



**MANAGEMENT DISCUSSION AND  
ANALYSIS**

**For the Six-Month Period Ended  
December 31, 2013**

**As at February 27, 2014**

# **Alto Ventures Ltd.**

## **Management Discussion and Analysis**

### **For the six-month period ended December 31, 2013**

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#### **INTRODUCTION**

The following management's discussion and analysis (MD&A) of the Company has been prepared as of February 27, 2014. This MD&A should be read in conjunction with the interim condensed financial statements of Alto Ventures Ltd. and the notes thereto for the six-month period ended December 31, 2013, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the financial statements and Management Discussion and Analysis ("MD&A"), is complete and reliable.

#### **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.

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, 2013 and, to the best of its knowledge, ownership of its interests are in good standing.

#### **HIGHLIGHTS FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

- a) The Company entered into an exploration and option agreement with Razore Rock Resources Inc. ("Razore") under which Razore can earn up to 60% working interest in the Oxford Lake Gold Property ("Property"). Razore issued 100,000 common shares and paid \$10,000 to the Company on the closing of the transaction.

Razore can earn a 51% working interest in the Property by issuing a further 500,000 common shares, paying a further \$50,000 in cash option payments and incurring \$2,100,000 in expenditures on the Property by December 30, 2016. Razore has until March 15, 2014 to commit to expend a minimum of \$60,000 on or before June 1, 2014 to keep part of the Property in good standing and to spend an aggregate of \$100,000 in exploration on the Property on or before December 30, 2014 when 200,000 common shares are issuable and \$20,000 is payable to the Company. Razore will then be required to expend \$1,000,000 in exploration of the Property on or before June 30, 2015. A further \$30,000 option payment and 300,000 common shares are issuable on or before December 31, 2015 and Razore will be required to spend a further \$1,000,000 on expenditures on the Property on or before December 31, 2016. Once Razore has earned its 51% working interest, it has the option for ninety (90) days to elect to earn a further 9% working interest by paying \$40,000 and issuing 400,000 common shares to the Company and expending a further \$1,000,000 on the Property on or before December 31, 2017 after which the parties will enter into a joint venture pursuant to which Razore will have a 60% participating interest and the Company will have a 40% participating interest in the Property. If Razore elects not to earn the additional 9% working interest, the parties will enter into a joint venture immediately with Razore holding a 51% participating interest and the Company holding a 49% participating interest in the Property.

- b) The Company staked 24 mineral claims, covering 68,400 hectares in the area of the new Pikoo diamond discovery reported by North Arrow Minerals Inc. in Saskatchewan.

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#### **HIGHLIGHTS SUBSEQUENT TO THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2013**

- a) The Company has entered into an Option Agreement to acquire a 60% interest in four mining claims (the "GEFA Option") immediately adjacent to the southeast of North Arrow Minerals Pikoo diamond discovery in northern Saskatchewan.

The four GEFA claims totaling 13,150 hectares are located approximately 160 km east of the Town of La Ronge, Saskatchewan. Under the terms of the GEFA Option Agreement, the Company can earn a 60% interest in the four claims by making staged cash payments to the vendors of \$5,000 on signing (paid), \$20,000 after year one and \$35,000 after year two totaling \$60,000 and completing \$250,000 in exploration within one year and a further \$500,000 within the following 18 months totaling \$750,000 in exploration expenditures on the property over 30 months.

- b) The Company acquired six mining claims covering approximately 3,500 ha for diamond exploration near the new Pikoo diamond discovery in Saskatchewan.

Terms for the acquisition of 100% interest in the six claims include total cash payments of \$18,000 (paid \$3,000) staged over two years and the issuance of 25,000 shares (issued) of the Company to the Vendor. When the Company becomes 100% owner of the claims it will grant to the Vendor a 2% Net Smelter Returns Royalty ("NSR"). The Company also retains the right to buy back 1% of the NSR for \$1 million.

#### **RESULTS OF OPERATIONS**

##### *For the three-month period ended December 31, 2013*

The Company's loss for the three-month period ended December 31, 2013 (the "Current Period") was \$174,346 or \$0.01 per share as compared with a loss of \$163,873 or \$0.01 per share for the six-month period ended December 31, 2012 (the "Comparative Period").

Expenditures were \$10,473 higher in the Current Period at \$174,346 compared with \$163,873 in the Comparative Period. This increase was mainly due to higher exploration expenditures (\$40,133 versus \$33,436) on the Company's properties due to mineral claim payments paid to keep the properties in good standing. The Company also incurred lower investor and shareholder relations expenses (\$12,820 versus \$18,361) due to a decrease in investor relations expenses by terminating an investor relations contract and a concentrated effort to reduce other investor relations expenses and decreases in share-based compensation (\$76 versus \$20,011) due to reduced granting of stock options to officers, directors and consultants of the Company in the Current Period.

The Company also recognized miscellaneous income of \$22,246 in the Prior Period due to recognition of the sale of marketable securities.

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**Management Discussion and Analysis**  
**For the six-month period ended December 31, 2013**

**RESULTS OF OPERATIONS - continued**

*For the six-month period ended December 31, 2013*

The Company's loss for the six-month period ended December 31, 2013 (the "Current Period") was \$292,558 or \$0.01 per share as compared with a loss of \$368,865 or \$0.02 per share for the six-month period ended December 31, 2012 (the "Comparative Period").

Expenditures were \$76,307 lower in the Current Period at \$292,558 compared with \$368,865 in the Comparative Period. This decrease was mainly due to lower exploration expenditures (\$69,757 versus \$93,789) on the Company's properties because of significantly reduced exploration activity because of uncertain market conditions within the mining industry. The Company also incurred lower investor and shareholder relations expenses (\$14,571 versus \$35,578) due to a decrease in investor relations expenses by terminating an investor relations contract and a concentrated effort to reduce other investor relations expenses and decreases in share-based compensation (\$293 versus \$74,658) due to reduced granting of stock options to officers, directors and consultants of the Company in the Current Period.

The Company also recognized miscellaneous income of \$13,970 in the current period from recognition of a deferred finance fee related to the Company's receivable on their Coldstream exploration property. The Company also recognized miscellaneous income of \$22,246 in the Prior Period due to recognition of the sale of marketable securities.

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

The table below present's selected financial data for the Company's eight most recently completed quarters ('000)

	December 31, 2013 (IFRS)	September 30, 2013 (IFRS)	June 30, 2013 (IFRS)	March 31, 2013 (IFRS)	December 31, 2012 (IFRS)	September 30, 2012 (IFRS)	June 30, 2012 (IFRS)	March 31, 2012 (IFRS)
<i>In thousands \$</i>								
<b>Financial results</b>								
Net loss (income) for period	174	118	120	169	164	205	195	(479)
Basic and diluted (income) loss per share	0.01	0.01	0.01	0.00	0.01	0.01	0.01	(0.03)
Exploration and evaluation expenditures	40	30	32	37	34	60	777	59
<b>Balance sheet data</b>								
Cash and short term deposits	102	265	118	206	287	392	354	819
Exploration and evaluation assets	2,524	2,502	2,502	2,502	2,502	2,502	2,502	2,623
Total assets	3,549	3,798	4,085	4,196	4,386	4,915	4,888	6,298
Shareholders' equity	3,328	3,603	3,950	4,085	4,311	4,827	4,834	5,864

# **Alto Ventures Ltd.**

## **Management Discussion and Analysis**

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#### **RESOURCE PROPERTIES**

The Company owns three core gold properties which have been the main focus of exploration work in 2012 and 2013. These include Destiny in Quebec, Miner Lake in Ontario and Oxford Lake in Manitoba. The Company also has an interest in a number of highly prospective gold properties on which exploration work was carried out by the Company in the past but not to the same level as on its core properties. In December, 2013 the Company entered diamond exploration with the acquisition of highly prospective properties near the new Pikoo diamond discovery in north central Saskatchewan.

The technical information in this section was reviewed and approved by Mike Koziol P. Geo., Alto's President and Director. Mr. Koziol is a Qualified Person as per definitions in National Instrument 43-101. The Company's core properties are:

#### **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 Quebec. The property is 100% owned by Alto subject to certain underlying production royalties. The key claims that comprise the project are in good standing to 2014 and their tenure can be extended with minimal maintenance costs.

The Destiny project is host to a Mineral Resource calculated consistent with guidelines set out in National Instrument 43-101 and filed on Sedar in March, 2011. At the 0.5 g/t gold cut-off grade, 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, the Inferred Mineral Resources total approximately 8.3 million tonnes at an average grade of 0.92 g/t gold. The estimated contained ounces in the Indicated category are 364,000 plus 247,000 ounces in the Inferred classification. Mineral Resources are not Mineral Reserves and by definition do not demonstrate economic viability.

The DAC Deposit is one of several significant gold occurrences on the Destiny project. The Darla Zone lies one kilometre east and along the same trend as the DAC Deposit. In 2012 the Company completed 12 diamond drill holes in the area between the DAC Deposit and the Darla Zone. The objectives of these holes were to determine if there is potential to increase the estimated contained ounces on the Destiny property between the DAC Deposit and the Darla Zone.

The drilling has achieved the objectives and confirmed the presence of higher grade gold values in wide envelopes of anomalous gold mineralization. Some of the higher grades include 78.7 g/t gold over 1.0 m within an 8 m interval averaging 11.3 g/t gold in hole DES12-147 and 22.7 g/t gold over 1.05 m in DES12-154. The other wider mineralized intercepts include two zones in hole DES12-144 which assayed 1.05 g/t gold over 10 m in one zone and the other assayed 1.04 g/t gold over 11.0 m.

The 2012 drilling results are very positive and indicate that the DAC Deposit and the Darla Zone could be linked for a total mineralization length of more than two kilometres along strike. An in-fill program of closer spaced holes will now be required to determine if the gold zones have potential to add significant tonnes and ounces to the DAC Deposit.

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**RESOURCE PROPERTIES** - *continued*

**b) Miner Lake, Ontario**

Alto owns a 100% interest in the Miner Lake Property subject to underlying royalties on some of the claims. The key claims that comprise the Miner Lake property are in good standing to 2015.

The Company completed nine holes totalling 1,732m of diamond drilling in 2011 to follow up targets generated from surface exploration programs completed in 2011 and 2010. Eight of the nine holes intersected significant gold anomalies with hole MIN11-06 intersecting 39.2 m at an average grade of 0.6 g/t gold including 4.24 g/t gold over 1.5 m. Results from surface saw-cut channel sampling at the Whaleback Trench returned significant gold averaging 1.78 g/t gold and 0.11 % copper across 19 m including 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 other hydrothermal 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.

Results from the exploration work on Miner Lake are very positive and indicate a persistent and widespread distribution of gold in the numerous hydrothermal breccia zones. The main target on this property is a large gold (with copper) deposit that might be exploited by open pit mining. Additional drilling is required to follow-up the wide zones drilled during the 2011 as well as to test several of the high priority surface targets.

**c) Oxford Lake Property, Manitoba**

During the six-month period ended December 31, 2013, the Company entered into an exploration and option agreement with Razore Rock Resources Inc. ("Razore") under which Razore can earn up to 60% working interest in the Oxford Lake Gold Property ("Property"). Razore issued 100,000 common shares and paid \$10,000 to the Company on the closing of the transaction.

Razore can earn a 51% working interest in the Property by issuing a further 500,000 common shares, paying a further \$50,000 in cash option payments and incurring \$2,100,000 in expenditures on the Property by December 30, 2016. Razore has until March 15, 2014 to commit to expend a minimum of \$60,000 on or before June 1, 2014 to keep part of the Property in good standing and to spend an aggregate of \$100,000 in exploration on the Property on or before December 30, 2014 when 200,000 common shares are issuable and \$20,000 is payable to the Company. Razore will then be required to expend \$1,000,000 in exploration of the Property on or before June 30, 2015. A further \$30,000 option payment and 300,000 common shares are issuable on or before December 31, 2015 and Razore will be required to spend a further \$1,000,000 on expenditures on the Property on or before December 31, 2016.

Once Razore has earned its 51% working interest, it has the option for ninety (90) days to elect to earn a further 9% working interest by paying \$40,000 and issuing 400,000 common shares to the Company and expending a further \$1,000,000 on the Property on or before December 31, 2017 after which the parties will enter into a joint venture pursuant to which Razore will have a 60% participating interest and the Company will have a 40% participating interest in the Property. If Razore elects not to earn the additional 9% working interest, the parties will enter into a joint venture immediately with Razore holding a 51% participating interest and the Company holding a 49% participating interest in the Property.

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#### **RESOURCE PROPERTIES - *continued***

##### **c) Oxford Lake Property, Manitoba - *continued***

In June 2013, Alto has increased the size of its 100% owned Oxford Lake property to approximately 35,300 ha. The Oxford Lake property hosts the Rusty Gold Deposit, with Historical Resource\* of 800,000 tonnes averaging 6 g/t gold and containing approximately 154,000 ounces of gold, as well as several other gold occurrences.

In 2012 the Company drilled hole RUS12-03 in the Blue Jay area approximately two kilometres on trend and east to the Rusty Deposit. RUS12-03 intersected two zones of high-grade gold mineralization: Zone One - 2.7 m averaging 6.7 g/t gold including 22.5 g/t gold over 0.5 m and Zone Two - 6.8 m averaging 5.7 g/t gold including 11.7 g/t gold over 1.6 m and 16.5 g/t gold over 1.0 m.

In June 2013, Alto has completed a reconnaissance style bedrock sampling program in the Hyers Island area. Highly anomalous gold, up to 37.2 g/t gold in grab samples, and base metals values were obtained from several shear zones and sulphide bearing outcrops. Interestingly, anomalous amounts of tungsten (chemical element symbol "W") occur with some of the high gold grade samples.

Alto considers tungsten to be a valuable pathfinder element in the search for gold mineralization and is encouraged by recent announcements from Mega Precious Metals Inc reporting significant drill intercepts of tungsten associated with the Monument Bay gold deposit. The Company considers the geological and structural settings for parts of the Oxford Lake property to be similar to the geology at Monument Bay. The presence of tungsten at Oxford Lake indicates that there may also be some geochemical similarities between the two areas.

Results from exploration work at Oxford Lake are most encouraging confirming potential for high grade gold mineralization along the Rusty-Blue Jay trend. The Rusty-Blue Jay trend was traced by Alto's 2011 VTEM and aeromagnetic surveys for 30 km along strike but only a few holes were drilled in the past along this trend. Potential for high grade gold mineralization also exists in the Hyers Island area located 4 km southwest of the Rusty Deposit.

Regionally, the Oxford Lake property lies in north eastern Manitoba along a major regional structural corridor that hosts the pre-development Monument Bay Gold Deposit approximately 150 km east of Oxford Lake. The Monument Bay Deposit hosts Measured and Indicated Resources of 2.9 million ounces of gold at 1.3 g/t Au plus 0.7 million ounces Inferred Resources (see Mega Precious Metals Inc website). This corridor is relatively under-explored and could be an early stage analogue to the world class gold-producing Destor-Porcupine or Larder-Cadillac corridors in Ontario and Quebec.

*\*The Historical Resource was estimated in 1990 and a Qualified Person (QP), as defined by 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 by NI43-101, and thus the historical estimate should not be relied upon.*

##### **d) La Ronge Diamonds, Saskatchewan**

In December, 2013 the Company acquired 100% interest in 68,400 ha of property in Saskatchewan through staking of open ground. In January, 2014 the Company staked and additional 4,200 ha.

In January, 2013 the Company entered into an Option to Purchase Agreement for six claims totalling 3,500 ha. Terms for the acquisition of 100% interest in the six claims include total cash payments of \$18,000 staged over two years and the issuance of 25,000 shares of Alto to the Vendor. When Alto becomes 100% owner of the claims it will grant to the Vendor a 2% Net Smelter Returns Royalty ("NSR"). Alto retains the right to buy back 1% of the NSR for \$1 million.

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**RESOURCE PROPERTIES - *continued***

**d) Northern Saskatchewan Diamond Propertieess, Saskatchewan - *continued***

In January, 2014 the Company also entered into an Option Agreement to acquire a 60% interest in four mining claims (GEFA claims) covering approximately 13,150 ha for diamond exploration near the new Pikoo diamond discovery in Saskatchewan. Under the terms of the Option Agreement, Alto can earn 60% interest in the four claims by making staged cash payments totaling \$60,000 to the vendors over two years and completing \$750,000 in exploration expenditures on the property over a 30 month period. The Property is subject to an underlying 2% Net Smelter Returns Royalty on all minerals and metals but not diamonds, with a buy-out of 1% of the NSR for \$1 million.

Alto's land holdings now total approximately 89,000 ha of potentially favourable geology for diamonds.

**Other Properties**

The Company also has an interest in the following properties:

Property Name	Status	Comments
Alcudia, Quebec	100% Alto, subject to production royalties	Located in the Urban-Barry gold belt, adjacent to Eagle Hills Exploration Windfall Lake gold deposit; the Company holds a 0.5% NSR royalty on gold production from the Windfall Lake property.
Dolsan, Quebec	100% Alto	The property lies immediately west of the Company's Destiny project, several gold values were reported from historical work on the property.
Obalski, Quebec	100% Alto	The property lies west of the Company's Dolsan and Destiny projects along the same geophysical trend that is associated with the historical gold occurrences at Dolsan.
Vassal, Quebec	100% Alto	The property is located northwest of Destiny and hosts several geophysical conductors that are attractive exploration targets for gold associated with sulphides and iron formation.
Coldstream, Ontario	See comments	The Company sold its 40% interest in the property to Foundation Resources in 2012 for 10 million shares of Foundation plus \$1.2 million in cash. To date the Company is still owed \$768,942 in cash and the debt is secured by a collateral debenture where by Alto's 40% interest in the property will revert to the Company in the event of non-payment.
Cote-ArchieLake, Ontario	100% Alto subject to production royalties on some of the claims	Located in the Beardmore-Geraldton gold belt on strike from the historical Leitch Mine which produced almost 900,000 ounces of gold, several significant gold occurrences were discovered on property.



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**RESOURCE PROPERTIES - *continued***

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Expansion Lake, Ontario	100% Alto	Located in the Beardmore-Geraldton greenstone belt immediately east of the Company's Mud Lake project.
Empress, Ontario	100% Alto subject to production royalties	Located in the Hemlo-Schreiber greenstone belt, 20 km northeast from GTA Resources discovery of 149.5 m averaging 3.21 g/t gold (GTA news release Feb 14, 2012), several significant gold occurrences were discovered on the property.
Greenoaks, Ontario	100% Alto subject to underlying production royalties	Located in the Beardmore-Geraldton greenstone belt immediately southeast of the Company's Miner Lake property; several significant gold occurrences were discovered on the property; a small historical mine operated on the property.
MudLake, Ontario	100% Alto subject to production royalties on some of the claims	Located in the Beardmore-Geraldton gold belt northeast of the Brookbank gold deposit that is being evaluated by Premier Gold; several significant gold occurrences occur on the Mud Lake property.

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**LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2013, the Company had \$101,611 in cash. The Company does not have any cash flow from operations as its projects are at an exploration stage therefore financings have been the sole source of funds.

At December 31, 2013, the Company had working capital of \$34,705. The Company currently has an outstanding Quebec tax credit receivable for the years 2010, 2011 and 2012 in the amount of \$39,947 due to the Company that has yet to be received, but it is anticipated to be paid within the next three months. 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 three months. Should the Company wish to continue fieldwork on its exploration projects in 2014, further financing will be required and the Company will likely have to go to the market to achieve this.

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

The Company has currently suspended exploration expenditures due to current market circumstances and the ability to raise funds for exploration. The Company will re-evaluate its exploration activity in the next fiscal quarter pending a favorable change in market conditions.

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**LIQUIDITY OUTLOOK**

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.

The Company's cash position is highly dependent on the ability to raise cash through financings and the expenditures on its exploration programs. Management believes that the Company will need external financings for the upcoming year in order to fund further exploration. As results of exploration programs are determined and other opportunities become available to the Company, management may complete an external financing.

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.

**TRANSACTIONS WITH RELATED PARTIES**

- a) At December 31, 2013, the Company owed \$164,477 (June 30, 2013: \$101,446) to companies with directors and officers in common. There are no repayment terms or interest associated with this balance.
- b) All of the costs recorded are based on fair value. The Company paid or accrued the following related party transactions:

	<b>December 31, 2013</b>	December 31, 2012
	\$	\$
White Label Corporate Services Inc. – administrative services (officers in common)	<b>95,325</b>	100,500
Mike Koziol – salary services (Officer and Company with Director in Common)	<b>78,000</b>	78,000
Mirador Management – management fees (Company with an officer in common)	<b>21,000</b>	21,000
McMillan LLP – legal fees (formerly Lang Michener) (Legal firm with a partner and Company director in Common)	<b>3,207</b>	3,576
Gary Zak – consulting services (Former Officer in Common)	-	15,000
	<b>197,532</b>	218,076

*Compensation of key management personnel*

	<b>December 31,</b>		December 31, 2012
	<b>2013</b>		
Management fees, directors and audit committee fees	\$	<b>Nil</b>	\$ Nil
Share-based compensation		<b>Nil</b>	67,955
	\$	<b>Nil</b>	\$ 67,955

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**SHARE CAPITAL INFORMATION**

The table below presents the Company's common share data as of February 27, 2014.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			22,449,547
Securities convertible into common shares			
Stock Options			
	\$1.00	December 18, 2014	1,000
	\$1.00	January 17, 2016	1,000
	\$0.10	September 19, 2017	1,085,000
	\$0.10	October 30, 2017	376,000
			<b>23,912,547</b>

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

**RECENT ACCOUNTING PRONOUCEMENTS**

The adoption of the following new and amended IFRS pronouncements will result in enhanced financial statement disclosures in the Company's interim or annual consolidated financial statements or a change in financial statement presentation. These pronouncements did not affect financial results.

*IFRS 12 – Disclosures of Interest in Other Entities*

The Company adopted IFRS 12, Disclosures of Interests in Other Entities ("IFRS 12") on January 1, 2013. IFRS 12 outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interest in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period presented that precedes the first annual period for which IFRS 12 is applied. Accordingly, additional disclosures about interest in other entities have been included in the Company's six-month period ended financial statements for the six-month period ended December 31, 2013.

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#### **RECENT ACCOUNTING PRONOUCEMENTS**

##### *IFRS 13 - Fair Value Measurement*

The Company adopted IFRS 13, Fair Value Measurement (“IFRS 13”) with prospective application from January 1, 2013. IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements for fair value measurements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement, so assumptions that market participants would use should be applied in measuring fair value. The adoption of IFRS 13 did not have an effect on the Company’s financial statements for the six-month period ended December 31, 2013.

##### *Pronouncements Affecting Accounting Policies Only*

The adoption of the following new IFRS pronouncements did not affect the Company’s financial results or disclosures as the Company’s analysis of these new IFRS pronouncements determined that no changes were required to the Company’s existing accounting treatments.

##### *IFRS 10 - Consolidated Financial Statements*

The Company adopted IFRS 10, Consolidated Financial Statements (“IFRS 10”) on January 1, 2013 with retrospective application. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This IFRS defines the principle of control and establishes control as the basis for determining which entities are consolidated in an entity’s financial statements. IFRS 10 sets out three elements of control: power over the investee; exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of investors’ return; and the requirements on how to apply the control principle. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements and Standing Interpretations Committee (“SIC”) 12, Consolidation – Special Purpose Entities.

Based on the Company’s analysis, IFRS 10 did not have an effect on the Company’s financial statements for the six-month period ended December 31, 2013 as the Company currently does not have any subsidiaries or special purpose entities.

##### *IFRS 11 – Joint Arrangements*

The Company adopted IFRS 11, Joint Arrangements (“IFRS 11”) on January 1, 2013. If an arrangement results in joint control, IFRS 11 classifies joint arrangements as either joint operations or joint ventures, depending on the rights and obligations of the parties involved. The Company also adopted IAS 28(R), Investments in Associates and Joint Ventures (“IAS 28”) which included amendments to address accounting for joint ventures.

A joint operation is an arrangement where the jointly controlling parties have rights to the assets and obligations in respect of the liabilities of the arrangement. An entity accounts for a joint operation by recognizing its portion of the assets, liabilities, revenues and expenses. A joint venture is an arrangement where the jointly controlling parties only have rights to the net assets of the arrangement. A joint venture is accounted for using the equity method.

Based on the Company’s analysis, IFRS 11 did not have an effect on the Company’s interim financial statements for the six-month period ended December 31, 2013 presented as the Company currently does not have any joint arrangements.

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

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

The Company has classified its cash and short-term investments as fair value through profit and loss. The Company's receivables, Quebec exploration tax credits, and due from joint venture option partner are classified as loans and receivables. The Company's accounts payable and accrued liabilities, exploration advance payable and due to related parties are classified as other financial liabilities.

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

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

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

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

The 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*

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 no material exposure at December 31, 2013 to interest rate risk through its financial instruments.

##### *Currency Risk*

As at December 31, 2013, all of the Company's cash was 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. 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.

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**FINANCIAL AND OTHER INSTRUMENTS – continued**

*Liquidity Risk*

The Company manages liquidity risk by maintaining sufficient cash 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, 2013, the Company had a cash and short-term investment balance of \$101,611 (June 30, 2013 - \$118,051) to settle current liabilities of \$221,533 (June 30, 2013 - \$135,118).

*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 short-term investments include deposits, which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by \$1,016 annually. The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The recoverability of receivables that are included in the statements of financial position based on historical collection of receivables.
- ii) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position based on the planned exploration budgets and drill results of exploration programs.
- iii) The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes option pricing model.
- iv) The valuations of shares issued in non-cash transactions using the quoted share price as the fair value based measurement on the date the shares are issued for the transaction.
- v) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

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#### **RISKS AND UNCERTANTIES**

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.

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**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 condensed statement of operations contained in its interim condensed financial statements for the six-month period ended December 31, 2013. These statements are available on Alto's website at [www.altoventures.com](http://www.altoventures.com) or on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

**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 six-month period ended interim condensed financial statements and the disclosure contained in this six-month period ended December 31, 2013 MD&A. A copy of this MD&A will be provided to anyone who requests it.

**ADDITIONAL INFORMATION**

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



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**FORWARD LOOKING INFORMATION**

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