inco Limited's Burchell Lake property between Alto's property and the Moss River gold deposit containing 60 million tonnes grading 1.1 grams gold per tonne (as reported by Moss River Gold Mines Ltd.). Alto's East Coldstream gold deposit has an historical resource estimate of 7.6 million tonnes grading 2.0 grams gold per tonne, totalling 485,000 ounces of gold (see News Release dated May 4, 2005 for NI 43-101 disclosure of this resource estimate). The Company acquired, through an option from Canadian Golden Dragon Ltd., the possible strike extension of the East Coldstream deposit. The June 2006 drill program confirmed continuity of mineralization and extended the zone.

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

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 250,000 common shares of the Company to Inco. There are no royalties and the property is in good standing till 2010. The Company resampled some of the existing drill cores and examined surface showings which indicated the rocks fit the IOCG style of mineralization found on other Coldstream Property tested. The Company is reviewing strategic initiatives with other workers in the district

**c) Oxford Lake Property, Manitoba**

Alto 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. The Mud Lake property is ready for drilling and the Company is reviewing its alternatives with the recent increased exploration activity in the camp.

**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.

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

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. 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. The Company is reviewing its alternatives with the recent increase in exploration activity in the camp.

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. The property is ready for drilling of the down plunge extension of the mineralization.

g) Dog Lake Property, Ontario

The Dog Lake property, located 14km southwest of Missinabie, Ontario, consists of 8 patented claims covering 155 hectares, located in the Michipicoten greenstone belt. 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.

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. Further work program will be determined after results are received and analyzed.

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## **INVESTMENT IN MINERAL PROPERTIES (continued)**

### **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.

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### **CRITICAL ACCOUNTING ESTIMATES (continued)**

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.
- d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.

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**RISKS AND UNCERTAINTIES (continued)**

- 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 September 30, 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).

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**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.