



# **ALTO VENTURES LTD.**

*(An Exploration Stage Company)*

## **INTERIM CONDENSED FINANCIAL STATEMENTS**

**For the nine-month period ended March 31, 2014 and 2013**

*(Unaudited - Prepared by Management)*

**Canadian Funds**

**NOTICE OF NO REVIEW BY AUDITOR**

The attached interim condensed financial statements that follow have been prepared by management of Alto Ventures Ltd. and have not been reviewed by the Company's auditors.

**Alto Ventures Ltd.***(An Exploration Stage Company)***Interim Condensed Statements of Financial Position**

As at,

Canadian Funds

*(Unaudited)*

<b>ASSETS</b>	<b>March 31, 2014</b>		June 30, 2013 <i>(Audited)</i>
<b>Current</b>			
Cash	\$ 24,603	\$	18,051
Short-term investment	-		100,000
Receivables <i>(Note 6)</i>	9,375		758,866
Marketable securities <i>(Note 8)</i>	165,202		415,177
Quebec exploration tax credit	39,947		284,078
Prepays and Deposits	11,548		6,891
	<u>250,675</u>		<u>1,583,063</u>
<b>Long-term accounts receivable <i>(Note 6)</i></b>	<b>768,942</b>		<b>-</b>
<b>Exploration and evaluation assets <i>(Note 9)</i></b>	<b>2,536,058</b>		<b>2,502,028</b>
	<u>\$ 3,555,675</u>	<u>\$</u>	<u>4,085,091</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$ 8,479	\$	33,672
Due to related parties <i>(Note 11a)</i>	302,210		101,446
	<u>310,689</u>		<u>135,118</u>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital – <i>Statement 5 - (Note 10)</i>	19,700,616		19,699,466
Contributed surplus – options – <i>Statement 5 (Note 10)</i>	1,367,668		1,367,375
Contributed surplus – warrants – <i>Statement 5 (Note 10)</i>	1,016,625		1,016,625
Accumulated other comprehensive loss – <i>Statement 5</i>	(17,287,790)		(1,292,158)
Deficit – <i>Statement 5</i>	(1,552,133)		(16,841,335)
	<u>3,244,986</u>		<u>3,949,973</u>
	<u>\$ 3,555,675</u>	<u>\$</u>	<u>4,085,091</u>

**Going Concern and Nature of Operations** *(Note 1)***Subsequent Event** *(Note 14)*

Approved and authorized by the Board of Directors on May 26, 2014:

"Richard Mazur", Director

"Gary Zak", Director

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

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Interim Condensed Statements of Operations

For the nine-month period ended March 31,

Canadian Funds

(Unaudited)

Statement 2

	<b>Three-month period ended March 31, 2014</b>	Three-month period ended March 31, 2013	<b>Nine-month period ended March 31, 2014</b>	Nine-month period ended March 31, 2013
Exploration and evaluation expenditures (Note 9)	\$ 4,783	\$ 36,724	\$ 74,541	\$ 130,511
Gain on sale of marketable securities	-	-	-	(22,246)
Interest income	(69)	(304)	(97)	(822)
Investor and shareholder relations	21,860	21,913	36,431	57,491
Legal, accounting and audit fees	46,421	49,683	134,640	142,487
Office administration	26,408	36,854	95,729	106,351
Other income	(49)	(9,000)	(14,019)	(30,000)
Salaries and wages	40,158	18,731	95,784	48,070
Share-based compensation (Note 10)	-	1,982	293	76,640
Transfer agent and filing fees	8,674	7,461	15,005	16,525
Travel and promotion	5,711	5,390	8,146	13,292
Loss for the period	\$ 153,897	\$ 169,434	\$ 446,453	\$ 538,299
Loss per share				
- Basic and diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
Weighted Average Number of Common Shares Outstanding	22,430,936	22,424,547	22,443,434	22,424,547

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

**Alto Ventures Ltd.***(An Exploration Stage Company)***Interim Condensed Statements of Loss and Comprehensive Loss****For the nine-month period ended March 31,***Canadian Funds**(Unaudited)*Statement 3

	<b>For the three- month period ended March 31, 2014</b>	For the three- month period ended March 31, 2013	<b>For the nine- month period ended March 31, 2014</b>	For the nine- month period ended March 31, 2013
<b>Loss for the period</b>	\$ <b>153,897</b>	\$ 169,434	\$ <b>446,453</b>	\$ 538,299
Unrealized loss (gain) on available for sale securities	<u>(70,100)</u>	398,168	<u>259,975</u>	288,050
<b>Comprehensive loss for the period</b>	\$ <b>83,797</b>	\$ 567,602	\$ <b>706,428</b>	\$ 826,349

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

**Alto Ventures Ltd.***(An Exploration Stage Company)***Interim Condensed Statements of Cash Flows****For the nine-month period ended March 31,***Canadian Funds**(Unaudited)**Statement 4***Cash Resources Provided By (Used In)**

	2014	2013
<b>Operating activities</b>		
Loss for the period	\$ (446,453)	\$ (538,299)
Items not affecting cash:		
Gain on sale of marketable securities	-	(22,246)
Shares received in exchange for exploration and evaluation asset	-	(9,000)
Shares issued in exchange for exploration and evaluation asset	1,250	-
Share-based compensation	293	76,640
Changes in non-cash working capital:		
(increase) decrease in accounts receivable	(19,451)	220,036
Decrease in prepaid expense	(4,657)	16,298
Decrease (increase) in joint venture contributions (receipts)	-	(2,592)
Increase in due to related parties	200,764	(4,455)
Increase in Quebec exploration tax credit	244,131	-
Decrease in accounts payable	(25,195)	61,907
Net cash used in operating activities	<u>(49,318)</u>	<u>(201,711)</u>
<b>Investing activities</b>		
Acquisition of exploration and evaluation assets	(54,030)	-
Exploration and evaluation option payment receipts	10,000	-
Sale of marketable securities	-	53,914
Short-term investments	100,000	-
Net cash provided by investing activities	<u>55,970</u>	<u>53,914</u>
<b>Financing activities</b>		
Share issuance costs	<u>(100)</u>	<u>-</u>
<b>Net increase (decrease) in cash</b>	<b>6,552</b>	<b>(147,797)</b>
Cash - beginning of period	<u>18,051</u>	<u>254,085</u>
<b>Cash - end of period</b>	<b>\$ 24,603</b>	<b>\$ 106,288</b>

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

**Alto Ventures Ltd.***(An Exploration Stage Company)**Statement 5***Interim Condensed Statement of Shareholders' Equity****For the nine-month period ended March 31, 2014***Canadian Funds**(Unaudited)*

	Share Capital (Number of Shares)	Share Capital (Amount) \$	Contributed Surplus - Warrants \$	Contributed Surplus - Options \$	Accumulated Other Comprehensive Income (loss) \$	Deficit \$	Total \$
June 30, 2012	22,424,547	19,699,466	1,016,625	1,290,314	(988,333)	(16,183,346)	4,834,726
Share-based compensation	-	-	-	76,640	-	-	76,640
Other comprehensive loss	-	-	-	-	(288,050)	-	(288,050)
Loss for the period	-	-	-	-	-	(538,299)	(538,299)
March 31, 2013	22,424,547	19,699,466	1,016,625	1,366,954	(1,276,383)	(16,721,645)	4,085,017
Share-based compensation	-	-	-	421	-	-	421
Other comprehensive loss	-	-	-	-	54,325	-	54,325
Loss for the period	-	-	-	-	-	(119,692)	(119,692)
June 30, 2013	22,424,547	19,699,466	1,016,625	1,367,375	(1,222,058)	(16,841,337)	4,020,071
Shares issued for exploration and evaluation asset	25,000	1,250	-	-	-	-	1,250
Share issuance costs	-	(100)	-	-	-	-	(100)
Share-based compensation	-	-	-	293	-	-	293
Other comprehensive loss	-	-	-	-	(330,075)	-	(330,075)
Loss for the period	-	-	-	-	-	(446,453)	(446,453)
<b>March 31, 2014</b>	<b>22,449,547</b>	<b>19,700,616</b>	<b>1,016,625</b>	<b>1,367,668</b>	<b>(1,552,133)</b>	<b>(17,287,790)</b>	<b>3,244,986</b>

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

# Alto Ventures Ltd.

*(An Exploration Stage Company)*

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

*(Canadian Funds)*

*(Unaudited)*

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### 1. Going concern and nature of operations

Alto Ventures Ltd. (“the Company”) is engaged in the acquisition, exploration and evaluation of Canadian gold projects. The head office is located at Suite 1158 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2 and the registered and records office of the Company is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

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 to date and consequently is considered to be in the exploration stage. The amounts shown as exploration and evaluation assets 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 exploration and evaluation assets is dependent upon raising financing, the sale or joint venturing of the exploration and evaluation assets, and/or the attainment of profitable operations.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company continues to incur operating losses, has limited financial resources, no source of operating cash flow, and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its exploration and evaluation projects. The Company’s ability to continue as a going concern is dependent upon its ability to obtain the financing necessary to complete the exploration of its mineral interests by the issuance of share capital or through joint ventures, and to realize future profitable production or proceeds from the disposition of its mineral interests. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. At March 31, 2013, the Company has negative working capital of \$60,014 incurred a loss for the nine-month period ended March 31, 2013 of \$446,453 and has an accumulated deficit of \$17,287,790.

Management plans to continue to secure the necessary financing through a combination of the issue of new equity instruments and entering into joint venture arrangements. However, there is no assurance that the Company will be successful in these actions. These 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.

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### 2. Basis of preparation and adoption of IFRS

#### *Statement of Compliance*

These unaudited condensed interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting and IFRS 1 – First-time Adoption of IFRS.



# Alto Ventures Ltd.

*(An Exploration Stage Company)*

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

*(Canadian Funds)*

*(Unaudited)*

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### 2. Basis of preparation and adoption of IFRS – *continued*

These interim condensed financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). They have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The significant accounting policies, as disclosed, have been applied consistently to all periods presented in these financial statements. The condensed interim financial statements should be read in conjunction with the Company’s annual financial statements for the year ended June 30, 2013 prepared in accordance with IFRS applicable to annual financial statements.

#### *Critical Accounting Estimates and Judgments*

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 year. 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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# Alto Ventures Ltd.

*(An Exploration Stage Company)*

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

*(Canadian Funds)*

*(Unaudited)*

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### 3. Significant accounting policies

a) Exploration and evaluation assets

All costs related to the acquisition of mineral resource interests are capitalized by project. These costs will be amortized against revenue from future production or written off if the interest is deemed impaired, abandoned or sold. All costs related to the exploration of mineral resource interests are expensed as incurred.

The amounts shown for exploration and evaluation assets represent acquisition costs incurred to date, less recoveries, and do not necessarily reflect present or future values. The recoverability of amounts shown for mineral interests is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects as well as future profitable production or proceeds from the disposition thereof.

At the end of each reporting period, the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the year. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Ownership in exploration and evaluation assets involves certain inherent risks due to the difficulties of determining and obtaining clear title to the claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 3. Significant accounting policies - continued

#### a) Impairment

The Company's assets are reviewed for indication of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash generating unit, exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized on the statement of operations.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

#### c) Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal, securities or tax purposes, or provides services similar to those performed by an employee. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. A corresponding increase in contributed surplus is recorded when stock options are expensed. When stock options are exercised, share capital is credited by the sum of the consideration paid and the related portion of share-based compensation previously recorded in contributed surplus. Consideration paid for the shares on the exercise of stock options is credited to share capital.

Share-based compensation arrangements with non-employees in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

#### d) Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 3. Significant accounting policies - continued

#### d) Income taxes – continued

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### e) Quebec exploration tax credit receivable

The Company is entitled to refundable mining tax credits on certain mining exploration expenditures incurred in Quebec. The Company recognizes amounts as a receivable and reduces the carrying value of exploration and evaluation assets when the amount to be received can be reasonably estimated and collection is reasonable assured.

#### f) Flow-through shares

Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures by the Company. Proceeds from the issuance of flow-through shares need to be allocated between the offering of the flow-through share and the premium paid for the implied tax benefit received by the investors as a result of acquiring the flow-through shares. The calculated tax benefit is recognized as a liability until the Company renounces the expenditures, at which point the liability is reversed and recorded as other income on the statement of operations. The Company records a deferred tax liability when the Company makes the expenditures. At the time of recognition of the deferred tax liability, an offsetting entry is made to tax expense.

#### g) Provision for environmental rehabilitation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and property and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as exploration and evaluation assets.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 3. Significant accounting policies - continued

#### g) Provision for environmental rehabilitation - continued

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes would be recorded directly to exploration and evaluation assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, would be charged to profit or loss for the year.

#### h) Short-term investments

The Company classifies all its investments with maturities from three months to one year as short-term investments. All short-term investments have been classified as fair value through profit and loss.

#### i) Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. For the periods presented, there are no potentially dilutive share options or warrants outstanding.

#### j) Financial instruments

##### *Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 3. Significant accounting policies - continued

#### j) Financial instruments - continued

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

#### *Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

*Other financial liabilities:* This category includes amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and short-term investments as fair value through profit and loss. The Company's receivables, Quebec exploration tax credit, and due from joint venture option partner are classified as loans and receivables. The Company's marketable securities are classified as available for sale. The Company's accounts payable and accrued liabilities 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.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 3. Significant accounting policies - continued

#### j) Financial instruments – continued

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 fair values of the Company's cash, short term investments and marketable securities constitutes a level 1 fair value measurement. The fair value of the Company's receivables, due from joint venture option partner, Quebec exploration tax credit, due to related parties and accounts payable and accrued liabilities approximate the carrying value due to their short-term nature.

#### k) Pronouncements Affecting Financial Statement Presentation and Disclosure

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. The adoption of IFRS 12 did not have an effect on the Company's financial statements for the current period ended March 31, 2014.

##### 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 current period ended March 31, 2014.

##### *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.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 3. Significant accounting policies - continued

- k) Pronouncements Affecting Financial Statement Presentation and Disclosure - continued

#### 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 nine-month period ended March 31, 2014 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 financial statements for the nine-month period ended March 31, 2014 presented as the Company currently does not have any joint arrangements.

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# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 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.

In the management of capital, the Company includes the components of shareholders' equity. 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 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.

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### 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 no material exposure at March 31, 2014 to interest rate risk through its financial instruments.

#### *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 \$246 annually. The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

#### *Currency risk*

As at March 31, 2014, all of the Company's cash was held in Canadian dollars, the Company's reporting 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.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

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### 5. Management of financial risk - continued

Receivables consist of goods and services tax ("GST") due from the Federal Government of Canada, Quebec exploration tax credits consist of amounts due from the provincial Government of Quebec, and amounts due from joint venture and option partners are 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 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 March 31, 2014, the Company had a cash and short-term investment balance of \$24,603 (June 30, 2013 - \$118,051) to settle current liabilities of \$310,689 (June 30, 2013 - \$135,118).

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### 6. Receivables

Current accounts receivable balance includes \$9,323 (June 30, 2013 - \$3,394) in GST due from the Federal Government and \$52 (June 30, 2013 - \$500) in accrued term deposit interest.

The long-term receivable balance consists of \$768,942 (June 30, 2013 - \$754,972) due from Foundation Resources Inc. ("Foundation") from the sale of the Coldstream exploration and evaluation asset (*See Note 9c*). The Foundation receivable is secured by a collateral debenture whereby the Company's original interest in the property will revert back to the Company in the event of non-payment.

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### 7. Accounts payable and accrued liabilities

The Company's accounts payable and accrued liabilities consist of \$13,994 (June 30, 2013 - \$8,343) in accounts payable and \$296,695 (June 30, 2013 - \$126,775) in accrued liabilities.

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# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

### 8. Marketable securities

Company	Shares	March 31, 2014	
		Cost \$	Market Value \$
Lateral Gold Corp. (LTG - TSXV)	300,000	41,000	4,500
Birch Hill Gold Corp. (BHG - TSXV)	1,100,000	1,455,000	126,500
Wescan Goldfields Inc. (WGF - TSXV)	305,000	262,000	12,202
Pacific North West Capital Corp. (PFN - TSX- T)	150,000	33,875	12,000
Razore Rock Resources Inc. (RZR:CNX)	100,000	10,000	10,000
	1,955,000	1,801,875	165,202

  

Company	Shares	June 30, 2013	
		Cost \$	Market Value \$
Lateral Gold Corp. (LTG - TSXV)	300,000	41,000	13,500
Foundation Resources Inc. (FDN - TSXV)	1,100,000	1,455,000	385,000
Wescan Goldfields Inc. (WGF - TSXV)	305,000	262,000	10,677
Pacific North West Capital Corp. (PFN - TSX- T)	150,000	33,875	6,000
	1,855,000	1,791,875	415,177

During the nine-month period ended March 31, 2014, the Company received 100,000 shares in Razore Rock Resources Inc. in exchange for entering into an exploration and option agreement on the Oxford Lake exploration and evaluation asset. (See Note 9k)

During the year-ended June 30, 2013, the Company sold 55,557 shares of Prodigy for net proceeds of \$53,914 and recognized an overall gain on the sale of marketable securities of \$22,246. During the year-ended June 30, 2013, the Company also received 100,000 shares in Lateral Gold Corp. in exchange for termination of the Chilko exploration and evaluation asset agreement. (See Note 9b)

The shares owned by the Company represent minor ownership, except for Foundation, in each of the companies in the above schedule. The investment in Foundation represents a minority interest which is below the threshold for equity accounting. During the year ended June 30, 2013, the Company received 75,000 shares relating to a joint venture exploration and evaluation agreement with PFN and 200,000 shares of Lateral Gold Corp. under the terms of their assignment agreement on the Chilko mineral property (See Note 9b). The Company also received 10,000,000 shares in Foundation Resources Inc. as part of the sale of the Coldstream exploration and evaluation asset (See Note 9c).

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

### 9. Exploration and evaluation assets

The Company has investigated ownership of its mineral interests as at March 31, 2014 and, to the best of its knowledge, ownership of its interests is in good standing.

The following table show the acquisition activity by property from June 30, 2013 to March 31, 2014:

	Balance - June 30, 2013	Acquisition	Option recovery/ Sale of Property	Balance - March 31, 2014
Alcudia, Quebec	\$ 5,000	\$ -	\$ -	\$ 5,000
Cote-Archie, Ontario	55,000	-	-	55,000
Destiny, Quebec	1,045,088	-	-	1,045,088
Dolsan, Quebec	3,444	-	-	3,444
Greenoaks, Ontario	450,000	-	-	450,000
Miner Lake, Ontario	1,041	-	-	1,041
Mud Lake, Ontario	40,163	-	-	40,163
La Ronge, Saskatchewan	-	54,030	-	54,030
Obalski, Quebec	4,108	-	-	4,108
Oxford Lake, Ontario	855,000	-	(20,000)	835,000
Three Towers, Ontario	36,900	-	-	36,900
Vassal, Quebec	6,284	-	-	6,284
Totals	\$ 2,502,028	\$ 54,030	\$ (20,000)	\$ 2,536,058

The following table shows the activity by category of expenditures from July 1, 2013 to March 31, 2014:

<b>Exploration and Evaluation Expenditures:</b>	
Acquisition/claim staking	\$ 54,030
Data comp, reproduction and digitizing	2,523
Drilling	12,840
Geological mapping	28,027
License/permits	7,712
Management and planning	10,230
Prospecting	7,569
Report writing and filing	5,640
<b>Exploration and evaluation expenditures for the period</b>	<b>74,541</b>
Less: Option payments received	(20,000)
<b>Total acquisition and exploration and evaluation expenditures for the period</b>	<b>108,571</b>
Exploration and evaluation expenditures incurred to June 30, 2013	6,564,984
<b>Cumulative exploration and evaluation expenditures - March 31, 2014</b>	<b>\$ 6,673,555</b>

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

### 9. Exploration and evaluation assets – continued

The following tables show the activity by property from June 30, 2012 to June 30, 2013 and to March 31, 2014:

	June 30, 2013 Total \$	Acquisition Cost \$	Exploration and evaluation expenditures \$	Tax Credits, Option Payments, JV Recovery \$	Recovered Excess/ Write-Downs \$	March 31, 2014 Total \$
Alcudia	196,322	-	-	-	-	196,322
Cote-Archie Lake	169,757	-	4,949	-	-	174,706
Destiny	2,390,709	-	15,809	-	-	2,406,518
Dolsan	52,589	-	-	-	-	52,589
Expansion Lake	171,855	-	-	-	-	171,855
Greenoaks	319,197	-	1,226	-	-	320,423
Saskatchewan Diamonds	-	54,030	6,580	-	-	60,610
Miner Lake	973,180	-	2,418	-	-	975,598
Mud Lake	405,324	-	-	-	-	405,324
Other exploration	226,454	-	25,869	-	-	252,323
Oxford Lake	1,056,057	-	16,759	(20,000)	-	1,052,816
Three Towers	406,370	-	-	-	-	406,370
Vassal	197,170	-	931	-	-	198,101
<b>Total resource properties</b>	<b>6,564,984</b>	<b>54,030</b>	<b>74,541</b>	<b>(20,000)</b>	<b>-</b>	<b>6,673,555</b>

	June 30, 2012 Total \$	Acquisition Cost \$	Exploration and evaluation expenditures \$	Tax Credits, Option Payments, JV Recovery \$	Recovered Excess/ Write-Downs \$	June 30, 2013 Total \$
Alcudia	193,252	-	3,070	-	-	196,322
Chilko	120,556	-	-	-	(120,556)	-
Cote-Archie Lake	169,757	-	-	-	-	169,757
Destiny	2,374,132	-	16,577	-	-	2,390,709
Dolsan	50,506	-	2,083	-	-	52,589
Expansion Lake	171,855	-	-	-	-	171,855
Greenoaks	318,334	-	863	-	-	319,197
Miner Lake	938,189	-	34,991	-	-	973,180
Mud Lake	404,818	-	506	-	-	405,324
Other exploration	175,845	-	50,609	-	-	226,454
Oxford Lake	1,004,143	-	51,914	-	-	1,056,057
Three Towers	403,629	-	2,741	-	-	406,370
Vassal	197,170	-	-	-	-	197,170
<b>Total resource properties</b>	<b>6,522,186</b>	<b>-</b>	<b>163,354</b>	<b>-</b>	<b>(120,556)</b>	<b>6,564,984</b>

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 9. Exploration and evaluation assets – *continued*

#### a) Alcudia Property, Quebec

The Alcudia property is 100% owned by the Company and subject to certain underlying royalties. The Company owns a 0.5% Net Smelter Royalty on any production from the adjoining Windfall property.

#### b) Chilko, British Columbia

On February 21, 2013, Lateral Gold Corp (“Lateral”) has terminated the Assignment Agreement entered into with the Company in 2012. In turn the Company has terminated its Option Agreement with the original vendors of the property and now owns no interest in the Chilko project and has no further commitments under the Option Agreement.

During fiscal 2012, the Company entered into an Assignment Agreement with Lateral whereby the Company had agreed to assign to Lateral all of its rights under an existing option agreement to acquire a 100% interest in the Chilko property within the Chilcotin Plateau area of British Columbia. Under the terms of the Assignment Agreement, Lateral was to pay the Company \$5,000 on execution (received) and a further \$25,000 (received) on closing, subject to certain adjustments.

Lateral was also required to issue the Company 200,000 shares (received) on closing and a further 100,000 shares (received) on exercise of the option under the Option Agreement or upon Lateral electing not to proceed to exercise the Option.

#### c) Coldstream Property, Ontario

The Coldstream property is located in the Shebandowan greenstone belt west of Thunder Bay, Ontario.

On January 18, 2011, Foundation had earned 60% interest in the Coldstream property and future exploration work would be completed and funded 40% by the Company and 60% by Foundation.

On February 16, 2012, the Company completed the sale of its 40% interest in the Coldstream property to Foundation. This consolidation in ownership gives Foundation a 100% interest in the property. In consideration for the acquisition of the Company’s 40% interest, Foundation paid \$350,000 in cash and issued 10,000,000 common shares of Foundation at a fair value of \$1,300,000. Within six months, Foundation was to pay to the Company a further \$950,000 in cash, subject to a potential three month extension period, for a total consideration of \$2,600,000 in cash and shares.

As part of the agreement the Company will vote in support of Foundation management for a period of three years and will not tender its shares to any take-over bid not recommended by Foundation’s Board of Directors.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 9. Exploration and evaluation assets – *continued*

#### c) Coldstream Property, Ontario - *continued*

On June 27, 2012, the Company entered into an amending agreement with Foundation concerning the consolidation of its ownership in the Coldstream property. Pursuant to the amending agreement, the remaining \$950,000 (the “Balance”) will be paid by Foundation through the payment of a minimum of 20% of the aggregate net proceeds of any non-flow through equity financing completed by Foundation, provided however that the Balance must be paid in full not later than November 21, 2013 (the “Due Date”). Foundation will pay to the Company, in addition to the Balance, a fee of 5% of the Balance amount outstanding as at November 21, 2012 (the “First Extension Fee”), of which a deposit of \$21,000 (received) will be paid towards the First Extension Fee and the balance of such First Extension Fee will be due and payable by Foundation within five Business Days of November 21, 2012. During the year-ended June 30, 2013, Foundation paid the Company \$126,581 and an additional \$57,258 representing 20% of the net proceeds of their equity financings and the Company received \$20,171 representing the balance of the remaining first extension fee.

Foundation retains the right to extend the Due Date to May 21, 2014 (the “Extension Right”). As consideration for the second Extension Right, if exercised, Foundation shall pay to Alto 5% of the remaining Balance amount outstanding as at November 21, 2013.

#### d) Cote-Archie Lake Property, Ontario

The Cote-Archie Lake property is 100% owned by the Company and subject to certain underlying royalties on some of the claims.

#### e) Destiny (formerly Despinassy) Property, Quebec

The Destiny Project is located in Despinassy Township, northeast of Val d’Or, Quebec. The property is 100% owned by the Company and subject to certain underlying production royalties on some of the claims.

On July 2, 2009, the Company entered into an option agreement with Pacific North West Capital Corp (“PFN”). Under the terms of the agreement, PFN had the option 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.

During fiscal 2012, PFN assigned its interest in the option agreement to Next Gen Metals Inc. (“Next Gen”) giving Next Gen the option to earn a 60% interest in the project by assuming PFN’s obligations under the original Option Agreement with the Company. On June 19, 2012, the optionees elected to terminate the Option Agreement and the property has reverted back 100% to the Company.

#### f) Dolsan, Quebec

The Company owns 100% interest in this property subject to certain underlying royalties of some of the claims.

#### g) Greenoaks Property, Ontario

The Company owns 100% interest in this property subject to certain underlying royalties.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 9. Exploration and evaluation assets – continued

#### h) Miner Lake, Ontario

The Company owns a 100% interest in the Miner Lake property subject to certain underlying royalties on some of the claims.

#### i) Mud Lake Property, Ontario

The Company owns a 100% interest in the Mud Lake property subject to certain underlying royalties on some of the claims.

#### j) Obalski, Quebec

The Company owns 100% interest in this property located northwest of Val d'Or, Quebec.

#### k) Oxford Lake, Manitoba

The Company owns a 100% interest in the Oxford Lake Property subject to certain underlying royalties on some of the claims.

During the nine-month period ended March 31, 2014, 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.



# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 9. Exploration and evaluation assets – continued

l) Three Towers, Ontario

The Company owns 100% interest in this property subject to certain underlying royalties.

m) Vassal, Quebec

The Company owns a 100% interest in this property located north of Val d'Or, Quebec.

n) La Ronge, Saskatchewan

During the nine-month period ended March 31, 2014, the Company staked 24 mineral claims, covering 68,400 hectares in the area of the Pikoo diamond discovery reported by North Arrow Minerals Inc. in Saskatchewan.

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.

The Company also acquired six additional 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.

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### 10. Share capital and contributed surplus

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

*Shares issued:*

- a) During the nine-month period ended March 31, 2014, the Company issued 25,000 shares at a price of \$0.05 per share for acquisition of six diamond claims. (See Note 9n)

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

### 10. Share capital and contributed surplus - continued

#### 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, 2012	207,550	\$	0.15
Expired	(207,550)		0.15
<b>Balance – June 30, 2013 and March 31, 2014</b>	<b>-</b>	<b>\$</b>	<b>0.15</b>

#### Stock options

- a) During the year-ended June 30, 2013, the Company granted to directors, officers, and consultants, incentive stock options to purchase up to an aggregate of 1,085,000 common shares exercisable on or before September 19, 2017 at a price of \$0.10 per share. The Company recorded \$57,538 as share based compensation expense based upon the relative fair values and vesting conditions of the options granted.
- b) During the year-ended June 30, 2013, the Company granted to directors, officers, employees and consultants, incentive stock options to purchase up to an aggregate of 386,000 common shares exercisable on or before October 30, 2017 at a price of \$0.10 per share. The Company recorded \$19,523 as share based compensation expense based upon the relative fair values and vesting conditions of the options granted.

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.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

### 10. Share capital and contributed surplus - continued

Stock options - continued

Stock option transactions were as follows:

	Number of options	Weighted Average Exercise Price
Balance - June 30, 2012	569,500	\$ 1.18
Granted	1,471,000	0.10
Forfeited	(7,500)	0.10
Cancelled	(495,000)	1.20
Balance June 30, 2013	1,538,000	\$ 0.15
Cancelled	(225,000)	0.85
<b>Balance - March 31, 2014</b>	<b>1,313,000</b>	<b>\$ 0.10</b>

The following is a summary of the Company's options outstanding as at March 31, 2014:

Options issued	Price per share	Expiry date	Options exercisable
1,000	\$1.00	December 18, 2014	1,000
1,000	\$1.00	January 17, 2016	1,000
935,000	\$0.10	September 19, 2017	935,000
376,000	\$0.10	October 30, 2017	376,000
<b>1,313,000</b>			<b>1,313,000</b>

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 year was determined using a Black-Scholes option pricing model with the following assumptions:

	2013
Expected dividend yield	0%
Expected stock price volatility	146%-150%
Risk free rate	1.25%-1.34%
Expected life of options	5 years
Expected forfeiture rate	0%
Weighted average fair value per option	\$0.0527

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

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(Unaudited)

### 11. Related party transactions

- a) At March 31, 2013, the Company owed \$302,210 (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:

	March 31, 2014	March 31, 2013
	\$	\$
White Label Corporate Services Inc. – CFO and Corporate Secretary – administrative services <sup>1</sup>	54,000	54,000
White Label Corporate Services Inc. – CFO and Corporate Secretary – cost recoveries <sup>1</sup>	82,650	83,150
Mike Koziol – salary services (Officer and Company with Director in Common)	117,000	117,000
Mirador Management – management fees (Company with an officer in common)	31,500	31,500
McMillan LLP – legal fees (formerly Lang Michener) (Legal firm with a partner and Company director in Common)	5,303	3,939
Gary Zak – consulting services (Former Officer in Common)	-	16,875
<b>Total</b>	<b>290,453</b>	<b>306,464</b>

<sup>1</sup> CFO and Corporate Secretarial services are paid \$72,000 per year and the balance is overhead expenses reimbursed to White Label Corporate Services Ltd. at cost.

#### Compensation of key management personnel

	March 31, 2014	March 31, 2013
	\$	\$
Management fees, directors and audit committee fees	Nil	Nil
Share-based compensation	Nil	67,955
	\$ Nil	\$ 67,955

### 12. Segmented information

#### (a) Operating Segment

The Company's operations are primarily directed towards the acquisition and exploration of resource properties in Canada and consequently there is only one operating segment.

#### (b) Geographic information

All interest income is earned in Canada and all assets are held in Canada.

# Alto Ventures Ltd.

(An Exploration Stage Company)

## Notes to the Interim Condensed Financial Statements

For the Nine-month Period Ended March 31, 2014

(Canadian Funds)

(Unaudited)

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### 13. Supplementary disclosure of cash flow information

Supplemental Disclosure of Non-Cash Financing and Investing Activities include:	March 31, 2014	March 31, 2013
Fair value adjustment on marketable securities	\$ 259,975	\$ 288,050
Fair value shares received under option agreement	\$ 10,000	\$ 23,625
Shares issued in exchange for exploration and evaluation asset	\$ 1,250	\$ -

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### 14. Subsequent event

Subsequent to March 31, 2014:

- a) The Company announced that it has completed the sale of its underlying 0.5% NSR Royalty on Eagle Hill Exploration's Windfall Lake Gold project to Virginia Mines Inc. ("Virginia") in consideration for an amount of \$750,000 payable by the issuance of common shares in the capital of Virginia (see the Company's news release dated March 24, 2014). In addition, Virginia purchased 1,666,667 shares of Alto at a price of \$0.15 per share for a total investment of \$250,000. All shares issued in connection with this transaction are subject to a four month regulatory hold period.

Virginia holds 6.9% of the 24,116,214 shares outstanding in the Company post-transaction. The proceeds of the private placement will be used to maintain the Company's quality gold portfolio, advance the Company's diamond exploration activities in the Pikoo district of north-central Saskatchewan and for general working capital.

- b) On April 15, 2014 Razor Rock Resources Inc received an extension from Alto to fulfill certain commitments under the Oxford Lake Exploration and Option Agreement. In consideration for the extension, Razor Rock issued 100,000 of its shares to Alto.

On May 15, 2014 Razor Rock served notice that it has terminated the Oxford Lake Exploration and Option Agreement.