



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Six Months Ended  
December 31, 2017  
(the "Period")**

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# **Alto Ventures Ltd.**

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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.*

#### **INTRODUCTION**

The following interim management's discussion and analysis ("MD&A" or "Report") of Alto Ventures Ltd. ("Alto" or "the Company") has been prepared as of February 28, 2018 (the "Report Date"). This MD&A should be read in conjunction with the Company's interim condensed financial statements for the six months ended December 31, 2017 and the notes thereto, and the financial statements and the notes thereto for the year ended June 30, 2017, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") (collectively, the "Financial Statements"). The Financial Statements have been prepared using the accrual basis of accounting except for cash flow information, and unless otherwise specified, all dollar amounts in this Report are in Canadian Dollars.

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.

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The Company has investigated ownership of its mineral interests as at June 30, 2017 and, to the best of its knowledge, ownership of its interests are in good standing.

#### **HIGHLIGHTS FOR THE PERIOD**

The Company continues in its operational effectiveness measures while maintaining the Company in good standing.

- The Company completed several private placements and raised total gross proceeds of \$931,900, which amount includes \$403,000 in flow-through funds, and issued a total of 12,593,214 shares, and warrants allowing for the purchase of up to, in the aggregate, 5,789,932 shares at various prices and expiring on various dates.
- On August 31, 2017, the Company completed a summer field exploration program on the Oxford Lake property in Manitoba. During the second quarter of the year, the Company was advised of challenges to obtaining a work permit for its 2017-18 winter program, including diamond drilling at its Oxford Lake property and has decided not to proceed with the planned program (see "*Resource Properties*"). The Company remains open to working with the Bunibonibee Cree Nation to resolve the issues outstanding to continue to advance the Oxford Lake Project in the future.
- At its Annual General Meeting of December 5, 2017, Mr. Michael Steeves was appointed to the Board of Directors. Mr. Steeves has been involved in the mining industry for more than 45 years. He was formerly president and chief operating officer of Zazu Metals Corp. which recently sold its 50-per-cent interest in a large zinc-lead-silver deposit near the Red Dog mine in Northern Alaska to Solitario Exploration & Royalty Corp. Prior to joining Zazu Metals, Mr. Steeves was vice-president of investor relations for Glamis Gold and worked in a similar capacity for Coeur D'Alene Mines, Homestake Mining and Pegasus Gold. He also worked for many years as a mining analyst with major Canadian investment firms and for senior mining companies in the United States and Canada. He holds a bachelor of science degree in geology and a master of science degree in Earth sciences from the University of Manitoba and is also a chartered financial analyst.

#### **RESULTS OF OPERATIONS**

Share-based payments is a non-cash item, resulting from the application of the Black-Scholes Option Pricing Model using assumptions in respect of expected dividend yield average risk-free interest rates, expected life of the options and expected volatility, and is intended to represent the fair value determined under the Black-Scholes model of the vested portion of existing options during the period.

- ***three months ended December 31, 2017 ("Q2-2018") results as compared with the three months ended December 31, 2016 ("Q2-2017")***

The Company's loss for Q2-2018 was \$327,586 (Q1-2017: \$78,655). Exploration and evaluation expenditures increased to \$87,404 in Q2-2018 primarily at the Oxford property (Q2-2017: \$31,631, primarily at the Miner Lake and Empress properties). General and administrative expenditures in Q2-2018 increased as a result of the Company resuming full payment to certain of its service providers (Q2-2017: significantly discounted payments to service providers due to limited funds), incurring additional legal expenditures in connection with the Oxford Lake matter (see "*Resource Properties*"), and a non-cash loss of \$159,218 on the sale of 2,250,000 Beaufield Resources Inc. shares.

- ***six months ended December 31, 2017 ("Period") results as compared with the six months ended December 31, 2016 ("2017 Period")***

General and administrative expenditures during the Period increased as a result of the Company resuming full payment to certain of its service providers, incurring additional legal expenditures in connection with the Oxford Lake matter (see "*Resource Properties*"), and attendant shareholder relations and administrative expenditures, and a non-cash loss of \$159,218 on the sale of 2,250,000 Beaufield Resources Inc. shares.

# Alto Ventures Ltd.

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### For the six months ended December 31, 2017

#### SUMMARY OF QUARTERLY RESULTS

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

|                                           | December 31,<br>2017 | September 30,<br>2017 | June 30,<br>2017 | March 31,<br>2017 | December 31,<br>2016 | September 30,<br>2016 | June 30,<br>2016 | March 31,<br>2016 |
|-------------------------------------------|----------------------|-----------------------|------------------|-------------------|----------------------|-----------------------|------------------|-------------------|
| <i>In thousands \$</i>                    |                      |                       |                  |                   |                      |                       |                  |                   |
| <b>Financial results</b>                  |                      |                       |                  |                   |                      |                       |                  |                   |
| Net loss (income) for period              | 328                  | (174)                 | (787)            | 334               | 79                   | 79                    | 1,584            | 72                |
| Basic and diluted (income) loss per share | 0.01                 | (0.00)                | (0.02)           | 0.01              | 0.00                 | 0.00                  | 0.06             | 0.00              |
| Exploration and evaluation expenditures   | 87                   | (54)                  | 128              | 217               | 32                   | 44                    | 30               | 3                 |
| <b>Balance sheet data</b>                 |                      |                       |                  |                   |                      |                       |                  |                   |
| Cash and short term deposits              | 1,679                | 763                   | 951              | 479               | 465                  | 89                    | 118              | 36                |
| Exploration and evaluation assets         | 2,189                | 2,189                 | 2,188            | 2,239             | 2,239                | 2,239                 | 2,232            | 2,311             |
| Total assets                              | 4,349                | 3,757                 | 3,944            | 2,856             | 2,836                | 2,484                 | 2,415            | 2,586             |
| Shareholders' equity                      | 4,213                | 3,696                 | 3,836            | 2,650             | 2,670                | 2,352                 | 2,339            | 2,432             |

#### RESOURCE PROPERTIES

The Company owns three core gold properties in Quebec, Ontario and Manitoba. The three gold properties are Destiny Project in Quebec, Miner Lake in Ontario and Oxford Lake in Manitoba. The Company also has an interest in a number of other 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.

The Company terminated exploration of the Saskatchewan diamond properties prior to June 30, 2017 in order to focus on its gold assets.

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 2019 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. The gold mineralization is open to depth and along strike. 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 Gap Zone, 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 at the Gap Zone 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.

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The 2012 drilling results are very positive and indicate that the DAC Deposit, the Gap Zone 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.

*\*NI43-101 Technical Report and Resource Estimation of the DAC Deposit, Destiny Property, Quebec, March, 2011 by Todd McCracken, P.Geo.*

#### **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 for 2018.

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.

In June 2015, the Company completed a surface glacial till sampling program to test for gold dispersion trains down ice from the main gold occurrences. In June, July and September, 2016, the Company completed additional glacial till sampling. Results of these programs delineated several gold anomalies that require follow-up.

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**

The Company owns a 100% interest in the Oxford Lake Property subject to underlying royalties on some of the claims. Currently the property comprises approximately 36,000 ha and is in good standing through 2018.

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 hosted in banded iron formation ("BIF"), 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 of the Rusty Deposit (Rusty-Blue Jay Trend). RUS12-03 intersected two zones of high-grade gold mineralization in BIF: 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.

The Rusty Gold Deposit and Blue Jay Zone lie along a magnetic trend, the Carrot River-Rusty-Blue Jay trend, that was traced by Alto's 2011 VTEM and aeromagnetic surveys for 30 km along strike but only a limited number of holes were drilled in the past along this trend. BIF deposits such as the Musselwhite Mine in Ontario (24.4 M tonnes averaging 6 g/t Au mined, 8.21 M tonnes averaging 6.39 g/t Au Proven and Probable, and 2.88 M tonnes averaging 4.98 g/t Au Measured and Indicated) tend to be large and relatively high grade (Ontario Mining and Exploration 2016-an official publication of the Ontario Prospectors Association).

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An eight week summer exploration program consisting of rock sampling, geological mapping and prospecting was completed in August 2017. In total, 803 rock grab samples were collected on the entire Oxford Lake property. Highlight of results include:

#### **The 30 km Carrot River-Rusty-Blue Jay BIF Trend**

The Carrot River-Rusty-Blue Jay trend is a 30 km trend of aeromagnetic highs associated with banded iron formation ("BIF") units which host the historical Rusty Gold Deposit, the multiple, high grade Blue Jay Gold Zone and the solitary hole CR92-2 drilled by Noranda 10 km further west in the Carrot River area intersecting gold in BIF (0.98 g/t Au over 3.1 m). Bedrock exposures on the trend west of the Rusty Gold Deposit and near CR92-2 are sparse due to overburden cover however Alto's prospecting team made significant new discoveries. Other significant gold anomalies were obtained from the Brogden Lake area located at the west end of the Carrot River-Rusty- Blue Jay trend, approximately 5 km west of CR92-2. Grab sampling of a historical gold showing here returned up to 2.41 g/t Au associated with a narrow, banded magnetite-chert iron formation.

#### **District Scale Exploration Potential of the Oxford Lake Property**

The Hyers Island area lies near the south end of this large property, approximately six kilometres southwest from the Rusty Gold Deposit. Verification grab samples from historical occurrences returned up to 109 g/t Au within a 15cm wide quartz-sulphide-carbonate vein from the south shore of Hyers Island; the vein also includes 16.9 g/t Ag, 0.7% Cu and 24% Zn. Several other notable gold and gold-base metals samples were obtained from narrow quartz-sulphide veins and sulphide pods near the south shore of Hyers Island including 7.2 g/t Au and 83.7 g/t Ag; 2.1 g/t Au and 24.1 g/t Ag; 1.2 g/t Au and 14.5 g/t Ag; and 2.3 g/t Au (see Figure 1).

Significant new gold, silver and zinc assays were obtained from bedrock grab samples mineralized with pyrite and sphalerite on north Hyers Island including 4.9 g/t Au with 51 g/t Ag and 12.7% Zn; 1.8 g/t Au and 15.9 g/t Ag; and 2.9 g/t Au. The mineralized samples are within gossan-stained zones from a few cm to several metres in width, but their extent, controls on mineralization and continuity have not yet been determined. Other new high-grade gold and silver values were obtained from a narrow quartz-sulphide vein located west of Hyers Island. The vein assayed 12.4 g/t Au with 48 g/t Ag.

The Cat Eye Bay area lies near the southeast corner of this large property, approximately 15 km southeast from the Rusty Gold Deposit. Grab samples of narrow sulphide mineralized zones from historical trenches returned poly-metallic mineralization including 37.8 g/t Au, 71.9 g/t Ag, 2.5% Cu and 2.5% Zn. Historical drilling in the area of the trenches returned up to 9.3 g/t Au, 89.5 g/t Ag and 4.42% Zn over 0.52 metres core length. Two new occurrences were discovered by Alto in 2017 away from the historical trenches. One occurrence, which is located approximately 400 m northwest and possibly along strike from Cat Eye Bay trenches, returned grab sample values up to 12.5 g/t Au and 0.9 g/t Ag. Gold and silver here are hosted by centimeter scale quartz veinlets within magnetite-amphibolite rock interpreted to be highly metamorphosed iron formation. The second occurrence is located approximately 3 km northeast of Cat Eye Bay and gold values up to 5.8 g/t Au, 7 g/t Ag and 1.1% Cu were obtained from quartz-chalcopyrite veinlets hosted by a 20 cm shear zone within mafic volcanics.

The abundance of the high grade showings and their widespread distribution confirm the excellent exploration potential of the Oxford Lake property, both on Alto's main BIF target along the Carrot River-Rusty-Blue Jay trend as well as in the Hyers Island and Cat Eye Bay areas. Additional work is required in the Hyers Island area as well as Cat Eye Bay to better understand the controls on mineralization before drilling is carried out.

Alto had planned a 2017-18 winter program of ground geophysics to have been followed by approximately 3,000 m of diamond drilling. However, in light of the recent changes in position of the Bunibonibee Cree Nation toward the proposed exploration, and related challenges the company faced in obtaining clear and

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timely information regarding the Government of Manitoba's position on Aboriginal consultation and permitting matters, Alto has decided to not proceed with the winter drill program. Alto remains open to working with the Bunibonibee Cree Nation to resolve the issues outstanding to continue to advance the Oxford Lake Project in the future.

*\*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) Northern Saskatchewan Diamond Properties, Saskatchewan

In June, 2017 the Company has withdrawn from diamond exploration in Saskatchewan, terminated the option agreements and allowed its properties to expire.

#### e) Other Properties

The Company also has interests in the following properties:

| Property Name                            | Status                                                                        | Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Windfall East (formerly Alcudia), Quebec | Sold during fiscal year ended June 30, 2017 (see "Highlights for the Period") | The Windfall East project was sold to Beaufield in May, 2017. The Company retains a 1% NSR royalty, of which Beaufield retains the right to buy 0.5% NSR for \$1 million.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Coldstream, Ontario                      | Sold during fiscal year ended June 30, 2016                                   | The project was sold in 2016 and Alto retained NSR royalties ranging from 0.5 to 1.5% on certain claims.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Empress, Ontario                         | 100% Alto subject to production royalties                                     | An Option Agreement to option 100% interest in the Empress property to Sanatana was finalized in June 2017. The terms include issuance of 3,000,000 shares of Sanatana to Alto within 12 month period (1,000,000 shares received prior to June 30, 2017), cash payments totalling \$125,000 within 12 months (\$50,000 received prior to June 30, 2017) and completion of \$150,000 in expenditures within 24 months of the effective date. Upon exercise of the Option, Alto will retain a 1% NSR royalty on existing claims and 0.33% NSR on claims which lie within a predetermined area of interest acquired during the option period. Sanatana also reimbursed \$20,000 for exploration expenditures incurred by Alto prior to finalizing the agreement. |
| 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. A glacial till sampling program was completed in July, 2015.                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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|                   |                                                                 |                                                                                                                                                                                                             |
|-------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mud Lake, 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 Greenstone Gold Mines; several significant gold occurrences occur on the Mud Lake property. |
|-------------------|-----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### **LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2017, the Company had \$1,679,364 in cash, of which approximately \$227,725 is restricted to flow-through purposes. The Company does not have any cash flow from operations as its projects are at an exploration stage, therefore financings have been the primary source of funds.

At December 31, 2017, the Company had working capital of \$2,023,540 which amount includes marketable securities valued, in the aggregate, at \$422,257. In the opinion of management, the working capital at December 31, 2017 is sufficient to support the Company's general administrative and corporate operating requirements for the next three months. See *Subsequent Events* in this Report. Management plans to continue to seek the necessary financing through a combination issuance of new equity instruments, entering into joint venture arrangements or debt financing; however, there is no assurance that the Company will be successful in these actions. Should the Company wish to continue fieldwork on its exploration projects, 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 regularly reviews expenditures and exploration programs and equity markets in order that the Company has sufficient liquidity to support its growth strategy.

#### **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**

Services, expenses, and compensation of key management personnel:

Key management personnel currently consist of Directors and Officers of the Company, as to the President, the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), and the Corporate Secretary of the Company. At the Report Date, key management personnel consisted of Richard Mazur (CEO and a Director), Marian (Mike) Koziol (President and a Director), Jeannine Webb (CFO), Jacqueline Collins

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(Corporate Secretary), and David Cowan and Gary Zak (Directors). During the periods ended December 31, 2017 and 2016, the Company incurred the following net charges, all recorded based on fair value, in respect of services received from related parties:

|                                                                                      | Six months ended December 31, |               |
|--------------------------------------------------------------------------------------|-------------------------------|---------------|
|                                                                                      | 2017                          | 2016          |
|                                                                                      | (\$)                          | (\$)          |
| Mike Koziol - services (Officer and company with Director in common)                 | 78,000                        | 78,000        |
| Mirador Management – management fees (company with an officer in common)             | 21,000                        | -             |
| J Collins Consulting - Corporate Secretary services                                  | 18,000                        | 150           |
| Venturex Consulting - CFO services                                                   | 21,000                        | 5,000         |
| McMillan LLP – legal fees (Legal firm with a partner and Company Director in common) | 21,750                        | 10,544        |
| Gary Zak - consulting services (Director and Former Officer in common)               | 1,000                         | -             |
| <b>Total</b>                                                                         | <b>160,750</b>                | <b>93,694</b> |

In respect of services provided to and expenses incurred on behalf of the Company, the Company owed various related parties the following at December 31, 2017 and June 30, 2017:

|                                                          | December 31, 2017 | June 30, 2017 |
|----------------------------------------------------------|-------------------|---------------|
|                                                          | (\$)              | (\$)          |
| In respect of services provided to the Company           |                   |               |
| owed to Companies with directors and officers in common  | 41,984            | 49,496        |
| owed to a Director and Officer                           | 18,000            | -             |
| In respect of expenses incurred on behalf of the Company |                   |               |
| owed to Directors and Officers                           | 18,910            | 8,522         |
|                                                          | <b>78,894</b>     | <b>58,018</b> |

In addition, pursuant to an agreement with an officer, a severance payment of \$156,000 will be due to him in the event of termination without cause.

During the periods ended December 31, 2017 and 2016, the Company incurred the following fees from key management personnel:

|                                                     | Six months ended December 31, |               |
|-----------------------------------------------------|-------------------------------|---------------|
|                                                     | 2017                          | 2016          |
|                                                     | (\$)                          | (\$)          |
| Management fees, directors and audit committee fees | 160,750                       | 93,694        |
| Share-based compensation                            | -                             | -             |
|                                                     | <b>160,750</b>                | <b>93,694</b> |

## SHARE CAPITAL INFORMATION

The table below presents the Company's common share data as the Report Date.

| Common shares - issued and outstanding |                |                   | 56,373,295      |
|----------------------------------------|----------------|-------------------|-----------------|
|                                        | Exercise price | Expiry Date       | Shares issuable |
|                                        | (\$)           |                   | (#)             |
| Warrants                               | 0.10           | June 30, 2018     | 5,000,000       |
|                                        | 0.10           | July 31, 2018     | 3,144,200       |
|                                        | 0.12           | August 20, 2018   | 2,385,000       |
|                                        | 0.08           | July 31, 2018     | 166,250         |
|                                        | 0.12           | April 19, 2020    | 1,775,000       |
|                                        | 0.12           | April 19, 2020    | 224,000         |
|                                        | 0.12           | June 4, 2020      | 2,002,857       |
|                                        | 0.12           | June 4, 2020      | 175,450         |
|                                        | 0.12           | June 27, 2020     | 1,268,750       |
|                                        | 0.08           | December 27, 2018 | 177,625         |
|                                        |                |                   | 16,319,132      |
| Stock options                          | 0.06           | June 19, 2019     | 750,000         |
|                                        | 0.05           | December 10, 2020 | 325,000         |
|                                        | 0.10           | March 27, 2022    | 1,000,000       |
|                                        |                |                   | 2,075,000       |
|                                        |                |                   | 74,767,427      |

# **Alto Ventures Ltd.**

## **Management's Discussion and Analysis**

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#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

#### **SUBSEQUENT EVENTS**

Further to the receipt of \$16,800 prior to December 31, 2017, the Company received an additional \$17,850 on the exercise of warrants, and issued a total of 693,000 shares.

#### **RECENT ACCOUNTING PRONOUNCEMENTS**

Adoption of new IFRS pronouncements:

The adoption of the following IFRS standards and amendments to existing standards effective July 1, 2017 did not have an effect on the Company's financial statements:

- a) IAS 7, "Statement of Cash Flows" is effective for annual periods beginning on or after January 1, 2017.
- b) IAS 12, "Income Taxes" is effective for annual periods beginning on or after January 1, 2017.
- c) IFRS 12, "Disclosure of Interest in Other Entities" is effective for annual periods beginning on or after January 1, 2017.

New accounting standards not yet adopted:

- a) IFRS 2, "Share-based Payments" is effective for annual periods beginning on or after January 1, 2018.
- b) IFRS 7, "Financial Instruments: Disclosure" is effective (proposed) for annual periods beginning on or after January 1, 2018.
- c) IFRS 9, "Financial Instruments: Classification and Measurement" is effective for annual periods beginning on or after January 1, 2018.
- d) IFRS 15, "Revenue from Contracts with Customer" is effective for annual periods beginning on or after January 1, 2018.
- e) IFRS 16, "Leases" is effective for annual periods beginning on or after January 1, 2019.
- f) IAS 16, "Property, Plant and Equipment" (amended standard) is effective for annual periods beginning on or after January 1, 2019.

The Company has initially assessed that there will be no material impact on the statements of financial position or results of operations as a result of adopting the new standards above; however, enhanced disclosure requirements are expected.

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

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

##### *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.

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*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 as fair value through profit and loss. The Company's receivables 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, loan 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 fair values of the Company's cash and marketable securities constitutes a level 1 fair value measurement. The fair value of the Company's receivables, due to related parties, loans payable and accounts payable and accrued liabilities approximate the carrying value due to their short-term nature.

#### *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 December 31, 2017 to interest rate risk through its financial instruments.

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#### *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. Sensitivity to a plus or minus 1% change in cash interest rates would affect net loss by \$16,794 annually. The Company does not hold any balances in foreign currencies to give rise to exposure to foreign exchange risk.

#### *Currency risk*

As at December 31, 2017, 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.

Receivables consist of goods and services tax ("GST") due from the Federal Government of Canada and sales taxes ("QST") due from the Government of Québec.

#### *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, 2017, the Company had a cash balance of \$1,679,364 (June 30, 2017: \$951,043) to settle current liabilities of \$135,815 (June 30, 2017: \$107,992). See *Subsequent Events* in this Report. Management plans to continue to seek the necessary financing through a combination issuance of new equity instruments, entering into joint venture arrangements or debt financing; however, there is no assurance that the Company will be successful in these actions.

## **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the 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:

- a) 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.
- b) The inputs used in accounting for share-based compensation expense included in profit or loss calculated using the Black-Scholes option pricing model.
- c) 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.
- d) The recognition of deferred tax assets based on the change in unrecognized deductible temporary tax differences.

## **RISKS AND UNCERTAINTIES**

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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.

Although the Company has exercised the usual due diligence with respect to title to properties in which it has interests, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or land claims, and title may be affected by undetected defects.

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production on its properties will be obtained on a timely basis, or at all. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs. Failure to comply with applicable laws, regulations, and permitting requirements may result

# **Alto Ventures Ltd.**

## **Management's Discussion and Analysis**

### **For the six months ended December 31, 2017**

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in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or extraction operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or abandonment or delays in development of new mineral exploration properties. To the best of the Company's knowledge, it is currently operating in compliance with all applicable environmental regulations.

The Company and its subsidiaries may become subject to liability for pollution, fire, explosion and other risks against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

As at the date of the Report, there were no legal proceedings by or against the Company.

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.

#### **DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's general and administrative expenses and mineral property costs is provided in the Company's audited statement of operations contained in its Financial Statements for the Period. These statements are available on the Company'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**

The Company 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 the Company and will depend on the Company'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.

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**PROPOSED TRANSACTIONS**

There are no proposed transactions that are required to be disclosed.

**APPROVAL**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the Financial Statements for the Period and the disclosure contained in the Report. 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).