# ALTO VENTURES LIMITED

*(An Exploration Stage Company)*

## INTERIM FINANCIAL STATEMENTS

**(Unaudited – Prepared by Management)**

**For the six-month periods ended December 31, 2010 and 2009**

**Canadian Funds**

**NOTICE OF NO REVIEW BY AUDITOR**

In accordance with National Instrument 51 – 102 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** the interim financial statements that follow this notice have not been reviewed by the Company's auditors.

# Alto Ventures Ltd.

*Statement 1*

*(An Exploration Stage Company)*

# Interim Balance Sheets

*Unaudited – Prepared by Management*
*Canadian Funds*

| ASSETS | December 31, 2010 | June 30, 2010 (Audited) |
|---|---|---|
| **Current** | | |
| Cash | $ **745,518** | $ 317,369 |
| Restricted cash *(Note 5)* | **1,360,000** | 735,000 |
| Receivables | **63,466** | 74,834 |
| Marketable Securities *(Note 6)* | **659,070** | 369,098 |
| Due from joint venture option partner | **49,752** | 194,217 |
| Quebec exploration tax credit | **61,037** | 61,037 |
| Due from related party *(Note 10b)* | **38,000** | - |
| Prepaids and Deposits | **46,632** | 57,634 |
| | **3,023,475** | 1,809,189 |
| **Mineral Properties** *(Note 8)* | **5,413,174** | 5,096,652 |
| **Equipment** *(Note 7)* | **1,649** | 2,356 |
| | $ **8,438,298** | $ 6,908,197 |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | **$ 280,512** | $ 103,869 |
| Due to related parties *(Note 10a)* | **26,421** | 13,762 |
| | **306,933** | 117,631 |
| **Commitment to issue shares** | **$ 8,000** | $ - |
| **SHAREHOLDERS' EQUITY** | | |
| Share Capital – *Statement 5 - (Note 9)* | **$ 17,163,864** | $ 15,949,673 |
| Contributed Surplus – Options – *Statement 5 (Note 9)* | **1,043,724** | 1,043,724 |
| Contributed Surplus – Warrants – *Statement 5 (Note 9)* | **1,239,326** | 955,777 |
| Accumulated other comprehensive income – *Statement 5* | **197,552** | 140,080 |
| Deficit – *Statement 5* | **(11,521,101)** | (11,298,688) |
| | **8,123,365** | 6,790,566 |
| | **$ 8,438,298** | $ 6,908,197 |

**Going Concern** *(Note 1)*
**Commitments** *(Note 12)*
**Subsequent Events** *(Note 13)*

ON BEHALF OF THE BOARD:

*"Richard Mazur"*, Director

*"Marian Koziol"*, Director

- See accompanying notes to the unaudited interim financial statements -

# Alto Ventures Ltd.

*Statement 2*

*(An Exploration Stage Company)*

# Interim Statements of Loss and Deficit

*Unaudited – Prepared by Management*

*Canadian Funds*

| | | **Three month period ended December 31, 2010** | Three month period ended December 31, 2009 | | **Six month period ended December 31, 2010** | Six month period ended December 31, 2009 |
|---|---|---|---|---|---|---|
| **Expenses** | | | | | | |
| Professional Fees | $ | **67,038** | $ 29,136 | $ | **94,815** | $ 62,698 |
| Office Administration and Miscellaneous | | **47,082** | 39,683 | | **82,342** | 63,274 |
| Salaries and Wages | | **18,925** | 9,488 | | **38,291** | 8,106 |
| Investor and Shareholder Relations | | **19,331** | 19,075 | | **33,354** | 37,228 |
| Directors Fees | | **14,000** | 12,000 | | **26,000** | 24,000 |
| Corporate Administrative Services | | **5,000** | 12,442 | | **15,147** | 24,884 |
| Consulting Fees | | **10,527** | 4,500 | | **15,027** | 9,000 |
| Travel and Promotion | | **6,817** | 7,886 | | **8,747** | 8,793 |
| Transfer Agent and Filing Fees | | **4,009** | 3,658 | | **5,787** | 5,289 |
| Mineral property write-downs | | **-** | - | | **1,346** | - |
| Amortization | | **-** | 442 | | **707** | 884 |
| Stock based compensation | | | 42,362 | | **-** | 42,362 |
| Bad debt recovery | | **(65,000)** | - | | **(65,000)** | - |
| | | **127,729** | 180,672 | | **256,563** | 286,518 |
| **Other (Income) Expense** | | | | | | |
| Interest income | | **(1,692)** | (1,838) | | **(3,418)** | (4,782) |
| Management fee recoveries | | **(22,777)** | (54,114) | | **(30,732)** | (56,694) |
| | | **(24,469)** | (55,952) | | **(34,150)** | (61,476) |
| **Loss for the Period** | | **103,260** | 124,720 | | **222,413** | 225,042 |
| Deficit - Beginning of Period | | **11,417,841** | 10,041,868 | | **11,298,688** | 10,041,546 |
| **Deficit – End of Period** | **$** | **11,521,101** | 10,266,588 | $ | **11,521,101** | 10,266,588 |

**Alto Ventures Ltd.**

*(An Exploration Stage Company)*

# Interim Statements of Comprehensive Loss

*Statement 3*

*Unaudited – Prepared by Management*
*Canadian Funds*

| | | **Three month period ended December 31, 2010** | | Three month period ended December 31, 2009 | | **Six month period ended December 31, 2010** | | Six month period ended December 31, 2009 |
|---|---|---|---|---|---|---|---|---|
| **Loss for the period** | **$** | **103,260** | $ | 124,719 | **$** | **222,413** | $ | 225,041 |
| Unrealized loss (gain) on available for sale securities | | **146,222** | | 62,885 | | **(57,472)** | | 30,608 |
| **Comprehensive loss for the period** | **$** | **249,482** | $ | 187,604 | $ | **164,941** | $ | 255,649 |

**Alto Ventures Ltd.** *Statement 4*

*(An Exploration Stage Company)*

# Interim Statements of Cash Flows

*Unaudited – Prepared by Management*
*Canadian Funds*

| Cash Resources Provided By (Used In) | Three month period ended December 31, 2010 | Three month period ended December 31, 2009 | Six month period ended December 31, 2010 | Six month period ended December 31, 2009 |
|---|---|---|---|---|
| **Operating Activities** | | | | |
| Loss for the period | $ **(103,260)** | $ (124,719) | $ **(222,413)** | $ (225,041) |
| Items not affecting cash: | | | | |
| Resource property costs written off | **-** | - | **1,346** | - |
| Stock based compensation | **-** | 42,362 | **-** | 42,362 |
| Marketable securities received in exchange for debt settlement | **(225,000)** | - | **(225,000)** | - |
| Amortization | **-** | 442 | **707** | 884 |
| Changes in non-cash working capital | | | | |
| Decrease (increase) in accounts receivable | **34,425** | (48,292) | **11,368** | (50,564) |
| Decrease (increase) in prepaid expense | **32,257** | (6,214) | **11,001** | (20,497) |
| (Increase) decrease in accounts payable | **(116,558)** | 145,596 | **(74,780)** | 163,952 |
| | **(378,136)** | 9,175 | **(497,771)** | (88,904) |
| **Investing activities** | | | | |
| Acquisition of capital assets | **-** | 1,964 | **-** | (13,101) |
| Contributions of joint venture partner received | **591,238** | 281,396 | **144,465** | 630,272 |
| Joint venture recovery of exploration costs | **-** | - | **307,315** | - |
| Mineral property option receipts | **-** | 65,084 | **50,000** | 65,084 |
| Mineral property expenditures | **(93,792)** | (412,523) | **(428,759)** | (577,234) |
| | **497,446** | (64,079) | **73,021** | 105,021 |
| **Financing activities** | | | | |
| Due from related parties | **(146,879)** | 492 | **(25,341)** | 9,601 |
| Share issuance costs | **(119,510)** | (21,740) | **(119,260)** | (21,740) |
| Proceeds from private placements | **1,622,500** | 300,000 | **1,622,500** | 300,000 |
| | **1,356,111** | 278,752 | **1,477,899** | 287,861 |
| **Net decrease in Cash and Cash Equivalents** | **1,475,421** | 223,848 | **1,053,149** | 303,978 |
| Cash and cash equivalents - Beginning of Period | **630,097** | 851,782 | **1,052,369** | 771,652 |
| **Cash and Cash Equivalents - End of Period** | $ **2,105,518** | $ 1,075,630 | $ **2,105,518** | $ 1,075,630 |

| Supplementary disclosure of cash flow information: | Three months ended December 31, 2010 | Three months ended December 31, 2009 | Six months ended December 31, 2010 | Six months ended December 31, 2009 |
|---|---|---|---|---|
| **Cash paid for interest** | $ **Nil** | $ Nil | $ **Nil** | $ Nil |
| **Cash paid for income taxes** | $ **Nil** | $ Nil | $ **Nil** | $ Nil |

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

- See accompanying notes to the unaudited interim financial statements -

# Alto Ventures Ltd.

<u>*Statement 5*</u>

*(An Exploration Stage Company)*

# Interim Statement of Shareholders' Equity

*Unaudited – Prepared by Management*

*Canadian Funds*

| | Share capital (Number of Shares) | Share capital (Amount) | Contributed Surplus - Warrants | Contributed Surplus - Options | Accumulated Other Comprehensive Income | Deficit | Total |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ |
| June 30, 2008 | 95,685,455 | 14,806,039 | 865,714 | 987,119 | - | (8,203,160) | 8,455,712 |
| Shares issued for mineral properties | 260,000 | 11,900 | - | - | - | - | 11,900 |
| Stock-based compensation | - | - | - | 10,428 | - | - | 10,428 |
| Other comprehensive income | - | - | - | - | 5,000 | - | 5,000 |
| Net Loss for the year | - | - | - | - | - | (1,838,386) | (1,838,386) |
| June 30, 2009 | 95,945,455 | 14,817,939 | 865,714 | 997,547 | 5,000 | (10,041,546) | 6,644,654 |
| Units issued for cash pursuant to flow through private placement | 5,000,000 | 300,000 | - | - | - | - | 300,000 |
| Units issued for cash pursuant to flow through private placement | 13,150,000 | 789,000 | - | - | - | - | 789,000 |
| Units issued for cash pursuant to private placement, net of $70,026 allocated to warrants | 6,260,000 | 242,974 | 70,026 | - | - | - | 313,000 |
| Share issuance costs | - | (119,490) | 20,037 | - | - | - | (99,453) |
| Shares issued for mineral properties | 100,000 | 4,750 | - | - | - | - | 4,750 |
| Stock-based compensation | - | - | - | 46,177 | - | - | 46,177 |
| Other comprehensive income | - | - | - | - | 135,080 | - | 135,080 |
| Future income taxes on renouncement of flow through shares | - | (85,500) | - | - | - | - | (85,500) |
| Net Loss for the year | - | - | - | - | - | (1,257,142) | (1,257,142) |
| June 30, 2010 | 120,455,455 | 15,949,673 | 955,777 | 1,043,724 | 140,080 | (11,298,688) | 6,790,566 |
| Units issued for cash pursuant to flow through private placement, net of $176,298 allocated to warrants | 21,500,000 | 898,702 | 176,298 | - | - | - | 1,075,000 |
| Units issued for cash pursuant to private placement, net of $34,194 allocated to warrants | 4,170,000 | 174,306 | 34,194 | - | - | - | 208,500 |
| Units issued for cash pursuant to private placement, net of $51,942 allocated to warrants | 6,620,000 | 279,058 | 51,942 | - | - | - | 331,000 |
| Shares issued for mineral properties | 50,000 | 2,500 | - | - | - | - | 2,500 |
| Share issuance costs (refund) | - | (140,375) | 21,115 | - | - | - | (119,260) |
| Other comprehensive income | - | - | - | - | 57,472 | - | 57,472 |
| Net Loss for the period | - | - | - | - | - | (222,413) | (222,413) |
| **December 31, 2010** | **152,795,455** | **17,163,864** | **1,239,326** | **1,043,724** | **197,552** | **(11,521,101)** | **8,123,365** |

- See accompanying notes to the unaudited interim financial statements -

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

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

At December 31, 2010, the Company has working capital of $2,716,542 (which includes $1,360,000 set aside for qualified exploration expenditures as per flow though shares agreements), incurred losses for the six-month period ended of $222,413 and has accumulated deficit of $11,521,101. These conditions give rise to significant doubt about the Company's ability to continue as going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to raise additional financing to meet property commitments and administration costs. Management plans to continue to secure the necessary financing through a combination of the issue of new equity instruments and the entering into of joint venture arrangements. However, there is no assurance that the Company will be successful in these actions.

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

**2. Basis of Presentation and Consolidation**

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information using the same accounting policies and methods of application as the audited financial statements of the Company for the year ended June 30, 2010. These unaudited interim financial statements do not include all the information and note disclosures required by generally accepted accounting principles for annual financial statements of the Company and should be read in conjunction with the audited financial statements of the Company as at June 30, 2010.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Interim results are not necessarily indicative of the results expected for the fiscal year.

## 3. Recent Accounting Pronouncements

**Business Combinations; Consolidated Financial Statements and Non-Controlling Interests**

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations; 1601 – Consolidated Financial Statements; and 1602 – Non-Controlling Interests. These sections replace the former CICA Handbook Section 1581 – Business Combinations and CICA 1600 – Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections are the Canadian GAAP equivalent to IFRS 3 – Business Combinations and IAS 27 – Consolidated are Separate Financial Statements.

CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1692 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Management has not yet evaluated the impact of these standards on the Company's financial statements.

## 4. Capital Management

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

In the management of capital, the Company includes the components of shareholders' equity (through private placements) as well as cash and cash equivalents, receivables, investments and investment tax credit receivable balances.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

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

## 5. Management of Financial Risk

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

*Interest rate risk*

The Company has non-material exposure at December 31, 2010 to interest rate risk through its financial instruments.

*Currency Risk*

As at December 31, 2010, all of the Company's cash were held in Canadian dollars, the Company's measurement currency. The Company has no operations in foreign jurisdictions at this time and as such has no currency risk associated with its operations.

*Credit risk*

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

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

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

*Liquidity Risk*

The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at December 31, 2010, the Company had a cash balance of $2,105,518 (with $1,360,000 being held as restricted cash pertaining to flow-through commitments- June 30, 2010 - $735,000) (June 30, 2010 - $1,052,369) to settle current liabilities of $306,933 (June 30, 2010 - $117,631) Further information relating to liquidity risk is disclosed in Note 1. Management believes the risk to be minimal.

*Sensitivity analysis*

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

- Cash and cash equivalents include deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by $21,055 annually.

- The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

*(Canadian Funds)*

## 6. Marketable Securities – Available for Sale

| Company | Shares | **December 31, 2010 Market Value $** |
|---|---|---|
| Foundation Resources Inc. (FDN - TSXV) (1) | 1,000,000 | **310,000** |
| Kodiak Exploration Ltd.(KXL-TSXV) | 55,557 | **19,445** |
| Wescan Goldfields Inc. (WGF – TSXV)(2) | 3,050,000 | **320,250** |
| Pacific North West Capital Corp. (PFN – TSX- T) | 75,000 | **9,375** |
| | 4,180,557 | **659,070** |

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

(1) Restricted (500,000) until March 4, 2011
(2) Restricted (3 million) until March, 1, 2010

The above investments have been accounted for using the fair value method. The shares owned by the Company represent minor ownership in each of the companies in the above schedule. During the six month period ended December 31, 2010, the Company received an additional 50,000 shares in conjunction with a joint venture mineral property agreement with PFN (*See Note 8a*) as well as 3,000,000 shares, with a fair value of $225,000, of Wescan Goldfields Inc. in exchange for settlement of debt. During the six-month period ended December 31, 2010, the Company recognized an unrealized gain on marketable securities of $57,472 (June 30, 2010- $135,080).

## 7. Equipment

| | Cost | Accumulated Amortization | **December 31, 2010 Net Book Value** |
|---|---|---|---|
| Computer equipment | $ 22,539 | $ 20,890 | $ **1,649** |
| Furniture and equipment | 1,676 | 1,676 | **-** |
| | $ 24,215 | $ 22,566 | $ **1,649** |

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

*(Canadian Funds)*

**8. Mineral Properties**

The following tables show the activity by property from June 30, 2009 to June 30, 2010 and to December 31, 2010:

| | June 30, 2010 Total $ | Acquisition Cost $ | Deferred Exploration $ | Tax Credits, Option Payments, JV Recovery $ | Recovered Excess/ Write-Downs $ | **December 31, 2010 Total $** |
|---|---|---|---|---|---|---|
| Alcudia | 44,332 | - | 32,708 | - | - | **77,040** |
| Coldstream | 703,597 | - | - | - | - | **703,597** |
| Cote-Archie Lake | 194,757 | - | - | (25,000) | - | **169,757** |
| Three Towers | 396,054 | - | - | - | - | **396,054** |
| Destiny | 2,480,256 | - | 332,605 | (339,815) | - | **2,473,046** |
| Greenoaks | 314,756 | - | 1,055 | - | - | **315,811** |
| Mud Lake | 390,806 | - | 6,772 | - | - | **397,578** |
| Vassal | 189,474 | - | 6,297 | - | - | **195,771** |
| Expansion Lake | 171,334 | - | - | - | - | **171,334** |
| Miner Lake | 145,521 | - | 180,634 | - | - | **326,155** |
| Dolsan | - | 3,444 | 4,456 | - | - | **7,900** |
| Other exploration | 65,765 | - | 114,711 | - | (1,345) | **179,131** |
| Total resource properties | 5,096,652 | 3,444 | 679,238 | (364,815) | (1,345) | **5,413,174** |

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

*(Canadian Funds)*

**8. Mineral Properties – *Continued***

a) Destiny (formerly Despinassy) Property, Quebec

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

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

The terms of the agreement are:

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

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

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

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

*(Canadian Funds)*

## 8. Mineral Properties – *Continued*

b) Coldstream Property, Ontario

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

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

Upon earning the initial 60% interest in the Properties, Foundation may elect to acquire a further 10% interest by completing a feasibility study on the Properties. In circumstances where Foundation was to earn the 70% interest in the Property the Company would have the right, in lieu of retaining a 30% interest in the Property and proceeding with a joint venture with Foundation, to elect to take a 2.5% net smelter returns royalty, 1% of which could be repurchased by Foundation for $1,000,000.

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

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

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

During the six month period ended December 31, 2010, Foundation Resources has notified the Company that they have fulfilled the terms of the option agreement on the Coldstream mineral property and has now earned 60 per cent interest by spending $3 million in exploration on the property.

**8. Mineral Properties – *Continued***

c) Mud Lake Property, Ontario

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

During the six month period ended December 31, 2010 the Company agreed to settle the outstanding claim of $278,948 against Wescan Goldfield pertaining to exploration work completed on the Mud Lake project in 2008. Under the terms of the settlement, the Company received $25,000 in a cash payment on November 1, 2010 and an additional $25,000 in cash is payable on March 31, 2011. Wescan has also issued 3,000,000 of its shares to the Company on November 1, 2010. The shares have an approximately value of $135,000. No further action will be pursued on this matter.

d) Cote-Archie Lake Property, Ontario

Kodiak exploration is working towards earning 51% interest in the property and has made the fourth and final option payment as required by the Option Agreement. Under the terms of the Option Agreement, Kodiak can earn an initial 51% interest in the project by spending $1,000,000 on exploration work and paying Alto $100,000 in cash or Kodiak shares over the same period. Kodiak had approximately $480,000 to complete in exploration work prior to September 4, 2010 to earn its 51% interest in the property. In July, the Company granted a one year extension for Kodiak to complete a new total of $1.1 million in exploration work. Kodiak now has to September 4, 2011 to complete approximately $300,000 in exploration work

e) Greenoaks Property, Ontario

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

f) 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. The Company owns 100% interest in the property.

g) Alcudia Property, Quebec

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

h) Empress - Ridout Property, Ontario

Alto owns 100% interest in this 736 hectares property.

i) Vassal, Quebec

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

*(Canadian Funds)*

**8. Mineral Properties – *Continued***

j) Miner Lake, Ontario

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

k) Oxford Lake

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

l) Dolsan, Quebec

During the six month period ended December 31, 2010, the Company acquired a new gold property in the Abitibi greenstone belt in north-western Quebec. The Dolsan property consists of 42 recently staked claims and four purchased claims that together cover 2.238 ha. Under the terms of the Purchase Agreement for 100% interest in the four purchased claims, the Company will pay the Vendor a total one-time payment of 50,000 Common Shares (issued). The Vendor will retain a 1% NSR royalty and the Company will have the right to buyout 100% of the royalty for $1,000,000.

m) Chilko, British Columbia

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

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

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

| | |
|---|---|
| On or before April 30, 2011 | $50,000 |
| On or before April 30, 2012 | $100,000 |
| On or before April 30, 2013 | $100,000 |
| On or before April 30, 2014 | $250,000 |

The Vendor retains a 2% Net Smelter Returns royalty and the Company has the option to buy back 1% for one million within six months of commercial production.

## 9. Share Capital

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

*Shares issued:*

a) On August 5, 2009 the Company issued 50,000 shares pursuant to a property purchase agreement.

b) On December 23, 2009 the Company issued 5,000,000 flow-through common shares for gross proceeds of $300,000.

c) On December 15, 2009, as a finder's fee, 323,166 warrants were issued that are exercisable into common shares at $0.10 per share to December 15, 2010.

d) On May 4, 2010 the Company issued 50,000 shares pursuant to a property purchase agreement

e) On June 14, 2010 the Company received a gross $1,102,000 by issuing a combination of 13,150,000 flow-through common shares at a price of $0.06 per share and 6,260,000 units at a price of $0.05 per unit. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $0.10 per share for a period of eighteen months expiring December 9, 2011, provided that if at any time, which is more than four (4) months and one day following Closing, the volume weighted average trading price of the common shares of the Company, as traded on the TSX Venture Exchange, exceeds $0.25 for 10 consecutive trading days, the Company shall have the right to accelerate the expiry date of the warrants to a date which is thirty (30) days following the date of the notice.

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

f) On September 29, 2010, the Company issued 50,000 shares pursuant to a property purchase agreement (*Note 8l*)

g) On December 15, 2010 the Company received gross proceeds of $1,075,000 by issuing 21,500,000 flow through units at a price of $0.05 per share. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $0.10 per share for a period of twelve months expiring December 15, 2011. The Company allocated $898,702 to the common shares and $176,298 to the share purchase warrants based upon the relative fair values.

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

*(Canadian Funds)*

**9. Share Capital - *Continued***

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

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

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

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

*Warrants:*

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

| | Number of warrants | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance – June 30, 2008 | 12,192,194 | $ | 0.20 |
| Expired | (12,192,194) | | 0.20 |
| Balance – June 30, 2009 | - | | - |
| Granted | 3,130,000 | | 0.10 |
| Agent warrants issued | 1,408,166 | | 0.10 |
| Balance – June 30, 2010 | 4,538,166 | $ | 0.10 |
| Granted | 20,865,200 | | 0.10 |
| **Balance – December 31, 2010** | **25,403,336** | **$** | **0.10** |

f

*(Canadian Funds)*

**9. Share Capital - *Continued***

*Warrants – continued*

Of the warrants outstanding at December 31, 2010, the following are stock warrants:

a) 3,130,000 warrants are exercisable at $0.10 per share up to December 9, 2011. *(Note 9e)*
b) 10,750,000 warrants are exercisable at $0.10 per share up to December 15, 2011. *(Note 9g)*
c) 3,970,000 warrants are exercisable at $0.10 per share up to December 21, 2011. *(Note 9h)*
d) 3,970,000 warrants are exercisable at $0.10 per share up to December 29, 2011. *(Note 9i)*

Of the warrants outstanding at December 31, 2010 following are agent warrants:

a) 1,085,000 warrants are exercisable at $0.10 per share up to June 9, 2011. (*Note 9e)*
b) 323,166 warrants are exercisable at $0.10 per share up to December 15, 2011. *(Note 9c)*
c) 1,400,000 warrants are exercisable at $0.10 per share up to December 15, 2011 *(Note 9g)*
d) 333,600 warrants are exercisable at $0.10 per share up to December 21, 2011 *(Note 9h)*
e) 441,600 warrants are exercisable at $0.10 per share up to December 29, 2011 *(Note 9i)*

Warrant pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants. The estimated fair value of the warrants granted and issued during the year was determined using a Black-Scholes option-pricing model with the following assumptions:

| | 2010 | 2009 |
|---|---|---|
| Expected dividend yield | 0% | - |
| Expected stock price volatility | 97-100% | - |
| Risk free rate | 1.66% | - |
| Expected life of warrants | 1 year | - |

*Stock Options*

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

*(Canadian Funds)*

**9. Share Capital - *Continued***

*Stock options – continued*

Stock option transactions were as follows:

| | Number of options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance – June 30, 2008 | 4,055,000 | $ | 0.17 |
| Forfeited | (145,000) | | 0.18 |
| Balance – June 30, 2009 | 3,910,000 | | 0.17 |
| Granted | 1,765,000 | | 0.10 |
| Forfeited | (725,000) | | 0.15 |
| Expired | (1,345,000) | | 0.15 |
| Balance – June 30, 2010 | 3,605,000 | $ | 0.14 |
| Granted | 100,000 | | 0.10 |
| Forfeited | (255,000) | | 0.14 |
| **Balance – December 31, 2010** | **3,450,000** | | **0.14** |

i) During the year ended June 30, 2009, 145,000 options were forfeited as the holders were no longer employed by the Company.

ii) During year ended June 30, 2009, the Company recorded stock based compensation expense of $10,428 for investor relations options.

iii) During the year ended June 30, 2010, 1,345,000 options held by officers, directors, and a former director expired and 725,000 options were forfeited as the holders were no longer employed by the Company.

iv) During the year ended June 30, 2010, 1,765,000 options were granted to officers, directors and consultants.

v) During the six-month period ended December 31, 2010, 100,000 options were granted to an investor relations consultant. No stock based compensation has been recorded for the period as the options had not yet vested. In addition, during the period, 255,000 options were cancelled due to termination of certain officers, employees and consultants.

*(Canadian Funds)*

**9. Share Capital - *Continued***

*Stock Options - Continued*

The total fair value of the options granted during the year ended June 30, 2010 was $47,469 with $46,177 recorded as stock-option compensation expense and $1,292 to be expensed upon options vesting.

The following is a summary of the Company's options outstanding as at December 31, 2010:

| Number | Price per share | Expiry date | Options exercisable |
|---|---|---|---|
| 450,000 | $0.12 | December 19, 2011 | 450,000 |
| 50,000 | $0.10 | May 16, 2012 | 50,000 |
| 1,360,000 | $0.20 | December 16, 2012 | 1,360,000 |
| 1,440,000 | $0.10 | December 18, 2012 | 1,440,000 |
| 50,000 | $0.10 | April 14, 2015 | 50,000 |
| 100,000 | $0.10 | November 15, 2015 | - |
| **3,450,000** | | | **3,350,000** |

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options. The estimated fair value of the stock options granted during the prior year was determined using a Black-Scholes option pricing model with the following assumptions:

| | 2010 | 2009 |
|---|---|---|
| Expected dividend yield | 0% | - |
| Expected stock price volatility | 103% | - |
| Risk free rate | 3.01% | - |
| Expected life of warrants | 5 years | - |

*(Canadian Funds)*

## 10. Related Party Transactions

a) At December 31, 2010, the Company owed $26,421 (June 30, 2010: $13,62) to companies with directors and officers in common. There are no repayment terms or interest associated with this balance.

b) At December 31, 2010, White Label Corporate Services Inc., a management services company with officers in common, owed the Company $38,000. (June 30, 2010 - $Nil) relating to a deposit for services paid to the related company.

c) At December 31, 2010, HRG Management Ltd, with a director and officer in common, owed the Company $Nil due to an amount which was written off during the prior year due to the unlikely collectability of the amount (June 30, 2010: $40,377) relating to a deposit for services and fixed assets. *(See Note 12)*

d) The following related party transactions were in the normal course of operations and are measured at fair value being their exchange amounts:

| | | **December 31, 2010** | | December 31, 2009 |
|---|---|---|---|---|
| HRG Management Ltd. – administrative services, property and equipment (Company with Director in Common, see Note 11) | **$** | **58,945** | $ | 78,852 |
| White Label Corporate Services Inc. – administrative services (officers in common) | | **38,000** | | - |
| Mike Koziol –salary services (Officer and Company with Director in Common) | | **78,000** | | 78,000 |
| Hamilton Capital Partners Limited- management fees (Company with a Director in Common) | | **9,000** | | 15,000 |
| Lang Michener – legal services (Legal firm with a Partner and Company Director in Common) | | **5,087** | | 1,063 |
| Gary Zak – consulting services (Officer and Director in Common) | | **7,415** | | |
| Total | **$** | **196,447** | $ | 172,915 |

## 11. Supplementary Disclosure of Cash Flow Information

| Supplemental Disclosure of Non-Cash Financing and Investing Activities include: | | **December 31, 2010** | | December 31, 2009 |
|---|---|---|---|---|
| Shares issued in exchange under mineral property agreements | $ | **2,500** | $ | 1,500 |
| Shares received under mineral property agreement | $ | **7,500** | $ | 36,084 |
| Accounts payable included in mineral properties | $ | **251,423** | $ | 182,610 |

## 12. Commitments

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

During the six-month period ended December 31, 2010, HRG provided written notice of termination to the Company and the agreement was terminated on October 31, 2010.

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

## 13. Subsequent events

Subsequent to December 31, 2010:

i) The Company closed the final tranche of the private placement announced on December 10, 2010 and received gross proceeds of $1,867,500 by issuing a combination of 1,760,000 flow-through units at a price of $0.05 per share and 35,590,000 units at a price of $0.05 per unit. Each flow through unit consists of one common share and one-half of one share purchase warrant. Each unit consists of one share purchase warrant. Each whole warrant is exercisable at a price of $0.10 per share for a period of twelve months expiring January 17, 2012.

   The Company paid finder's fees to various brokers of $123,200 and issued 2,424,000 warrants each exercisable to purchase one common share at a price of $0.10 for a period of one year expiring January 17, 2012.

ii) The Company granted a total of 3,250,000 stock options to certain directors, officers, employees at an exercise price of $0.10. All of the options are exercisable for a period of 5 years from the date of grant.

iii) The Company paid $20,000 and issued 100,000 common shares in conjunction with their Chilko mineral property option agreement. (*See Note 8m*)

# MANAGEMENT DISCUSSION AND ANALYSIS

**For the Six Month Period Ended December 31, 2010**

**As at February 25, 2011**

**INTRODUCTION**

The following interim management's discussion and analysis (MD&A) of the Company has been prepared as of February 25, 2011 and is intended to supplement and complement the Company's unaudited interim financial statements for the six-month period ended December 31, 2010. This MD&A should also be read in conjunction with the audited annual financial statements and annual MD&A for the year ended June 30, 2010. All financial information has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and all amounts disclosed are Canadian dollars unless otherwise stated.

**DESCRIPTION OF BUSINESS**

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

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

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

The Company has investigated ownership of its mineral interests as at December 31, 2010 and, to the best of its knowledge, ownership of its interests are in good standing.

**Highlights for the Six-Month Period Ended December 31, 2010**

During the six-month period ended December 31, 2010, the Company acquired a new gold property in the Abitibi greenstone belt in north-western Quebec. The Dolsan property consists of 42 recently staked claims and four purchased claims. Under the terms of the Purchase Agreement for 100% interest in the four purchased claims, the Company will pay the Vendor a total one-time payment of 50,000 Common Shares (issued). The Vendor will retain a 1% NSR royalty and the Company will have the right to buyout 100% of the royalty for $1,000,000.

During the Six Month period ended December 31, 2010, the Company has agreed to settle the outstanding claim of $278,948 against Wescan Goldfield pertaining to exploration work completed on the Mud Lake project in 2008. Under the terms of the settlement, the Company will receive $25,000 in cash payment on November 1, 2010 (received) and an additional $25,000 in cash on March 31, 2011. Wescan will issue 3,000,000 of its shares to the Company on November 1, 2010 (received). The shares have an approximately value of $135,000. No further action will be pursued on this matter.

The Company has appointed Falcon Point Capital Partners ("Falcon Point") as its Communications and Investor Relations Consultant. Falcon Point is a Vancouver-based firm that provides marketing, communications and investor relations solutions to public companies through its InvestmentBC.com platform. Falcon Point develops and executes IR/PR programs designed to improve marketplace positioning, encourage market engagement, increase brand awareness and to cultivate strategic relationships.

Falcon Point has been engaged for a six-month contract at a rate of $1,200 per month. In addition, the Company has granted to Falcon Point, in accordance with the Company's stock option plan, incentive stock options to purchase up to an aggregate of 100,000 common shares exercisable on or before November 15, 2015 at a price of $0.10 per share.

Falcon Point does not have any direct or indirect interest in the Company.

**Highlights for the Six -Month Period Ended December 31, 2010 -** *continued*

On November 13, 2010 Foundation Resources has notified the Company that they have fulfilled the terms of the option agreement on the Coldstream mineral property and has now earned 60 per cent interest by spending $3 million in exploration on the property.

On December 15, 2010, the Company received gross proceeds of $1075,000 by issuing 21,500,000 flow-through units at a price of $0.05 per unit.

On December 21, 2010, the Company received gross proceeds of $208,500 by issuing a combination of 400,000 flow-through units and 3,770,000 units at a price of $0.05 per unit.

On December 29, 2010, the Company received gross proceeds of $331,000 by issuing a combination of 5,300,000 flow-through units and 1,320,000 units at a price of $0.05 per unit.

The Company announced that Marian (Mike) Koziol, Richard Mazur, David Cowan as well as two new Directors, Mr. Jerry Bulman and Mr. Gary F. Zak were elected as Directors of the Company at the Company's Annual General Meeting (AGM) held on December 10, 2010. The following officers were appointed: Jerry Bulman as Chairman, Richard Mazur as CEO, Mike Koziol as President, Robert Anderson as CFO, Gary Zak as Vice President of Corporate Development and Jacqueline Collins as Corporate Secretary of the Company.

**Highlights Subsequent to the Six -Month Period Ended December 31, 2010**

The Company closed the final tranche of the private placement announced on December 10, 2010 and received gross proceeds of $1,867,500 by issuing a combination of 1,760,000 flow-through units at a price of $0.05 per share and 35,590,000 units at a price of $0.05 per unit. Each flow through unit consists of one common share and one-half of one share purchase warrant. Each unit consists of one share purchase warrant. Each whole warrant is exercisable at a price of $0.10 per share for a period of twelve months expiring January 17, 2012.

The Company paid finder's fees to various brokers of $123,200 and issued 2,424,000 warrants each exercisable to purchase one common share at a price of $0.10 for a period of one year expiring January 17, 2012.

The Company granted a total of 3,250,000 stock options to certain directors, officers, employees at an exercise price of $0.10. All of the options are exercisable for a period of 5 years from the date of grant.

The Company paid $20,000 and issued 100,000 common shares in conjunction with their Chilko mineral property option agreement.

**Exploration Highlights for the Three-Month Period Ended December 31, 2010**

During the three-month period ended December 31, 2010, the Company completed exploration work on the Destiny gold project including airborne and ground geophysical surveying as well as 1,358 m of diamond drilling. The preparation of an NI43-101 Resource Estimate report was commissioned for the DAC Deposit. Results from the drilling program are pending. The draft Resource Estimate Report was received and results were reported on January 24, 2011 (see below). The Destiny exploration programs are being funded by Pacific North West Capital Corp which is working towards earning a 60% interest in the property. Alto is acting as manager.

Drilling at Coldstream was completed in October. Thirty eight holes totalling 10,107 m were drilled in 2010. Some very significant results including 4.88 g/t gold over 27.3 m and 1.12 g/t gold over 111.3 m were obtained. The exploration work was funded by Foundation Resources Inc. who is working towards earning a 60% interest in the project. Foundation is the project operator.

**Exploration Highlights Subsequent to the Six -Month Period Ended December 31, 2010**

The Miner Lake exploration program was completed in October and included prospecting, geological mapping, overburden stripping and channel sampling. Mapping and prospecting have outlined an area approximately 1.5 km by 1 km of brittle/ductile deformation within variably altered feldspar porphyries intruding intermediate to felsic volcanic rocks. A corridor of better mineralization was traced within this deformation area almost continuously for one kilometre along strike and it varies from 100 to 300 m in width.

Numerous iron sulphide (pyrite and pyrrhotite) occurrences lie within shear zones in this corridor and many contain gold which is associated mainly with chalcopyrite, a copper sulphide mineral. In addition to the gold in shear zones, gold also occurs in chlorite altered breccia zones within the feldspar porphyry. The extent of these breccias has not been mapped out yet and they can be potentially significant as they have many visual similarities to the Cote Lake gold mineralization located north of Sudbury and reported by Trelawney Mining and Exploration Inc.

Some of the better results from Alto's surface work at Miner Lake include a 19.0 m wide section that averages 1.78 g/t gold and 0.1% copper. Small portions of the mineralized corridor were tested by two drill holes in the past intersecting anomalous gold and copper. The best part of the mineralized envelope remains to be drilled.

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

Exploration programs including diamond drilling and surface stripping and sampling are being prepared for 2011. The work is planned to start during the early summer months.

**Destiny Project, Quebec**

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

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

The Company and its partner Pacific North West Capital are currently evaluating the results and recommendation in the report with an anticipation of a major drilling program to be carried out later this year.

**Coldstream Project, Ontario**

Upon completion of the 2010 drilling programs, Foundation Resources has earned 60% interest in the Coldstream Project by spending $3 million on the property. On January 18, 2011, the Company announced that Foundation has earned 60% interest and that future exploration and project funding will be carried out as a 40% Alto and 60% Foundation Joint Venture.

A 6,000 m exploration program was approved by the Joint Venture partners and drilling started on January 28, 2011. The objectives are to further test the East Coldstream gold deposit to generate sufficient data to initiate an NI43-101 compliant resource estimate as well as to test some of the other high priority targets on the property. There are no results from this program yet.

## RESULTS OF OPERATIONS

*For the Six Month Period ended December 31, 2010*

The Company's loss for the six-month period ended December 31, 2010 (the "Current Period") was $222,413 or $0.00 per share as compared with a loss of $225,042 or $0.00 per share for the six-month period ended December 31, 2009. (the "Comparative Period").

General and administrative expenses were $29,955 lower in the Current Period at $256,563 compared with $286,518 in the Comparative Period. This decrease was mainly due to decreases in stock based compensation costs ($Nil versus $42,362) due to a decrease in stock options issued and a bad debt recovery ($65,000 versus $Nil) due to the Company obtaining a debt settlement in relation to Wescan Goldfield mineral property agreement. These decreases were partially offset by increases in professional fees ($94,815versus $62,698) due to an increase in legal and accounting costs, increases in office and miscellaneous ($82,342 versus $63,274) due to a transition to the engagement of a new management company (see commitments) and increased promotion and increases in salaries and wages ($38,291 versus $8,106) due to wages paid for increased activity on the Company's mineral properties.

The Company capitalizes all acquisition and exploration costs until the property to which those costs relate is placed into production, sold or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized mineral property costs will vary from one year to the next and typically cannot be predicted in advance. Write-off of exploration costs of $1,346 in the Current Period was higher than the Comparative Period at $Nil. These write-offs pertain to mineral properties no longer being actively explored. The Company realized interest and other income in the Current Period of $3,418 compared with $4,782 in the Comparative Period. The Company also realized management fee recoveries of $30,732 in the Current Period compared with $56,694 in the Comparative Period. The reduction in management fee recoveries is due to lower exploration activity on the Company's joint venture mineral property agreements.

*For the Three Month Period ended December 31, 2010*

The Company's loss for the three-month period ended December 31, 2010 (the "Current Period") was $103,260 or $0.00 per share as compared with a loss of $124,720 or $0.00 per share for the three-month period ended December 31, 2009. (the "Comparative Period").

General and administrative expenses were $52,943 lower in the Current Period at $127,729 compared with $180,672 in the Comparative Period. This decrease was mainly due to decreases in stock based compensation costs ($Nil versus $42,362) due to a decrease in stock options issued and a bad debt recovery ($65,000 versus $Nil) due to the Company obtaining a debt settlement in relation to Wescan Goldfield mineral property agreement. These decreases were partially offset by increases in professional fees ($67,038 versus $29,136) due to an increase in legal and accounting costs and increases in salaries and wages ($18,925 versus $9,488) due to wages paid for increased activity on the Company's mineral properties.

The Company capitalizes all acquisition and exploration costs until the property to which those costs relate is placed into production, sold or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized mineral property costs will vary from one year to the next and typically cannot be predicted in advance. The Company realized interest and other income in the Current Period of $1,692 compared with $1,838 in the Comparative Period. The Company also realized management fee recoveries of $22,777 in the Current Period compared with $54,114 in the Comparative Period. The reduction in management fee recoveries is due to lower exploration activity on the Company's joint venture mineral property agreements.

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

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

| | December 31, 2009 | September 30, 2010 | June 30, 2010 | March 31, 2010 | December 31, 2009 | September 30, 2009 | June 30, 2009 | March 31, 2009 |
|---|---|---|---|---|---|---|---|---|
| *In thousands $* | | | | | | | | |
| **Financial results** | | | | | | | | |
| Net loss for period | 103 | 119 | 1,257 | 120 | 125 | 100 | 1,416 | 116 |
| Basic and diluted loss per share | 0.00 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 0.03 | 0.00 |
| Mineral property expenditures | 117 | 199 | 164 | 469 | 580 | 157 | (1,240) | 70 |
| **Balance sheet data** | | | | | | | | |
| Cash and short term deposits | 2,105 | 630 | 1,052 | 383 | 791 | 852 | 772 | 751 |
| Resource properties | 5,413 | 5,295 | 5,097 | 5,639 | 5,498 | 5,468 | 5,434 | 6,674 |
| Total assets | 8,438 | 7,158 | 6,908 | 7,140 | 6,933 | 6,949 | 6,710 | 8,091 |
| Shareholders' equity | 8,123 | 6,877 | 6,791 | 6,942 | 10,267 | 6,578 | 6,645 | 8,049 |

**RESOURCE PROPERTIES**

**a) Destiny Property, Quebec**

The Destiny Project is located in Despinassy Township, approximately 75 km northeast of Val d'Or, Quebec and lies within the Archean age Abitibi greenstone belt in the eastern Superior Province in Quebec. The property is 100% owned by Alto subject to certain underlying production royalties. Pacific North West Capital Corp has entered into an Option Agreement with Alto under which PFN can earn 60% interest in the project.

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

**RESOURCE PROPERTIES -** *continued*

*Current Activity and Future Plans*

An exploration program including high resolution airborne magnetometer surveying as well as Borehole EM testing of selected drill holes was completed during this reporting period. The high resolution magnetometer survey is helpful in tracing the Despinassy Shear zone which is the host to the DAC Deposit as well as other major gold occurrences on the property. The Borehole EM testing was used to determine if there are conductive zones outside of the holes drilled as past work has determined the possibility of copper-zinc bearing sulphide zones in addition to the gold. Some of these targets were tested with three holes, totalling 1,358 m in December. The results from this drilling are pending.

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

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

At a cut-off grade of 0.5 g/t gold and using the Inverse Distance Squared (ID2) estimation method, the five gold zones contain an Indicated Resource of about 10.8 million tonnes with an average grade of 1.05 g/t gold (364,000 contained ounces). In addition, the Inferred Resource totals 8.3 million tonnes with an average grade of 0.92 g/t gold (247,000 contained ounces). The current resource estimate indicates that the contained ounces are more than five times greater than was reported in the previous resource estimate report in 2007. Table 1 summarises the Resource Estimate at the 0.5 g/t cut-off.

Table 1. DAC Resource Estimation Summary (using ID2 method)

| Class | Zone | Capping Grade (g/t) | Tonnes Above Capped Grade | Average Grade (g/t) | Average True Width (m) | Au Ounces |
|---|---|---|---|---|---|---|
| Indicated | 1 | 7.53 | 1,395,600 | 0.84 | 16 | 37,760 |
| | 2 | 19.63 | 2,942,700 | 1.19 | 30 | 112,644 |
| | 3 | 6.66 | 1,370,700 | 0.99 | 12 | 43,675 |
| | 4 | 10.80 | 3,542,600 | 1.06 | 21 | 121,221 |
| | 5 | 14.00 | 1,573,900 | 0.97 | 15 | 49,231 |
| | Total | | 10,825,500 | 1.05 | | 364,530 |
| Inferred | 1 | 7.53 | 971,900 | 0.70 | 16 | 21,724 |
| | 2 | 19.63 | 1,841,100 | 1.06 | 30 | 62,487 |
| | 3 | 6.66 | 725,500 | 0.93 | 12 | 21,759 |
| | 4 | 10.80 | 3,085,300 | 0.89 | 21 | 88,767 |
| | 5 | 14.00 | 1,706,600 | 0.96 | 15 | 52,854 |
| | Total | | 8,330,400 | 0.92 | | 247,590 |

**RESOURCE PROPERTIES -** *continued*

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

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

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

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

The Company is currently evaluating these results and the recommendations put forward in the report with an anticipation of a major drilling program later this year.

**b) <u>Coldstream Property, Ontario</u>**

The Coldstream property is located in the Shebandowan greenstone belt approximately 100 km west of Thunder Bay, Ontario. The property covers 5,738 hectares of prospective geology including the former producing North Coldstream copper-silver-gold mine and the East Coldstream gold deposit. During the past few years the Company made strategic land acquisitions through staking and purchases to cover over 10 km of a prospective mineralized structure. In 2009 Foundation Resources Inc entered into an Option Agreement with Alto under which FDN can earn an initial 60% interest in the project. On January 18, 2011, the Company announced that Foundation has earned 60% interest and that future exploration will be carried out as a 40% Alto and 60% Foundation Joint Venture.

The drilling that was completed in 2010 to test the East Coldstream Deposit has confirmed the continuity of gold mineralization between widely spaced historical holes and has extended the down-plunge and lateral continuity of the deposit. In 1991 Noranda calculated the deposit to contain a non-NI 43-101 compliant historic resource of 5.1 million tonnes grading 1.4 g/t gold (234,000 ounces contained gold)*. Encouraged by the positive drilling results, the Companies strongly believe that the 2010 drilling programs have increased the area of gold mineralization. The drilling planned in 2011 will continue to advance the deposit towards a NI 43-101 compliant resource estimate. Furthermore, with planned drilling of several other primary targets this winter, the Companies believe there is potential for lateral extension of gold mineralization to the east and south of the deposit.

**RESOURCE PROPERTIES -** *continued*

*Current Activity and Future Plans*

A 6,000 m exploration program was approved by the Joint Venture partners and drilling started on January 28, 2011. The objectives are to further test the East Coldstream gold deposit to generate sufficient data to initiate an NI43-101 compliant resource estimate as well as to test some of the other high priority targets on the property. There are no results from this program yet.

Results from the 2010 winter and summer programs (38 holes, totalling 10,107 metres) were very positive as they represent some of the best grades and widths drilled on the Property to date (see Alto's 2010 news releases on its website: www.altoventures.com). Of the thirty-eight holes, 36 were drilled to test the Deposit and two holes were drilled in the northern part of the Span Lake area.

The 36 holes (C-10-14 through C-10-49) that were completed to test the deposit demonstrated potential for increased grades and widths as compared to the historical drilling. Hole C-10-14 intersected 4.88 g/t gold over 27.3 m and C-10-16 cut a wide section of mineralization averaging 1.12 g/t gold over 111.3 m. Both of these holes were drilled to test the Main Zone. In addition, hole C-10-49 returned two significant intercepts of 45.6 m averaging 1.04 g/t gold and 49.9 m averaging 1.01 g/t gold. These intercepts occur at vertical depths of approximately 180 m and 260 m respectively in an area of the Main Zone that had not been drilled previously. These are encouraging results as they increase the potential for hosting additional gold mineralization in the Main Zone. Please visit www.altoventures.com to view cross-sections and longitudinal sections for the Coldstream Project.

Drill hole C-10-39 tested the Sanders Zone and returned 35.6 metre-wide zone averaging 2.10 g/t gold. Three additional holes were drilled and yielded similar results confirming gold mineralization extends down-plunge and remains open at depth. Results from the four holes testing the Sanders Zone are significant as this zone was not part of Noranda's historical holdings and the mineralization was not included in their historical resource estimate in 1991. The Sanders Zone is located on strike approximately 500 m northeast of the Main Zone.

The East and North zones, which occur parallel to both the Main and Sanders zones, are the other two of the four zones comprising the 1.5 km long East Coldstream Deposit. Wide intervals of gold mineralization similar to the Main and Sanders were also intersected in the East and North zones. Drill hole C-10-32 intersected a 34.8 metre-wide section averaging 1.84 g/t gold in the East Zone. In the North Zone, hole C-10-18 intersected 67.9 m averaging 1.1 g/t gold and C-10-23 cut 34.5m averaging 1.93 g/t gold. These results confirm gold mineralization extends down plunge and remains open at depth.

Two holes were drilled in the northern part of the Span Lake area. Drilling of the two Span Lake holes yielded wide mineralized intercepts with anomalous gold grades (e.g., 0.34 g/t gold over 39.55 m in hole SL-10-TW and 0.23 g/t gold over 73.0 metres, including 0.49 g/t gold over 14.1 m in hole SL-10-01).

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

**c) <u>Oxford Lake Property, Manitoba</u>**

*Current activity and Future Plans*

There was no exploration activity during this reporting period. Technically, the Oxford Lake property has excellent potential to host gold deposits as was demonstrated with the discovery of the historical Rusty Zone gold deposit. The Rusty Zone has reported historical resources of 800,000 tonnes at 6 g/t gold (154,000 ounces)*. The Company has applied for a Mineral Exploration License recently with the government of Manitoba and if approved, exploration work will be planned for later in 2011.

**RESOURCE PROPERTIES -** *continued*

**d) Mud Lake Property, Ontario**

*Current activity and Future Plans*

No field exploration work was carried out during this reporting period. The Company owns 100% interest in the project. On October 15, 2010 the Company has agreed to settle an outstanding claim of $278,948 against Wescan Goldfield pertaining to exploration work completed on the Mud Lake project in 2008. Under the terms of the settlement, the Company received $25,000 in cash payment on November 1, 2010 and an additional $25,000 in cash will be payable to the Company March 31, 2011. Wescan also issued 3,000,000 of its shares to the Company on November 1, 2010. The shares had an approximately value of $135,000 at that time. No further action will be pursued on this matter.

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

*Current activity and Future Plans*

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

**f) Greenoaks Property, Ontario**

*Current activity and Future Plans*

No field exploration work was carried during this reporting period.

**g) Dog Lake Property, Ontario**

*Current activity and Future Plans*

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

**h) Alcudia Property, Quebec**

*Current activity and Future Plans*

Work during this reporting period included grid preparation and a small program of ground magnetometer and horizontal loop EM surveying in preparation for drilling. The Company completed 11 holes totalling 1,688 m of drilling in January, 2011 to test previously delineated IP anomalies. Samples were delivered for assaying in February and results are pending. The Urban-Barry gold belt is very active with recent exploration success reported by Bonterra Resources and Eagle Hill Exploration Corp on near by properties.

**RESOURCE PROPERTIES -** *continued*

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

*Current activity and Future Plans*

No field exploration work was carried out during this reporting period. The claims are in good standing until 2012 and no work is planned for the first half of 2011.

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

*Current activity and Future Plans*

No field work was carried out during the current reporting period.

**k) Vassal, Quebec**

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

*Current Activity and Future Plans*

No Field work was completed during this reporting period.

**l) Expansion Lake, Ontario**

No field work was completed during this reporting period.

**m) Miner Lake, Ontario**

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

*Current Activity and Future Plans*

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

**RESOURCE PROPERTIES -** *continued*

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

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

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

Small portions of the mineralized corridor were tested by two drill holes in the past intersecting anomalous gold and copper. The best part of the mineralized envelope remains to be drilled.

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

The Company is preparing an exploration program for the Miner Lake property to start this summer. The program will include diamond drilling to test the Whaleback Trench and sections of the gold mineralized corridor. Surface work including outcrop stripping, mapping and sampling is also being planned to delineate other drill targets.

**n) Chilko, British Columbia**

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

Till sampling and Soil Geochemistry programs were completed in September and the technical report was received in February, 2011. A number of gold-in-till anomalies were identified and the Company is reviewing the results and recommendations for follow up work which would be carried out during the summer field season.

## LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2010 the Company had approximately $2.10 million in cash and restricted cash. The Company does not have any cash flow from operations due to the fact that it is an exploration stage company therefore financings have been the sole source of funds.

At December 31, 2010 the Company had working capital of $2,716,542. In the opinion of management this working capital is sufficient to support the Company's general administrative and corporate operating requirements on an ongoing basis for the next 6 months and should the Company wish to continue fieldwork on its exploration projects in 2011, further financing will be required and the Company will likely have to go to the market to achieve this.

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

During the six month period ended December 31, 2010 the main operating expenditures, which include the company's exploration activities, amounted to $926,530. Of this amount, administrative costs were $497,771 and the balance were for exploration activities.

## LIQUIDITY OUTLOOK

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

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

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

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

## GOING CONCERN

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

At December 31, 2010, the Company has working capital of $2,716,542 (which includes $1,360,000 set aside for qualified exploration expenditures as per flow though shares agreements), incurred losses for the six-month period ended of $222,413 and has accumulated deficit of $11,521,101. These conditions give rise to significant doubt about the Company's ability to continue as going concern. Its ability to continue as a going concern is dependent upon the ability of the Company to raise additional financing to meet property commitments and administration costs. Management plans to continue to secure the necessary financing through a combination of the issue of new equity instruments and the entering into of joint venture arrangements. However, there is no assurance that the Company will be successful in these actions.

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

**TRANSACTIONS WITH RELATED PARTIES**

a) At December 31, 2010, the Company owed $26,421 (June 30, 2010: $13,62) to companies with directors and officers in common. There are no repayment terms or interest associated with this balance.

b) At December 31, 2010, White Label Corporate Services Inc., a management services company with officers in common, owed the Company $38,000. (June 30, 2010 - $Nil) relating to a deposit for services paid to the related company.

c) At December 31, 2010, HRG Management Ltd, with a director and officer in common, owed the Company $Nil due to an amount which was written off during the prior year due to the unlikely collectability of the amount (June 30, 2010: $40,377) relating to a deposit for services and fixed assets. *(See Note 12)*

d) The following related party transactions were in the normal course of operations and are measured at fair value being their exchange amounts:

| | | **December 31, 2010** | | December 31, 2009 |
|---|---|---|---|---|
| HRG Management Ltd. – administrative services, property and equipment (Company with Director in Common, see Note 11) | **$** | **58,945** | $ | 78,852 |
| White Label Corporate Services Inc. – administrative services (officers in common) | | **38,000** | | - |
| Mike Koziol –salary services (Officer and Company with Director in Common) | | **78,000** | | 78,000 |
| Hamilton Capital Partners Limited- management fees (Company with a Director in Common) | | **9,000** | | 15,000 |
| Lang Michener – legal services (Legal firm with a Partner and Company Director in Common) | | **5,087** | | 1,063 |
| Gary Zak – consulting services (Officer and Director in Common) | | **7,415** | | |
| Total | **$** | **196,447** | $ | 172,915 |

**COMMITMENTS**

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

During the six-month period ended December 31, 2010, HRG provided written notice of termination to the Company and the agreement was terminated on October 31, 2010.

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

## SHARE CAPITAL INFORMATION

The table below presents the Company's common share data as of February 25, 2011.

| | | Price | Expiry date | Number of common shares |
|---|---|---|---|---|
| Common shares, issued and outstanding | | | | 190,245,455 |
| Securities convertible into common shares | | | | |
| | Stock Warrants | $0.10 | December 9, 2011 | 3,130,000 |
| | | $0.10 | December 15, 2011 | 323,166 |
| | | $0.10 | December 15, 2011 | 10,750,000 |
| | | $0.10 | December 21, 2011 | 3,970,000 |
| | | $0.10 | December 29, 2011 | 3,970,000 |
| | | $0.10 | January 17, 2012 | 36,470,000 |
| | Broker Warrants | $0.10 | June 9, 2011 | 1,085,000 |
| | | $0.10 | December 15, 2011 | 1,400,000 |
| | | $0.10 | December 21, 2011 | 333,600 |
| | | $0.10 | December 29, 2011 | 441,600 |
| | | $0.10 | January 17, 2012 | 2,424,000 |
| | Stock Options | $0.12 | December 19, 2011 | 450,000 |
| | | $0.10 | May 16, 2012 | 50,000 |
| | | $0.20 | December 16, 2012 | 1,335,000 |
| | | $0.10 | December 18, 2012 | 1,425,000 |
| | | $0.10 | November 15, 2015 | 100,000 |
| | | $0.10 | January 17, 2016 | 3,250,000 |
| | | | | **261,152,821** |

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## RECENT ACCOUNTING PRONOUNCEMENTS

*Business Combinations; Consolidated Financial Statements and Non-Controlling Interests*

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations; 1601 – Consolidated Financial Statements; and 1602 – Non-Controlling Interests. These sections replace the former CICA Handbook Section 1581 – Business Combinations and CICA 1600 – Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections are the Canadian GAAP equivalent to IFRS 3 – Business Combinations and IAS 27 – Consolidated are Separate Financial Statements.

CICA 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA 1601 and CICA 1692 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. Management has not yet evaluated the impact of these standards on the Company's financial statements.

*International Financial Reporting Standards ("IFRS")*

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

**IFRS CHANGEOVER PLAN DISCLOSURE**

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

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

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

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

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

Set out below are the most significant areas, identified to date by management, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors. In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

*Asset Impairment*

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

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

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

*Share Based Payments*

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

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

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

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

*Exploration and Evaluation Assets*

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

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

*Property, Plant and Equipment*

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

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

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

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

*Foreign Currency*

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

*Future Income Taxes*

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.
IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, Income Taxes will not have a significant impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

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

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

*Reclamation and Closure Cost Obligations*

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

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

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

## FINANCIAL AND OTHER INSTRUMENTS

Financial Instruments – Recognition and Measurement

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

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

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

*Amendment to Financial Instruments – Disclosures*

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

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The Company has adopted these amendments for the three-month period ended December 31, 2010.

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

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

*Interest rate risk*
The Company has non-material exposure at December 31, 2010 to interest rate risk through its financial instruments.

*Currency Risk*
As at December 31, 2010, all of the Company's cash were held in Canadian dollars, the Company's measurement currency. The Company has no operations in foreign jurisdictions at this time and as such has no currency risk associated with its operations.

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

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

**FINANCIAL AND OTHER INSTRUMENTS – *Continued***

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

*Liquidity Risk*
The Company attempts to manage liquidity risk by maintaining sufficient cash and cash equivalent balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. As at December 31, 2010, the Company had a cash balance of $2,105,518 (with $1,360,000 being held as restricted cash pertaining to flow-through commitments- June 30, 2010 - $735,000) (June 30, 2010 - $1,052,369) to settle current liabilities of $306,933 (June 30, 2010 - $117,631) Further information relating to liquidity risk is disclosed in Note 1. Management believes the risk to be minimal.

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

- Cash and cash equivalents include deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by $21,055 annually.

- The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

**CRITICAL ACCOUNTING ESTIMATES**

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

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies.

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

### RISKS AND UNCERTAINTIES

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

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

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

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

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

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

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

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

### ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Additional disclosure concerning Alto's general and administrative expenses and mineral property costs is provided in the Company's Interim Statement of Loss contained in its Interim Financial Statements for the six-month period ended December 31, 2010. These statements are available on Alto's website at www.altoventures.com or on its SEDAR Page Site accessed through www.sedar.com.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

i. controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii. a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

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

## DIVIDENDS

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

## NATURE OF THE SECURITIES

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

## PROPOSED TRANSACTIONS

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

## APPROVAL

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

## ADDITIONAL INFORMATION

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

## FORWARD LOOKING INFORMATION

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