

Alto Group Holdings Inc.  
Form 10-K  
March 15, 2012

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C.20549**

**FORM 10-K**

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

**For the year ended November 30, 2011**

o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number:000-53592**

**ALTO GROUP HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

|   |   |
|---|---|
| Nevada  | 27-0686507                              |
| (State or other jurisdiction of<br>incorporation or organization) | (I.R.S. Employer<br>Identification No.) |

**11650 South State Street**

|  |              |
|--|--------------|
| <b>Suite 240, Draper, UT</b>             | <b>84020</b> |
| (Address of principal executive offices) | (Zip Code)   |

**(801) 816-2533**

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| None                | N/A                                       |
|---------------------|---|
| Title of each class | Name of each exchange on which registered |

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

**The registrant has previously filed a registration statement on Form 8-A relating to the registration of its common stock, par value \$0.00001 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
 Yes  No

Based on the closing price of our common stock as listed on the Electronic Bulletin Board, the aggregate market value of the common stock of Alto Group Holdings, Inc. held by non-affiliates as of June 30, 2011 was \$3,444,080.

As of February 15, 2012 there were 4,891,756,208 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:** None.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Please see the note under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation,” for a description of special factors potentially affecting forward-looking statements included in this report.

## **PART I**

### **ITEM 1. BUSINESS.**

#### **Organization**

*Company Information.* Alto Group Holdings, Inc. (sometimes referred to herein as “Alto,” the “Company,” “we,” “us,” or “our”) was incorporated in the State of Nevada on September 21, 2007. We are an exploration stage corporation. An exploration stage corporation is one engaged in the search of mineral deposits or reserves which are not in either the development or production stage. We maintain our statutory registered agent's office at National Registered Agents, Inc. of NV, 1000 East William Street, Suite 204, Carson City, Nevada 89701 and our business office and mailing address is 11650 South State Street, Suite 240, Draper, UT 84020. Our telephone number is (801) 816-2533.

*Vision, Mission, and Goals.* We believe that the price of precious metals, ores and other commodities will continue to move higher over the long term, commensurate with increases in aggregate world demand and a sustained decline in the U.S. dollar resulting from looming inflation and unsustainable government debt levels. We expect these trends will drive investors to include more traditional "safe haven" investments in their portfolios, consisting of gold, precious metals and natural resource commodities. We seek to explore, develop and produce mineral resources in favorable jurisdictions where exploration and exploitation is promoted by governments in mining "friendly" territories. In the short-term, we intend to identify, explore and develop concessions such that a resource calculation can be made under compliant engineering standards. Our near term goals include obtaining a series of studies from third-party engineers to “prove up” deposits in which we have an interest as financially viable, mineable ventures. Our mid-term goals include moving the Company into a production phase through organic growth, by acquisition, or in partnership with existing producers and ultimately creating an inviting target for merger or acquisition by a larger organization.

#### **Operations**

If we are able to successfully develop the interests we acquire, we may engage in (or contract with third parties for the) extraction and production of the minerals involved, may sell these interests, or pursue a combination of the foregoing. Although we believe that rights to the the mineral interests we acquire may contain valuable deposits that would inure to the benefit of the Company and its shareholders, we cannot assure you that commercially viable deposits exist on any of these properties until further exploration and development has been undertaken and a thorough economic feasibility analysis has been prepared. We are actively seeking to raise working capital sufficient to begin exploration and development of these concessions, as well as for other development opportunities.

We have not generated any revenues since the inception of the Company and we have been issued a “going concern” opinion from our auditors. We have no plans to change our business activities from the exploration and development of mining interests with the objective of including extraction and production operations as a core component of the business of the Company.



## **Our Mining Interests**

*Excelsior.* On April 21, 2011, we formed Alto Cascade Resources, LLC (“Alto Cascade”), as a joint venture with Douglas McFarland, our Chief Executive Officer. Alto Cascade, 51% of which is owned by the Company, holds 60 lode mining claims in respect of the Great Excelsior Mine located in Whatcom County in the Mount Baker quadrangle in western Washington State.

The Great Excelsior Mine was a former gold and silver producer which was forced to close in 1918 due to falling metal prices and a shortage of supplies. This mining property has been explored by numerous mining companies over the years, including ASARCO, Silver Standard, Ltd., Quintana Resources, Inc., US Borax, Steelhead Resources, Inc, FMC Gold Corp., Stanford Metals, Ltd, and Arizuma Silver, Inc. Although a NI 43-101 compliant report has not been produced in respect of the mining claims held by Alto Cascade, the Company estimates that 493,000 ounces of potential gold-equivalent drill indicated resources are available to be mined, and an additional 500,000 ounces of potential gold-equivalent non-drill indicated resources are also available. The term “gold-equivalent” means that the precious metal content contained in these claims (whether of silver, gold, or other minerals) is estimated to be equivalent in value to gold in these respective drill and non-drill indicated resources. Below are two 3-dimensional maps showing a cross section of drill holes, and the contours of the project and probable deposit locations thereunder.



Reserve Calculations for the Excelsior Deposit

The Excelsior deposit is a disseminated sediment-hosted submarine epithermal volcanogenic silver and gold deposit, striking N300E which is open to the southwest (along strike) and to the west. American Mine Services, Inc. (1987) with the following reserve calculations:

| Tonnage                        | Cutoff Grade | Au opt                                  | Ag oz/T | Aueq<br>opt                                   |
|--------------------------------|--------------|---|---------|---|
| Probable<br>4,814,004          | 0.04         | (EMC, 2004)<br>0.036                    | 2.406   | (60:1)<br>0.076                               |
| Possible<br>3,006,366          | 0.03         | 0.029                                   | 1.219   | (60:1)<br>0.049                               |
| Probable<br>4,242,844          | 0.035        | (Quinlan, James,<br>1989)<br>0.036      | 2.30    | (60:1)<br>0.068                               |
| Probable<br>2,000,823          | 0.04         | (Buchholz,<br>Donald, 2004)<br>0.036    | 2.46    | (60:1)<br>0.076                               |
| Probable<br>3,700,000          | 0.03         | (Graham, Richard,<br>2004)<br>0.031     | 2.32    | (60:1)<br>0.070                               |
| Probable High Grade<br>300,000 |              | (Tschauder,<br>Richard, 1999)<br>0.207  | 20.1    | <b>Aueq<br/>opt</b><br><b>(60:1)</b><br>0.536 |
| Probable High Grade<br>550,000 |              | (McGregor &<br>Robertson, 1989)<br>0.13 | 12.5    | <b>Aueq<br/>opt</b><br><b>(60:1)</b><br>0.338 |

Mark Hawsworth of FMC Gold Corporation (1989) estimated the untested exploration potential of the Excelsior to be +500,000 equivalent ounces of gold. This conclusion was based upon the evaluation of six areas (not included in the above table) within and adjacent to the claim group. Estimated tonnage for calculated and untested reserves is believed to be 7.1 million tons of 0.08 Aueq.

In October of 1999, Rick Tschauder reviewed the Excelsior geologic and assay data for Atlas Mining Company and did a sensitivity study to determine mining feasibility at the then- current gold and silver prices (Au \$280/oz, Ag \$5.35/oz). He concluded that there appeared to be sufficient ore for four (4) years production at 250 tpd the mine would produce 75,000 tons per year over a four (4) year period. The total estimated high grade reserves are 300,000 tons. Approximately 95 percent of the high grade (>0.1 opt Aueq) mineralization is located within or immediately adjacent to the felsic volcanic rocks (Franklin, 1985).

Using the Rockware 2004 program and an “easterly weighted” inverse distance squared algorithm, Greg McFarland, our joint venture partner with Alto Cascade, recalculated the tonnage and grade of high-grade ore body and obtained 279,652 tons of 0.338 opt Aueq and 353,043 tons using a cut off of 0.18 opt Aueq. We believe that this zone can be profitably mined by a small 250 tpd operation at current prices. We further believe that the area bounded by 10,700 E to 11,300E and 9400N to 9900N can be profitably mined at 195,000 tpd using open pit methods.

If we were able to commence production at Great Excelsior, we would likely not construct milling facilities but would transport extracted material to a nearby mill operated by other larger gold and silver producers. Extensive metallurgical testing had been done on the ore by Hazen Research, Inc. of Golden, Colorado. Recovery of 96.8 percent of the silver and 95.6 percent of the gold could also, in our opinion, be accomplished by flotation accompanied by a nitric acid leach of the concentrates and CIL recovery.

### **Property Interests and Mining Claims in General**

Mining claims are subject to the same risk of defective title that is common to all real property interests. Additionally, mining claims are self-initiated and self-maintained and therefore, possess some unique vulnerabilities not associated with other types of property interests. It is impossible to ascertain the validity of unpatented mining claims solely from an examination of public real estate records and, therefore, it can be difficult or impossible to confirm that all of the requisite steps have been followed for location and maintenance of a claim. Furthermore, as these interests are derived from mining claims in foreign jurisdictions, the risk of a defective claim or other problems with ownership and development of the claim (including but not limited to the right of eminent domain) is compounded further. If the validity of a patented mining claim or mineral interest is challenged by an applicable governmental body on the grounds that mineralization has not been demonstrated, the claimant has the burden of proving the present economic feasibility of mining minerals located thereon. Such a challenge might be raised at any stage of development or at the commencement of production, or simply when the government seeks to include the land in an area to be dedicated to another use.

### **Reserve Estimates**

Our reserve and resource figures are estimates, and we cannot assure you that the indicated level of recovery will be realized or that we will have the resources to do so. Because mining development is inherently capital intensive, we would expect that the Company would partner with a larger mining company or other strategic source of capital and knowledge in respect of any significant development or operational activity. Prolonged declines in the market price of gold may render reserves containing relatively lower grades of gold mineralization uneconomic to exploit and could materially reduce our reserves. Should such reductions occur, discontinuation of exploration and development (including the production of a NI 43-101 compliant report) could be discontinued. There are numerous uncertainties inherent in estimating quantities of proven and probable gold reserves. The estimates in this document are based on various assumptions relating to gold prices during the expected life of production and the results of additional planned development work, either by us or in partnership with a larger mining company or other third party with more sufficient capitalization. Actual future production rates, sales prices, and amounts, revenues, taxes, operating expenses, environmental and regulatory compliance expenditures, development expenditures and recovery rates may vary substantially from those assumed in any estimates we have given. Any significant change in these assumptions, including changes that result from variances between projected and actual results, could result in a material downward or upward revision of current estimates.

## **Joint Ventures**

Our mining interests are held in joint ventures or are subject to joint venture agreements between the Company and a third party. These joint venture agreements typically obligate the Company to contribute substantial capital, property, or other expertise to develop these interests.

Any failure, by us or our joint venture partners in respect of the obligations in our joint venture agreements, could have a material adverse effect on the mining interests held through the joint venture, and could therefore have a material adverse effect on the Company as a whole. In the two years prior to the date of this Memorandum, we have had several joint venture agreements terminated or substantially amended because of our inability to comply with our contractual obligations under these agreements.

## **Reclamation**

In most jurisdictions where we have or are seeking to develop mineral interests, we generally are required to mitigate long-term environmental impacts by stabilizing, contouring, re-sloping and re-vegetating various portions of a site after mining and mineral processing operations are completed. These reclamation efforts will be conducted in accordance with detailed plans, which must be reviewed and approved by the appropriate regulatory agencies.

## **Government Regulation**

Mining operations and exploration activities are subject to various national, state/provincial, and local laws and regulations, which govern prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, protection of the environment, mine safety, hazardous substances and other matters. Our objective is to obtain the licenses, permits or other authorizations currently required to conduct our exploration program. We believe that we are in compliance in all material respects with applicable mining, health, safety and environmental statutes and the regulations applicable to the mineral interests we now hold in the United States.

Mining claims involving federally owned land in the United States are principally regulated by the Department of the Interior – Bureau of Land Management (“BLM”). The BLM administers over 258 million acres of public lands and 700 million acres of subsurface minerals in 19 mostly western U.S. states. The Federal Land Policy and Management Act of 1976 provides that public lands remain under the stewardship of the BLM and that their resources be managed under a multiple-use concept, which uses include certain mining and exploration activities. The General Mining Law of 1872 remains the major federal law governing locatable minerals and allows individuals and entities the opportunity to explore for, discover, and purchase certain valuable mineral deposits on those federal lands that are open for mining claim location and patent (open to mineral entry). These mineral deposits include most metallic mineral deposits and certain nonmetallic and industrial minerals. The law sets general standards and guidelines for claiming the possessory right to a valuable mineral deposit discovered during exploration. The General Mining Law also allows for the enactment of state laws governing location and recording of mining claims and sites that are consistent with federal law.

## **Environmental Regulations**

Our activities are subject to various national and local laws and regulations governing protection of the environment. These laws are continually changing and, in general, are becoming more restrictive. In the United States, for example, any mining activity which disturbs the surface of the earth is required to be reclaimed, even if the claim or site is abandoned or forfeited, and a plan of operation must be submitted and approved by the BLM prior to activity. In addition, any such reclamation activities are subject to individual state law requirements which also regulate air, water pollution, and use of hazardous materials.

Changes to current state or federal laws and regulations in the United States, or other countries where we hold mineral interests could, in the future, require additional capital expenditures and increased operating and/or reclamation costs. Although we are unable to predict what additional legislation, if any, might be proposed or enacted, additional regulatory requirements could impact the economics of our projects.

During 2010 and 2011, we had no material environmental incidents or non-compliance with any applicable environmental regulations.

## Industry and Competition

### **The Gold Market**

Gold has increased in value from \$400 per Troy ounce in early 2005 to over \$1,600 in August 2011. The price of gold has been on a relatively steady increase in the past five years, with some disruption in this trend during 2008. Deleveraging in 2008, which caused many financial institutions to sell hard assets, drove the price decline from a high of approximately \$1,000 in late 2007 to a low of approximately \$700 in mid 2008. In 2010, gold outperformed most other asset classes, with the spot price appreciating more than 27% during the year, but further appreciated by more than 10% in 2011. Since one of the most widespread uses of gold is as a store of value, interest in owning the metal has increased significantly since the lows of 2008. The large fiscal stimulus of the US, Europe and China has heightened the concern for future inflation, driving additional interest in owning gold. Gold is a currency without a country, and as such is preferred when confidence falls in any one of the major currencies, or when international tensions build.

Physical demand for gold has outpaced the discovery of new deposits and the introduction of new supply from developing deposits in the past decade. The supply and production shortfall has been partly offset by central banks selling and the recycling of scrap gold. In the wake of the financial crisis of 2008, central banks have reversed course, holding and purchasing gold. China and India have both reported increases in their gold reserves year over year.

We believe that concerns over future US inflation may be valid, regardless of the actual magnitude of inflation in the future. The balance sheet of the U.S. Federal Reserve grew from zero in 1913 to approximately \$500 billion in 1997, over an 84 year time period. A second \$500 billion was added to the Fed's balance sheet from 1997 through September 2008. An additional \$1,000 billion was added in September and October of 2008 in an attempt to stave off a further deterioration in the U.S. economy and provide additional liquidity necessary for a sustainable economic recovery. Since 2009, the present administration has generated record deficits in an effort to stimulate the U.S. economy. Although such actions may have been necessary from a macroeconomic perspective, we believe this has contributed to appreciable demand for gold by investors as a hedge against inflation of the U.S. Dollar. We further believe that,

rather than a temporary aberration which often occurs in commodity pricing, U.S. monetary policy has contributed to systemic long-term upward pressure in the price of gold.

### **The Mining Industry**

The mining industry is highly fragmented, as there are many gold and silver prospectors and producers, both small and large, in every market and region throughout the world. As these metals are well established commodities with well established markets, we believe that a production-stage mine will undoubtedly have a ready market for extracted minerals.



Nevertheless, the global economic downturn has weakened the mining sector, which is expected to witness greater consolidation and reliance on non-traditional sources of financing to develop mining properties. In addition, we expect that the industry will also likely see a greater degree of vertical integration of mineral extraction and distribution firms.

**ITEM 1A. RISK FACTORS.**

As we are a smaller reporting company, we are not required to provide the information required by this Item.

**ITEM 1B. UNRESOLVED STAFF COMMENTS .**

None.

**ITEM 2. PROPERTIES .**

During the fiscal year ended November 30, 2011, we incurred \$125,595 in leasehold expenses for our offices in New York, Florida, and Utah. Due to downsizing of our operations, our offices in New York and Florida were closed, and we presently sublease office space on a month-to-month basis in Draper, Utah for \$500.00 per month.

**ITEM 3. LEGAL PROCEEDINGS.**

None.

**ITEM 4. MINE SAFETY DISCLOSURES ..**

Because we are not yet in the operational phase with respect to any of our mineral interests, this item is not applicable.

**PART II**

**ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASES OF EQUITY SECURITIES.**

**Market Information**

Our common stock trades on the OTC:BB under the symbol “ALTO.OB” The range of high and low quotations for our common stock by fiscal quarter within the last two fiscal years, as reported by the National Quotation Bureau Incorporated, was as follows:

|                              | High    | Low     |
|------------------------------|---------|---------|
| Year ended November 30, 2011 |         |         |
| First quarter                | \$0.05  | \$0.01  |
| Second quarter               | \$0.01  | \$0.01  |
| Third quarter                | \$0.01  | \$0.001 |
| Fourth quarter               | \$0.002 | \$0.001 |
| Year ended November 30, 2010 |         |         |
| First quarter                | \$0.36  | \$0.07  |
| Second quarter               | \$0.13  | \$0.02  |
| Third quarter                | \$0.04  | \$0.02  |
| Fourth quarter               | \$0.03  | \$0.01  |

The above quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

**Number of Holders**

As of February 15, 2012, there were 57 record holders of our common stock, not counting shares held in “street name” in brokerage accounts which is unknown. As of February 15, 2012, there were 4,891,756,208 shares of common stock outstanding.

**Transfer Agent**

We have appointed Olde Monmouth Stock Transfer Co., Inc. as the transfer agent for our common stock. The principal office of our transfer agent is located at 200 Memorial Parkway, Atlantic Highlands, NJ 07716 and its

telephone number is (732) 872-2727.

### **Penny Stock Rules**

Due to the price of our common stock, as well as the fact that we are not listed on a national securities exchange, our stock is characterized as “penny stocks” under applicable securities regulations. Our stock will therefore be subject to rules adopted by the SEC regulating broker-dealer practices in connection with transactions in penny stocks. The broker or dealer proposing to effect a transaction in a penny stock must furnish his customer a document containing information prescribed by the SEC and obtain from the customer an executed acknowledgment of receipt of that document. The broker or dealer must also provide the customer with pricing information regarding the security prior to the transaction and with the

written confirmation of the transaction. The broker or dealer must also disclose the aggregate amount of any compensation received or receivable by him in connection with such transaction prior to consummating the transaction and with the written confirmation of the trade. The broker or dealer must also send an account statement to each customer for which he has executed a transaction in a penny stock each month in which such security is held for the customer's account. The existence of these rules may have an effect on the price of our stock, and the willingness of certain brokers to effect transactions in our stock.

### **Dividend Policy**

We have never declared or paid dividends on our common stock. Payment of future dividends, if any, will be at the discretion of our Board of Directors after taking into account various factors, including the terms of any credit arrangements, our financial condition, operating results, current and anticipated cash needs and plans for expansion. At the present time, we are not party to any agreement that would limit our ability to pay dividends.

### **ITEM 6. SELECTED FINANCIAL DATA.**

Not required.

### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS .**

#### **Forward-Looking Statements**

This report contains forward-looking statements that involve risks and uncertainties. We use words such as anticipate, believe, plan, expect, future, intend and similar expressions to identify such forward-looking statements. You should not place too much reliance on these forward-looking statements. Our actual results are likely to differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described in the Risk Factors section included in this Annual Report on Form 10-K.

## Plan of Operation

*Company Information.* Alto was incorporated in the State of Nevada on September 21, 2007. We are an exploration stage corporation. An exploration stage corporation is one engaged in the search of mineral deposits or reserves which are not in either the development or production stage. We maintain our statutory registered agent's office at National Registered Agents, Inc. of NV, 1000 East William Street, Suite 204, Carson City, Nevada 89701 and our business office and mailing address is 11650 South State, Suite 240, Draper, UT 84020. Our telephone number is (801) 816-2533.

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precious metals and natural resource commodities. We seek to explore, develop and produce mineral resources in favorable jurisdictions where exploration and exploitation is promoted by governments in mining "friendly" territories. In the short-term, we intend to identify, explore and develop concessions such that a resource calculation can be made under compliant engineering standards. Our near term goals include obtaining a series of studies from third-party engineers to "prove up" deposits in which we have an interest as financially viable, mineable ventures. Our mid-term goals include moving the Company into a production phase through organic growth, by acquisition, or in partnership with existing producers and ultimately creating an inviting target for merger or acquisition by one of the world's top majors.

*Mining Concessions and Interests.* We hold rights to certain mineral interests in Western Washington State, and seek to acquire additional interests in the United States and internationally. If we are able to successfully develop the interests we acquire, we may engage in (or contract with third parties for the) extraction and production of the minerals involved, may sell these interests, or pursue a combination of the foregoing.

We have not generated any revenues since the inception of the Company and we have been issued a "going concern" opinion from our auditors. We have no plans to change our business activities.

### **Liquidity and Capital Resources**

As of November 30, 2011, our working capital deficit of \$3,896,998 was comprised of total current assets of \$15,495 consisting of cash and cash equivalents, and total current liabilities of \$3,912,493. Most of the current liabilities consist of notes payable which will be converted to common stock. While we continued to consume working capital in the pursuit of our business plan, the consumption was more than offset by the sale of equity securities and the conversion of certain indebtedness into equity.

Management does not believe that the Company's current capital resources will be sufficient to fund its operating activity and other capital resource demands during the next fiscal year. Our ability to continue as a going concern is contingent upon our ability to obtain capital through the sale of equity or issuance of debt, joint venture or sale of assets, and ultimately attaining profitable operations. There is no assurance that we will be able to successfully complete any one of these activities.

We are presently seeking additional debt and equity financing to provide sufficient funds for payment of obligations incurred and to fund our ongoing business plan.

Although we are actively seeking to acquire and develop mineral interests throughout the world, we have not yet generated any revenue from our operations. We have historically relied on equity and debt financings to fund our capital resource requirements. We have experienced net losses since inception. We will be dependent on additional debt and equity financing to develop our new business.

All of our investment in research and development activities has been expensed, and does not appear as an asset on our balance sheet.

Net cash used in operating activities was \$2,688,741 during the year ended November 30, 2011, compared to \$185,933 during 2010. During the year ended November 30, 2011, we

incurred a net loss of \$8,614,694. In addition, accounts payable and accrued expenses increased by \$560,853 during the year ended November 30, 2011. During the year ended November 30, 2010, we incurred a net loss of \$4,343,209 and reported an increase in accounts payable and accrued expenses of \$174,224. Historically, we have reported significant fluctuations in cash usage, as the timing of our cash payments is typically dependent upon cash provided by financing activities.

During the year ended November 30, 2011, the Company invested \$231,052 into excavation equipment, tractors and trailers, automotive equipment, other mining equipment and office equipment and furniture. Much of the mining equipment is currently held in a storage facility in Mexico and the recoverability of this equipment is uncertain at this time.

Net cash provided by financing activities during the year ended November 30, 2011, was \$2,925,581, compared to \$187,500 during the year ended November 30, 2010. During 2011, we received proceeds of \$2,604,500 in the form of loans, \$382,500 from investors pursuant to Stock Purchase Agreements to be effective upon completion of a reverse stock split.

#### **Events Subsequent to Fiscal Year End**

*Increase in Authorized Shares and Issuance to Private Placement Investors.* On December 1, 2011, the Board and holders of a majority of the voting rights of the Company's capital stock issued and approved a restatement of the Company's Articles of Incorporation. The purpose of the restatement of the Articles of Incorporation was to increase the number of authorized shares of Common Stock from 50,000,000 to 7,000,000,000 shares. Following the restatement of the Articles of Incorporation, on December 14, 2011, the Company converted into common stock certain unsecured promissory notes (the "Notes") issued by the Company between February 1, 2011 and June 1, 2011. Subject to the terms and conditions contained therein, the Notes were converted into an aggregate of 4,287,142,876 shares of common stock of the Company.

*Issuance of Super-Voting Shares.* On February 9, 2012, the Company issued an aggregate of 300,000 shares of Series C Preferred Stock (hereafter, the "Preferred Stock") in equal amounts to Robert Howie, Chene Gardner, and Douglas McFarland, each members of the Board of Directors. The Preferred Stock contains no economic rights whatsoever, including no rights to participate in dividends, distributions, or the net assets of the Company upon liquidation, as well as no right to convert such shares into common stock or other securities of the Company. Each share of Preferred Stock does, however, possess 100,000 votes per share and is entitled to vote together with holders of the company's common stock on all matters upon which common stockholders may vote.



*Changes in Management and Directors.* On February 9, 2012, the Board of Directors and holders of a majority of the Company's voting shares dismissed Mark Klok from the Company as an officer and director, respectively. Also on February 9, 2012, the Company appointed Douglas McFarland and Chene Gardner to its Board of Directors and appointed Mr. Gardner as Chairman, Chief Financial Officer, and Secretary. Mr. McFarland was subsequently appointed as Chief Executive Officer on February 15, 2012. Also on February 15, 2012, Paul Donaldson was appointed to the Board of Directors.

*Restatement of Bylaws.* On February 9, 2012, the Board of Directors amended and restated the Company's Bylaws in their entirety. The principal purpose of the restatement was to

remove the requirement that all actions taken by the Board at a duly called meeting be made by unanimous vote and, instead, require that such vote be a majority of directors then present at the meeting.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

### **Critical Accounting Policies**

We believe the following more critical accounting policies are used in the preparation of our financial statements:

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. On a periodic basis, management reviews those estimates, including those related to valuation allowances, loss contingencies, income taxes, and projection of future cash flows.

*Mineral Property Costs.* The Company has been in the exploration stage since its formation on April 25, 2007 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition, exploration and development of mineral properties. Mineral property acquisition costs are capitalized when management has determined that probable future benefits consisting of a contribution to future cash inflows have been identified and adequate financial resources are available or are expected to be available as required to meet the terms of property acquisition and budgeted exploration and development expenditures. Mineral property acquisition costs are expensed as incurred if the criteria for capitalization are not met. In the event that a mineral property is acquired through the issuance of the Company's shares, the mineral property will be recorded at the fair value of the respective property or the fair value of common shares, whichever is more readily determinable.

When mineral properties are acquired under option agreements with future acquisition payments to be made at the sole discretion of the Company, those future payments, whether in cash or shares, are recorded only when the Company has made or is obliged to make the payment or issue the shares. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves and pre feasibility, the costs incurred to develop such property will be capitalized.

## Recent Accounting Pronouncements

We have reviewed accounting pronouncements issued during the past two years and have adopted any that are applicable to the Company. We have determined that none had a material impact on our financial position, results of operations, or cash flows for the years ended December 31, 2011 and 2010.

## Forward-Looking Statements

This report contains or incorporates by reference forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 concerning our

future business plans and strategies, the receipt of working capital, future revenues and other statements that are not historical in nature. In this report, forward-looking statements are often identified by the words “anticipate,” “plan,” “believe,” “expect,” “estimate,” and the like. These forward-looking statements reflect our current beliefs, expectations and opinions with respect to future events, and involve future risks and uncertainties which could cause actual results to differ materially from those expressed or implied.

Other uncertainties that could affect the accuracy of forward-looking statements include:

- the worldwide economic situation;
- any changes in interest rates or inflation;
- the willingness and ability of third parties to honor their contractual commitments;
- our ability to raise additional capital, as it may be affected by current conditions in the stock market and competition for risk capital;
- our capital expenditures, as they may be affected by delays or cost overruns;
- environmental and other regulations, as the same presently exist or may later be amended;
- our ability to identify, finance and integrate any future acquisitions; and
- the volatility of our common stock price.

This list is not exhaustive of the factors that may affect any of our forward-looking statements. You should read this report completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements represent our beliefs, expectations and opinions only as of the date of this report. We do not intend to update these forward looking statements except as required by law. We qualify all of our forward-looking statements by these cautionary statements.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not Applicable.



**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

|   |      |
|---|------|
| UNAUDITED FINANCIAL STATEMENTS                      | Page |
| <u>Balance Sheets</u>                               | 17   |
| <u>Statements of Operations</u>                     | 18   |
| <u>Statements of Stockholder's Equity (Deficit)</u> | 19   |
| <u>Statements of Cash Flows</u>                     | 20   |
| <u>NOTES TO FINANCIAL STATEMENTS</u>                | 21   |

## MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Exchange Act.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and disposition of assets;
  
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
  
- Provide reasonable assurance regarding prevention and timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems that are determined to be effective provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission as determined to apply to a company our size.

Based on its assessment, management concluded that we maintained effective internal control over financial reporting as of November 30, 2011.





ALTO GROUP HOLDINGS INC.  
(an exploration stage company)  
CONSOLIDATED BALANCE SHEETS

ASSETS

|   | November 30,<br>2011<br>(Unaudited) | November<br>30,<br>2010 |
|---|-------------------------------------|-------------------------|
| <b>CURRENT ASSETS</b>   |                                     |                         |
| Cash and cash equivalents   | \$7,995                             | \$2,142                 |
| Loans receivable  | 7,500                               | —                       |
| Total Current Assets  | 15,495                              | 2,142                   |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$33,341 and \$-0-, respectively | 197,711                             | —                       |
| <b>OTHER ASSETS</b>   |                                     |                         |
| Mining assets   | 45,500                              | 45,500                  |
| Other assets  | 3,220                               | —                       |
| Total Other Assets  | 48,720                              | 45,500                  |
| <b>TOTAL ASSETS</b>   | <b>\$261,926</b>                    | <b>\$47,642</b>         |

LIABILITIES AND STOCKHOLDERS' DEFICIT

**CURRENT LIABILITIES**

|  |                  |                |
|--|------------------|----------------|
| Accounts payable and accrued liabilities   | \$650,542        | \$87,265       |
| Due to related parties   | 37,000           | 148,500        |
| Notes and loans payable  | 2,842,451        | 267,500        |
| Proceeds from investors pursuant to Stock Purchase Agreements to be effective upon completion of reverse stock split | 382,500          | —              |
| Total Current Liabilities  | 3,912,493        | 503,265        |
| <b>TOTAL LIABILITIES</b>   | <b>3,912,493</b> | <b>503,265</b> |

**STOCKHOLDERS' DEFICIT**

|   |     |     |
|---|-----|-----|
| Preferred stock, \$0.00001 par value; 100,000,000 shares authorized:<br>Series A Preferred Stock, 20,000,000 shares designated, 14,000,000 and 14,000,000 shares issued and outstanding, respectively | 140 | 140 |
|---|-----|-----|

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|  |                  |                 |
|--|------------------|-----------------|
| Series B Preferred Stock, 100,000 and 100,000 shares issued and outstanding, respectively  | 1                | 1               |
| Common stock, \$0.00001 par value; 750,000,000 shares authorized, 619,613,332 and 120,013,332 shares issued and outstanding and to be issued, respectively | 6,196            | 1,200           |
| Additional paid-in capital   | 9,429,855        | 4,015,101       |
| Deficit accumulated during the exploration stage   | (13,086,759)     | (4,472,065)     |
| Total Stockholders' Deficit  | (3,650,567 )     | (455,623 )      |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>   | <b>\$261,926</b> | <b>\$47,642</b> |

The accompanying notes are an integral part of these financial statements

ALTO GROUP HOLDINGS INC.  
(an exploration stage company)  
CONSOLIDATED STATEMENTS OF OPERATIONS

|   | For the Years Ended<br>November 30,<br>2011          2010<br>(Unaudited) |                | From Inception<br>on September<br>21,<br>2007 Through<br>November 30,<br>2011<br>(Unaudited) |
|---|--|----------------|--|
| NET REVENUES  | \$—  | \$—            | \$—  |
| OPERATING EXPENSES  |  |                |  |
| Exploration and carrying costs (including stock-based costs of \$123,000, \$-0-, and \$123,000, respectively)                   | 583,273  | 24,350         | 610,248  |
| Officers' and directors' compensation (including stock-based compensation of \$136,000, \$400,000, and \$860,000, respectively) | 169,000  | 1,012,000      | 1,181,000  |
| Consulting fees (including stock-based compensation of \$315,600, \$2,200,000, and \$2,606,600, respectively)                   | 1,006,090  | 2,354,300      | 3,360,390  |
| Professional fees (including stock-based compensation of \$3,639,338, \$664,154 and \$4,303,492, respectively)                  | 4,052,384  | 846,818        | 4,899,202  |
| General and administrative  | 1,315,805  | 64,037         | 1,481,173  |
| Donated services  | —  | —              | 18,400   |
| Impairment of mineral property acquisition costs  | —  | —              | 6,500  |
| Total Operating Expenses  | 7,126,552  | 4,301,505      | 11,556,913   |
| LOSS FROM OPERATIONS  | (7,126,552 )   | (4,301,505 )   | (11,556,913 )  |
| OTHER INCOME (EXPENSES)   |  |                |  |
| Gain from forgiveness of amounts due to former related parties  | —  | 28,539         | 28,539   |
| Write off of goodwill   | (431,713 )   | —              | (431,713 )   |
| Interest expense (including amortization of debt discount of \$311,455, \$-0-, and \$350,391, respectively)                     | (538,359 )   | (70,243 )      | (608,602 )   |
| Loss on conversion of notes payable to investors to common stock  | (518,070 )   | —              | (518,070 )   |
| Total Other Income (Expenses)   | (1,488,142 )   | (41,704 )      | (1,529,846 )   |
| LOSS BEFORE INCOME TAXES  | (8,614,694 )   | (4,343,209 )   | (13,086,759 )  |
| INCOME TAX EXPENSE  | —  | —              | —  |
| NET LOSS  | \$(8,614,694 )   | \$(4,343,209 ) | \$(13,086,759 )  |

BASIC AND FULLY DILUTED:

Net loss per common share \$(0.02 ) \$(0.06 ) \$(0.06 )

Weighted average shares outstanding 398,889,496 76,225,205 237,817,625

The accompanying notes are an integral part of these financial statements

## ALTO GROUP HOLDINGS INC.

(an exploration stage company)

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

For the period from Inception (September 21, 2007) to November 30, 2011

|  | Series A<br>Preferred Stock |     | Series B<br>Preferred Stock |     | Common Stock |     | Additional<br>Paid-in<br>Capital | Subscription<br>Receivable | Deficit<br>Accumulated<br>During the<br>Exploration<br>Stage | Total    |
|--|-----------------------------|-----|-----------------------------|-----|--------------|-----|----------------------------------|----------------------------|--|----------|
|  | Shares                      | Par | Shares                      | Par | Shares       | Par |                                  |                            |  |          |
| Balance at<br>Inception on<br>September 21,<br>2007          | —                           | \$— | —                           | \$— | —            | \$— | \$—                              | \$—                        | \$—  | \$—      |
| Common shares<br>sold for cash<br>at \$0.000125 per<br>share | —                           | —   | —                           | —   | 48,000,000   | 480 | 5,520                            | —                          | —  | 6,000    |
| Common shares<br>sold for cash<br>at \$0.00125 per<br>share  | —                           | —   | —                           | —   | 31,680,000   | 317 | 39,283                           | (4,500)                    | —  | 35,100   |
| Donated services<br>and expenses                             | —                           | —   | —                           | —   | —            | —   | 2,400                            | —                          | —  | 2,400    |
| Net loss for the<br>year ended<br>November 30,<br>2007       | —                           | —   | —                           | —   | —            | —   | —                                | —                          | (5,772)  | (5,772)  |
| Balance,<br>November 30,<br>2007                             | —                           | —   | —                           | —   | 79,680,000   | 797 | 47,203                           | (4,500)                    | (5,772)  | 37,720   |
| Common stock<br>subscriptions<br>collected                   | —                           | —   | —                           | —   | —            | —   | —                                | 4,500                      | —  | 4,500    |
| Donated services<br>and expenses                             | —                           | —   | —                           | —   | —            | —   | 9,600                            | —                          | —  | 9,600    |
| Net loss for the<br>year ended<br>November 30,<br>2008       | —                           | —   | —                           | —   | —            | —   | —                                | —                          | (64,689)   | (64,689) |

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|   |            |     |   |   |             |     |           |   |          |   |       |
|---|------------|-----|---|---|-------------|-----|-----------|---|----------|---|-------|
| Balance,<br>November 30,<br>2008  | —          | —   | — | — | 79,680,000  | 797 | 56,803    | — | (70,461  | ) | (12,8 |
| Donated services<br>and expenses  | —          | —   | — | — | —           | —   | 6,400     | — | —        |   | 6,400 |
| Forgiveness of due<br>to related party by<br>then majority<br>stockholder on<br>September 15,<br>2009                                   | —          | —   | — | — | —           | —   | 28,006    | — | —        |   | 28,00 |
| Net loss for the<br>year ended<br>November 30,<br>2009  | —          | —   | — | — | —           | —   | —         | — | (58,395  | ) | (58,3 |
| Balance,<br>November 30,<br>2009  | —          | —   | — | — | 79,680,000  | 797 | 91,209    | — | (128,856 | ) | (36,8 |
| Conversion of<br>common stock<br>to Series A<br>preferred stock<br>on March 3, 2010   | 14,000,000 | 140 | — | — | (48,000,000 | )   | (480      | ) | 360,340  | — | 360,0 |
| Common stock<br>issued for<br>acquisition of<br>mining assets<br>on March 12,<br>2010   | —          | —   | — | — | 10,000,000  | 100 | 45,400    | — | —        |   | 45,50 |
| Common stock<br>issued for<br>services  | —          | —   | — | — | 33,333,332  | 333 | 2,599,667 | — | —        |   | 2,600 |
| Intrinsic value of<br>beneficial<br>conversion<br>feature relating to<br>issuance of<br>\$50,000<br>promissory note<br>on July 14, 2010 | —          | —   | — | — | —           | —   | 38,936    | — | —        |   | 38,93 |

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|  |            |     |         |   |             |       |           |   |              |              |
|--|------------|-----|---------|---|-------------|-------|-----------|---|--------------|--------------|
| Series B preferred stock issued to chief executive officer for services on October 15, 2010  | —          | —   | 100,000 | 1 | —           | —     | 199,999   | — | —            | 200,000      |
| Conversion of notes payable and accrued interest into common stock, including \$664,155 excess of fair value of common stock issued over amount of debt and accrued interest settled (charged to professional fees in the statement of operations) | —          | —   | —       | — | 45,000,000  | 450   | 679,550   | — | —            | 680,000      |
| Net loss for the year ended November 30, 2010  | —          | —   | —       | — | —           | —     | —         | — | (4,343,209 ) | (4,343,209 ) |
| Balance, November 30, 2010   | 14,000,000 | 140 | 100,000 | 1 | 120,013,332 | 1,200 | 4,015,101 | — | (4,472,065 ) | (455,726 )   |
| Unaudited: Common stock issued for acquisition of Liberty American, LLC on January 24, 2011  | —          | —   | —       | — | 10,000,000  | 100   | 144,900   | — | —            | 145,000      |
| Common stock issued for services on March 2, 2011  | —          | —   | —       | — | 4,000,000   | 40    | 49,160    | — | —            | 49,200       |

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|  |   |   |   |   |             |       |           |   |   |           |
|--|---|---|---|---|-------------|-------|-----------|---|---|-----------|
| Common stock issued for joint venture agreement on March 2, 2011   | — | — | — | — | 10,000,000  | 100   | 122,900   | — | — | 123,000   |
| Intrinsic value of beneficial conversion feature relating to issuance of \$1,452,500 convertible notes   | — | — | — | — | —           | —     | 435,750   | — | — | 435,750   |
| Common stock issued for services on June 20, 2011  | — | — | — | — | 33,000,000  | 330   | 257,070   | — | — | 257,070   |
| Common stock issued for accrued liabilities on June 20, 2011   | — | — | — | — | 13,600,000  | 136   | 135,864   | — | — | 136,000   |
| Conversion of notes payable and accrued interest into common stock, including \$4,157,739 excess of fair value of common stock issued over amount of debt and accrued interest settled (\$3,639,669 charged to professional fees and \$518,070 charged to loss on conversion of notes payable to investors in the statement of operations) | — | — | — | — | 414,000,000 | 4,140 | 4,260,260 | — | — | 4,260,260 |
| Common stock issued for  |   |   |   |   |             |       |           |   |   |           |



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|  |            |        |         |      |             |          |              |     |                |               |
|--|------------|--------|---------|------|-------------|----------|--------------|-----|----------------|---------------|
| services on<br>October 5, 2011                         | —          | —      | —       | —    | 15,000,000  | 150      | 8,850        | —   | —              | 9,000         |
| Net loss for the<br>year ended<br>November 30,<br>2011 | —          | —      | —       | —    | —           | —        | —            | —   | (8,614,694 )   | (8,614,694 )  |
| Balance, November<br>30, 2011                          | 14,000,000 | \$ 140 | 100,000 | \$ 1 | 619,613,332 | \$ 6,196 | \$ 9,429,855 | \$— | \$(13,086,759) | \$(3,650,000) |

The accompanying notes are an integral part of these financial statements

ALTO GROUP HOLDINGS INC.  
(an exploration stage company)  
CONSOLIDATED STATEMENTS OF CASH FLOWS

|  | For the Years Ended |               | From           |
|--|---------------------|---------------|----------------|
|  | November 30,        | 2010          | Inception on   |
|  | 2011                |               | September 21,  |
|  | (Unaudited)         |               | 2007 Through   |
|  |                     |               | November 30,   |
|  |                     |               | 2011           |
|  |                     |               | (Unaudited)    |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                     |               |                |
| Net loss   | \$(8,614,694)       | \$(4,343,209) | \$(13,086,759) |
| Adjustments to reconcile net loss to net cash used by operating activities:  |                     |               |                |
| Depreciation   | 33,341              | —             | 33,341         |
| Write off of goodwill  | 431,713             | —             | 431,713        |
| Stock issued for services, including \$3,639,338, \$-0-, and \$4,303,824, respectively, of excess of fair value of common stock issued over amount of debt and accrued interest settled (charged to professional fees in the statements of operations) | 3,913,241           | 3,824,155     | 7,737,396      |
| Amortization of debt discount  | 311,455             | 38,936        | 350,391        |
| Gain from forgiveness of amounts due to related parties  | —                   | (28,539)      | (28,539)       |
| Loss on conversion of notes payable to investors to common stock   | 518,070             | —             | 518,070        |
| Donated services and expenses  | —                   | —             | 18,400         |
| Impairment of mineral property acquisition costs   | —                   | —             | 6,500          |
| Changes in operating assets and liabilities:   |                     |               |                |
| Other assets   | (3,220)             | —             | (3,220)        |
| Accounts payable and accrued liabilities   | 560,853             | 174,224       | 743,964        |
| Accrued consulting fees due to related parties   | 160,500             | 148,500       | 337,538        |
| Net Cash Used by Operating Activities  | (2,688,741)         | (185,933)     | (2,941,205)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                     |               |                |
| Cash received in connection with acquisition of Liberty American, LLC  | 65                  | —             | 65             |
| Purchases of property and equipment  | (231,052)           | —             | (231,052)      |
| Mineral property acquisition costs   | —                   | —             | (6,500)        |
| Net Cash Used by Investing Activities  | (230,987)           | —             | (237,487)      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                     |               |                |
| Increase in due to related party   | —                   | —             | 28,006         |
| Proceeds from notes payable  | 2,604,500           | 237,500       | 2,842,000      |
| Repayment of note payable  | —                   | (50,000)      | (50,000)       |
| Repayment of loan payable of Liberty American, LLC to the Company's corporate counsel  | (61,419)            | —             | (61,419)       |
| Proceeds from sale of common stock   | —                   | —             | 45,600         |
| Proceeds from investors pursuant to Stock Purchase Agreements to be effective upon completion of reverse stock split   | 382,500             | —             | 382,500        |
| Net Cash Provided by Financing Activities  | 2,925,581           | 187,500       | 3,186,687      |

|   |             |             |             |
|---|-------------|-------------|-------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS   | 5,853       | 1,567       | 7,995       |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD  | 2,142       | 575         | —           |
| CASH AND CASH EQUIVALENTS, END OF PERIOD  | \$7,995     | \$2,142     | \$7,995     |
| SUPPLEMENTAL CASH FLOW INFORMATION:   |             |             |             |
| Cash Payments For:  |             |             |             |
| Interest  | \$—         | \$—         | \$—         |
| Income taxes  | \$—         | \$—         | \$—         |
| Non-cash investing and financing activities:  |             |             |             |
| Forgiveness of due to related party by then majority stockholder on September 15, 2009  | \$—         | \$—         | \$28,006    |
| Stock issued for services   | \$3,913,241 | \$3,824,155 | \$7,893,424 |
| Conversion of notes payable and accrued interest into common stock:   |             |             |             |
| Notes payable (\$100,500, \$15,000, and \$115,500, respectively) and accrued interest (\$6,161, \$845, and \$7,006, respectively) settled | \$106,661   | \$15,845    | \$122,506   |
| Excess of fair value of common stock issued over amount of debt and accrued interest settled  | 4,157,739   | 664,155     | 4,821,894   |
| Fair value of 414,000,000, 45,000,000, and 459,000,000 shares, respectively, of common stock issued                                       | \$4,264,400 | \$680,000   | \$4,944,400 |
| Settlement of accrued consulting fees due to related parties in exchange for common stock on June 20, 2011                                | \$136,000   | \$—         | \$136,000   |
| Conversion of common stock to Series A preferred stock on March 3, 2010   | \$—         | \$360,000   | \$360,000   |
| Common stock issued for acquisition of mining assets on March 12, 2010  | \$—         | \$45,500    | \$45,500    |
| Common stock issued for acquisition of Liberty American, LLC on January 24, 2011  | \$145,000   | \$—         | \$145,000   |
| The accompanying notes are an integral part of these financial statements   |             |             |             |

**ALTO GROUP HOLDINGS, INC.**

(an exploration stage company)

**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

The financial statements for the year ended November 30, 2011 and the accompanying notes have not been audited or reviewed by an independent accounting firm.

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

Alto Group Holdings Inc. (the "Company") was incorporated in the State of Nevada on September 21, 2007. The Company is an Exploration Stage Company, as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 915, *Development Stage Entities*. The Company's principal business is the acquisition and exploration of mineral resources. The Company has not presently determined whether its properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has never generated revenues since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. As at November 30, 2011, the Company had negative working capital of \$3,896,998 and has accumulated losses of \$13,086,759 since inception. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company's fiscal year-end is November 30.

b) Use of Estimates

The preparation of financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company regularly evaluates estimates and assumptions related to valuation of stock-based compensation and deferred income tax asset valuation allowances. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from the Company's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected.

**ALTO GROUP HOLDINGS, INC.**

(an exploration stage company)

**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

d) Fair Value of Financial Instruments

Our financial instruments consist principally of cash and cash equivalents, accounts payable and accrued liabilities, due to related parties, and notes payable. Pursuant to ASC 820, *Fair Value Measurements and Disclosures*, and ASC 825, *Financial Instruments*, the fair value of our cash equivalents is determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets. We believe that the recorded values of all of our other financial instruments approximate their current fair values because of their nature and respective relatively short maturity dates or durations.

e) Foreign Currency Translation

The Company’s functional and reporting currency is the United States dollar. Occasional transactions may occur in foreign currency and management has adopted ASC 830, *Foreign Currency Matters*. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the date of the transaction. Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are included in the determination of income. The Company has not, to the date of these financial statements, entered into derivative instruments to offset the impact of foreign currency fluctuations.

f) Basic and Diluted Net Income (Loss) Per Share

The Company computes net earnings (loss) per share in accordance with ASC 260, *Earnings Per Share*, which requires presentation of both basic and diluted earnings per share (“EPS”) on the face of the income statement. Basic EPS is computed by dividing net earnings (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible preferred stock using the if-converted method. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti dilutive.

g) Long Lived Assets

In accordance with ASC 360, *Property Plant and Equipment*, the Company tests long-lived assets or asset groups for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. Circumstances which could trigger a review include, but are not limited to: significant decreases in the market price of the asset; significant adverse changes in the business climate or legal factors; accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of the asset; current period cash flow or operating losses combined with a history of losses or a forecast of continuing losses associated with

**ALTO GROUP HOLDINGS, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the use of the asset; and current expectation that the asset will more likely than not be sold or disposed significantly before the end of its estimated useful life. Recoverability is assessed based on the carrying amount of the asset and its fair value which is generally determined based on the sum of the undiscounted cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain instances. An impairment loss is recognized when the carrying amount is not recoverable and exceeds fair value.

**h) Mining Assets and Mineral Property Costs**

The Company has been in the exploration stage since its formation on April 25, 2007 and has not yet realized any revenues from its planned operations. It is primarily engaged in the acquisition, exploration and development of mineral properties. Mineral property acquisition costs are capitalized when management has determined that probable future benefits consisting of a contribution to future cash inflows have been identified and adequate financial resources are available or are expected to be available as required to meet the terms of property acquisition and budgeted exploration and development expenditures. Mineral property acquisition costs are expensed as incurred if the criteria for capitalization are not met. In the event that a mineral property is acquired from an unrelated third party through the issuance of the Company's shares, the mineral property will be recorded at the fair value of the respective property or the fair value of the shares, whichever is more readily determinable.

When mineral properties are acquired under option agreements with future acquisition payments to be made at the sole discretion of the Company, those future payments, whether in cash or shares, are recorded only when the Company has made or is obliged to make the payment or issue the shares. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves and pre feasibility, the costs incurred to develop such property will be capitalized.

**i) Asset Retirement Obligations**

The Company follows the provisions of ASC 410, *Asset Retirement and Environmental Obligations*, which establishes standards for the initial measurement and subsequent accounting for obligations associated with the sale, abandonment or other disposal of long-lived tangible assets arising from the acquisition, construction or development



and normal operations of such assets.

j) Income Taxes

Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company has adopted ASC 740, *Income Taxes*, as of its inception. Pursuant to ASC 740, the Company is required to compute tax asset benefits for net operating losses carried forward. The potential benefits of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years.

k) Stock-Based Compensation

In accordance with ASC 718, *Compensation – Stock Compensation*, the Company accounts for

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**ALTO GROUP HOLDINGS, INC.**

(an exploration stage company)

**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

share-based payments using the fair value method. The Company has not issued any stock options since its inception. Preferred and common shares issued to third parties for non-cash consideration are valued based on the fair market value of the stock on the measurement date.

l) Comprehensive Income

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive income or loss and its components in the financial statements. Since inception, except for net loss, the Company has had no other items that represent comprehensive income or loss and, therefore, has not included a schedule of comprehensive loss in the financial statements.

m) Recently Issued Accounting Pronouncements

We have reviewed accounting pronouncements issued during the past two years and have adopted any that are applicable to the Company. We have determined that none had a material impact on our financial position, results of operations, or cash flows for the years ended November 30, 2011 and 2010.

**NOTE 3- PROPERTY AND EQUIPMENT, NET**

Property and equipment, net, consist of:

|                                      | November<br>30,<br>2011 | November<br>30,<br>2010 |
|--------------------------------------|-------------------------|-------------------------|
| Excavation equipment and accessories | \$ 125,000              | \$ —                    |

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|  |           |      |
|--|-----------|------|
| Tractors and trailers                    | 55,000    | —    |
| Automotive equipment                     | 15,000    | —    |
| Other mining equipment                   | 10,000    | —    |
| Computer, office equipment and furniture | 26,052    | —    |
| Total                                    | 231,052   | —    |
| Accumulated depreciation                 | (33,341 ) | —    |
| Net                                      | \$197,711 | \$ — |

Depreciation is provided using the straight line method over the estimated useful lives of the respective assets (5 years for excavation and mining equipment, tractors and trailers, and automotive equipment, 7 years for computer, office equipment, and furniture).

**ALTO GROUP HOLDINGS, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

**NOTE 4 - RELATED PARTY BALANCES / TRANSACTIONS**

Due to related parties consist of:

|  | November<br>30,<br>2011 | November<br>30,<br>2010 |
|--|-------------------------|-------------------------|
| Accrued consulting fees and expenses due to current officers and directors | \$ 37,000               | \$ 148,500              |
| Total  | \$ 37,000               | \$ 148,500              |

The above debt is unsecured, non-interest bearing, and has no specific terms of repayment.

On January 28, 2010, a former director of the Company from October 9, 2009 to January 28, 2010 resigned his position and agreed to forgive the \$8,000 balance due him. On February 3, 2010, the former chief financial officer and director of the Company from July 31, 2009 to February 3, 2010 resigned her positions and agreed to forgive the \$20,539 balance due her. The \$28,539 total has been reported as “gain from forgiveness of amounts due to former related parties” in the Statement of Operations for the year ended November 30, 2010.

During the year ended November 30, 2010, the Company accrued \$120,000 in consulting fees due to the three directors of the Company pursuant to consulting agreements (Note 7) and accrued \$32,000 in accounting fees due to the chief financial officer of the Company. The \$152,000 total has been reported as “officers and directors compensation” in the Statement of Operations for the year ended November 30, 2010.

On March 3, 2010, the Company approved the conversion of 48,000,000 shares of the Company common stock owned by Opiuchus Holdings, Inc. (“Opiuchus”), a company controlled by Mark Daniel Klok (chief executive officer of the Company since November 9, 2009) into 14,000,000 shares of Series A Preferred Stock. The \$360,000 estimated fair value of the 8,000,000 shares of common stock increase in common stock equivalents from the conversion transaction was charged to “officers and directors compensation” in the Statement of Operations for the year ended November 30, 2010.

On March 12, 2010, the Company executed an Asset Purchase Agreement with Mexican Hunter Explorations S.A. de C.V., a corporation organized under the laws of Mexico (“MHE”), to acquire two gold and silver mining concessions known as “Los Tres Machos” and “Zuna” in Jalisco, in the state of Guadalajara, Mexico for 10,000,000 newly issued restricted shares of the Company common stock. MHE is owned and controlled by Mark Daniel Klok and Robert Howie, each of whom are executive officers and directors of the Company. Accordingly, the mining assets and related addition to stockholders’ equity has been reflected at the \$45,500 transferor’s historical cost of the mining assets.

On May 19, 2010, the Company issued a total of 9,999,999 shares of common stock (3,333,333 shares to Chene Gardner, chief financial officer of the Company, 3,333,333 shares each to Robert Howie and Lee Rice, directors of the Company) for services rendered to the Company. The \$300,000 estimated fair value of the 9,999,999 shares was charged to “officers and directors compensation” in the Statement of Operations for the year ended November 30, 2010.

**ALTO GROUP HOLDINGS, INC.**

(an exploration stage company)

**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

**NOTE 4 - RELATED PARTY BALANCES / TRANSACTIONS (Continued)**

On October 15, 2010 (see Note 5), the Company issued 100,000 shares of Series B Preferred Stock to Opiuchus for past services rendered to the Company. The \$200,000 estimated fair value of the 100,000 shares of Series B Preferred Stock was charged to “officers and directors compensation” in the Statement of Operations for the year ended November 30, 2010.

On June 20, 2011, the Company issued a total of 13,600,000 shares of common stock (6,800,000 shares each to Robert Howie and Lee Rice, directors of the Company) for accrued services rendered to the Company. The \$136,000 estimated fair value of the shares was charged to “officers and directors compensation” in the Statement of Operations for the year ended November 30, 2011.

**ALTO GROUP HOLDINGS, INC.**

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**NOTES TO FINANCIAL STATEMENTS***November 30, 2011***NOTE 5 - NOTES AND LOANS PAYABLE**

|   | November<br>30,<br>2011 | November<br>30,<br>2010 |
|---|-------------------------|-------------------------|
| Notes and loans payable consisted of the following:   |                         |                         |
| Note payable dated June 7, 2010 to an unsolicited accredited investor, interest at 12% per annum, due on December 7, 2010, unsecured  | \$—                     | \$22,000                |
| Notes payable to an unsolicited accredited investor, interest at 9% per annum, due in varying amounts from October 27, 2011 to July 18, 2012, unsecured   | 1,142,000               | 140,000                 |
| Notes payable dated December 1, 2010 to an unsolicited accredited investor, interest at 12% per annum, due May 31, 2011, convertible into common stock at a conversion price equal to 60% of the then current market price, now past due and in default | 14,000                  | —                       |
| Notes payable to the Company's corporate counsel dated from September 30, 2010 to May 31, 2011 (arising from services rendered), interest at 9% per annum, due monthly from September 30, 2011 to May 31, 2012 in nine \$10,000 amounts, unsecured      | 82,500                  | 80,000                  |
| Note payable to the Company's corporate counsel dated November 1, 2010, interest at 9% per annum, due November 1, 2011, unsecured, now past due and in default  | 20,000                  | 20,000                  |
| Note payable to the Company's corporate counsel dated July 14, 2010, interest at 8% per annum, due April 16, 2011, unsecured, now past due and in default   | 5,500                   | 5,500                   |
| Notes payable to an unsolicited accredited investor dated March 9, 2011, interest at 9% per annum, due March 9, 2012, unsecured   | 5,000                   | —                       |
| Notes payable to an unsolicited accredited investor dated August 4, 2011, interest at 9% per annum, due August 4, 2012, unsecured   | 5,000                   | —                       |

**ALTO GROUP HOLDINGS, INC.**

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**NOTES TO FINANCIAL STATEMENTS***November 30, 2011***NOTE 5 - NOTES AND LOANS PAYABLE (Continued)**

|   | November<br>31,<br>2011 | November<br>30,<br>2010 |
|---|-------------------------|-------------------------|
| Notes payable dated from March 1, 2011 to October 1, 2011 to unsolicited accredited investors, interest at 12% per annum, due in varying amounts from September 1, 2011 to February 1, 2012, automatically convertible at maturity into common stock at a conversion price equal to 70% of the average closing price for the 15 days prior to the maturity date (less unamortized debt discount of \$124,295 and \$-0-, respectively) | 1,433,205               | —                       |
| Note payable of Liberty American, LLC to the Company's corporate counsel, interest at 12% per annum, due on demand, unsecured   | 135,246                 | —                       |
| Total Notes and Loans Payable   | 2,842,451               | 267,500                 |
| Less: Current Portion   | (2,842,451)             | (267,500)               |
| Long-Term Notes and Loans Payable   | \$—                     | \$—                     |

As more fully described in Note 8, a total of \$15,000 notes payable (arising from professional services rendered) and \$845 accrued interest was satisfied through the delivery of a total of 45,000,000 shares of the Company common stock in October and November of 2010. For the year ended November 30, 2011, a total of \$57,500 notes payable (arising from professional services rendered) and \$2,831 accrued interest was satisfied through the delivery of a total of 265,000,000 shares of Company common stock.

The \$435,750 total intrinsic value of the beneficial conversion feature of the \$1,433,205 convertible promissory notes at their issuance dates, which was reflected as a debt discount and an increase in additional paid-in capital, is amortized as interest expense over the terms of the notes. For the year ended November 30, 2011, amortization of the debt discount (reflected as interest expense) was \$215,817.



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At November 30, 2011 and 2010, accounts payable and accrued liabilities include \$87,397 and \$32,121, respectively, due the Company's corporate counsel.

Accrued interest payable on the notes payable at November 30, 2011 and 2010 was \$203,025 and \$4,246, respectively, which is included within "accounts payable and accrued liabilities" in the Balance Sheet.

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**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

**NOTE 6 - PREFERRED STOCK AND COMMON STOCK**

Effective December 23, 2009, the Company effected an 8:1 forward stock split of the issued and outstanding common stock. As a result, the issued and outstanding common stock increased from 9,960,000 shares of common stock to 79,680,000 shares of common stock. All share and per share amounts have been retroactively adjusted for all periods presented.

On September 21, 2007, the Company issued 48,000,000 shares of common stock at \$0.000125 per share to the then sole Director of the Company for cash proceeds of \$6,000.

During the period ended November 30, 2007, the Company accepted stock subscriptions for 31,680,000 shares of common stock at \$0.00125 per share or \$39,600 total. \$35,100 was collected by November 30, 2007 and \$4,500 was collected in December 2007.

On February 22, 2010 the Company entered into consulting agreements with five individuals (the "S-8 Consultants") which provide for the S-8 Consultants to provide certain consulting services to the Company through March 31, 2010 and issued each of the S-8 Consultants, 4,000,000 shares of Company common stock (20,000,000 shares total). The \$2,200,000 estimated fair value of the 20,000,000 shares was charged to operations in the three months ended February 28, 2010.

On March 3, 2010, the Company approved the designation of 20,000,000 shares of Preferred Stock as Series A Preferred Stock and the conversion of 48,000,000 shares of Company common stock owned by Opiuchus Holdings, Inc. ("Opiuchus"), a company controlled by Mark Daniel Klok (chief executive officer of the Company since November 9, 2009), into 14,000,000 shares of Series A Preferred Stock. Each share of Series A Preferred Stock is convertible into 4 shares of common stock and has voting rights, dividend rights, and liquidation rights on an "as converted basis". The \$360,000 estimated fair value of the 8,000,000 shares of common stock increase in common stock equivalents from the conversion transaction was charged to "officers and directors compensation" in the Statement of Operations in the three months ended May 31, 2010.

On March 12, 2010, the Company executed an Asset Purchase Agreement with Mexican Hunter Explorations S.A. de C.V., a corporation organized under the laws of Mexico (“MHE”), to acquire two gold and silver mining concessions known as “Los Tres Machos” and “Zuna” in Jalisco, in the state of Guadalajara, Mexico in exchange for 10,000,000 newly to be issued restricted shares of Company common stock. MHE is owned and controlled by Mark Daniel Klok and Robert Howie, each of whom are executive officers and directors of the Company. Accordingly, the mining assets and related addition to stockholders’ equity has been reflected at the \$45,500 transferor’s historical cost of the mining assets.

On May 19, 2010, the Company issued a total of 13,333,332 shares of common stock (9,999,999 shares to three officers and directors; 3,333,333 shares to a consultant) for services rendered to the Company. The \$400,000 estimated fair value of the 13,333,332 shares was charged \$300,000 to “officers and directors compensation” and \$100,000 to “consulting fees” in the Statement of Operations in the three months ended May 31, 2010.

On October 14, 2010, the Company entered into a Note Conversion Agreement with third parties. Pursuant to the agreement, the Company satisfied a \$5,000 note payable to its corporate counsel dated March 15, 2010 (which arose from professional services rendered and was assigned to third parties) through the delivery of a total of 15,000,000 shares of Company common stock from October 22, 2010 to December 6, 2010 to the third parties. The Company reported the \$294,736

**ALTO GROUP HOLDINGS, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

**NOTE 6 - PREFERRED STOCK AND COMMON STOCK (Continued)**

excess of the fair value of the common stock at October 14, 2010 (\$300,000) over the amount of the debt (\$5,000) and accrued interest (\$264) settled (\$5,264 total) as “professional fees” in the Statement of Operations for the year ended November 31, 2010.

On October 15, 2010, the Company issued 100,000 shares of Series B Preferred Stock to Opiuchus for past services rendered to the Company. Each share of Series B Preferred Stock has 2,000 votes on all matters upon which the common shareholders vote (or a total equivalent of 200,000,000 voting shares for the 100,000 shares of Series B Preferred Stock); the Series B Preferred Stock has no dividend, distribution, or liquidation rights and is not convertible into shares of common stock. The \$200,000 estimated fair value of the 100,000 shares of Series B Preferred Stock was charged to “officers and directors compensation” in the Statement of Operations for the year ended November 30, 2010.

Pursuant to Note Conversion Agreements with third parties dated November 8, 2010, November 15, 2010, and November 22, 2010, the Company satisfied a \$10,000 note payable to its corporate counsel dated March 31, 2010 (which arose from professional services rendered and was assigned to third parties) through the delivery of a total of 30,000,000 shares of Company common stock (10,000,000 shares each on November 9, 2010, November 15, 2010, and November 23, 2010) to the third parties. The Company reported the \$369,419 excess of the fair value of the common stock at the dates of the respective Note Conversion Agreements (\$380,000 total) over the amount of debt (\$10,000) and accrued interest (\$581) settled (\$10,581 total) as “professional fees” in the Statement of Operations for the year ended November 30, 2010.

On January 24, 2011, the Company issued 10,000,000 shares of common stock for the acquisition of Liberty American LLC, a Utah limited liability company that holds certain development rights with respect to the La Cienega gold mining concessions in Northern Sonora, Mexico.

On March 2, 2011, the Company issued 4,000,000 shares of common stock for services rendered to the Company. The \$49,200 estimated fair value of the shares was charged to “consulting fees” in the Statement of Operations in the three months ended May 31, 2011.

On June 20, 2011, the Company issued 33,000,000 shares of common stock for services rendered to the Company. The \$257,400 estimated fair value of the shares was charged to “consulting fees” in the Statement of Operations in the three months ended August 31, 2011.

On June 20, 2011, the Company issued a total of 13,600,000 shares of common stock (6,800,000 shares each to Robert Howie and Lee Rice, directors of the Company) for accrued services rendered to the Company. The \$136,000 estimated fair value of the shares was charged to “officers and directors compensation” in the Statement of Operations in the three months ended August 31, 2011.

Pursuant to Note Conversion Agreements, the Company issued 414,000,000 shares of common stock for notes payable and accrued interest including \$4,157,739 excess of fair value of common stock issued over the amount of debt and accrued interest settled (\$3,639,669 charged to professional fees and \$518,070 charged to loss on conversion of notes payable to investors in the Statement of Operations for the year ended November 20, 2011.

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(an exploration stage company)

**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

**NOTE 6 - PREFERRED STOCK AND COMMON STOCK (Continued)**

On October 5, 2011, the Company issued 15,000,000 shares of common stock for services rendered to the Company. The \$9,000 estimated fair value of the shares was charged to “consulting fees” in the Statement of Operations for the year ended November 30, 2011.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

On February 1, 2010, the Company entered into agreements with three directors of the Company for consulting services to the Company at \$4,000 per month each for a period of one year (\$144,000 total).

On February 1, 2010, the Company entered into consulting agreements with two individuals for consulting services to the Castle Peak joint venture which provided for payments totaling \$156,000 over the one year term of the agreements. As the Castle Peak joint venture did not materialize, the agreements are void and the Company is no longer liable to pay for the consulting services.

On March 15, 2010, we received notice that our joint venture agreement with Castle Peak Mining Ltd. (“Castle Peak”) had been terminated. The agreement with Castle Peak concerned certain mining concessions in Ghana, West Africa and contained various obligations of the Company to provide phased financing for exploration and development of these concessions. The joint venture agreement also provided for the issuance of 322,000 restricted shares of common stock (which was not issued). The joint venture agreement was to be approved by the Ghana Government Minerals Commission, but did not occur.

On November 28, 2010, the Company executed a Joint Venture Agreement with St. Watson Mining Company Mali SARL (a Mali corporation) (“SWMCM”) and St. Watson Mining Company Ltd. (a Sierra Leona limited company) (“SWMC”). The agreement provides for SWMCM to contribute a certain gold mining dredge and a mining concession located in Mali, West Africa to the Joint Venture and for SWMC to contribute two mining concessions located in

Sierra Leone, West Africa to the Joint Venture. The Company is to contribute a total of \$400,000 cash to the Joint Venture within 120 days of the agreement and to issue a total of 10,000,000 shares of the Company common stock to the two SWMCM stockholders (For the three months ended February 28, 2011, the Company paid a total of \$60,000 relating to this commitment. On March 5, 2011 the Company issued the 10,000,000 shares of common stock to the two SWMCM stockholders). The Company is to have a 50% equity interest in the Joint Venture.

#### NOTE 8 - SUBSEQUENT EVENTS

On December 1, 2011, the Board and holders of a majority of the voting rights of the Company's capital stock issued and approved a restatement of the Company's Articles of Incorporation. The purpose of the restatement of the Articles of Incorporation was to increase the number of authorized shares of Common Stock from 50,000,000 to 7,000,000,000 shares.

Also on December 1, 2011, the Board of Directors approved an amendment and restatement of the Certificate of Designation to the Company's Articles of Incorporation. The only change to the Company's Certificate of Designation was a change in the number of voting rights applicable to each share of Preferred Stock from twenty thousand (20,000) to one hundred fifty thousand (150,000).

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**NOTES TO FINANCIAL STATEMENTS**

*November 30, 2011*

**NOTE 8 - SUBSEQUENT EVENTS (Continued)**

On December 14, 2011, the Company converted into common stock certain unsecured promissory notes (the “Notes”) issued by the Company between February 1, 2011 and June 1, 2011. Subject to the terms and conditions contained therein, the Notes were converted into an aggregate of 4,287,142,876 shares of common stock of the Company.

On February 9, 2012, the Company issued an aggregate of 300,000 shares of Series C Preferred Stock (hereafter, the “Preferred Stock”) in equal amounts to Robert Howie, Chene Gardner, and Douglas McFarland, each members of the Board of Directors. The Preferred Stock contains no economic rights whatsoever, including no rights to participate in dividends, distributions, or the net assets of the Company upon liquidation, as well as no right to convert such shares into common stock or other securities of the Company. Each share of Preferred Stock does, however, possess 100,000 votes per share and is entitled to vote together with holders of the company’s common stock on all matters upon which common stockholders may vote.

On February 9, 2012, the Board of Directors dismissed Mark Klok as the Company’s Chief Executive Officer and Secretary. Mr. Klok had served in these capacities since November 5, 2011 and had also served as the Company’s Chief Executive Officer, and Secretary from November 9, 2009 to September 19, 2011.

Also on February 9, 2012, holders of a majority of the voting shares of the Company dismissed Mr. Klok from the Company’s Board of Directors. Mr. Klok had served as a member of the Board since November 9, 2009.

Also on February 9, 2012, the Company appointed Douglas McFarland and Chene Gardner to its Board of Directors and appointed Mr. Gardner as Chairman, Chief Financial Officer, and Secretary.

Also on February 9, 2012, the Board of Directors amended and restated the Company’s Bylaws in their entirety. The principal purpose of the restatement was to remove the requirement that all actions taken by the Board at a duly called meeting be made by unanimous vote and, instead, require that such vote be a majority of directors then present at the



meeting.

On February 15, 2012, the Company appointed Douglas McFarland as Chief Executive Officer and Paul Donaldson as a member of the Board of Directors.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

There have been no changes in our accountants during the last two fiscal years, and we have not had any disagreements with our existing accountants during that time.

**ITEM 9A. CONTROLS AND PROCEDURES.**

(a) We maintain a system of controls and procedures designed to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. As of November 30, 2011, under the supervision and with the participation of our Chief Executive Officer and Principal Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and the Principal Financial Officer concluded that our disclosure controls and procedures were effective.

As permitted by applicable SEC rules, this report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report, which is included in Item 8 above, was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this annual report.

(b) There were no changes in our internal control over financial reporting during the quarter ended November 30, 2011 that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting. In connection with the change of management which occurred subsequent to the end of the fiscal year ended November 30, 2011, we intend to implement changes to our internal controls, particularly as they pertain to payment and authorization of expenses.

**ITEM 9B. OTHER INFORMATION.**

None.

**PART III****ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.****Directors and Executive Officers**

The following individuals presently serve as our officers and directors:

| Name                             | Age | Positions With the Company                       | <b>Board Position<br/>Held Since</b> |
|----------------------------------|-----|--|--------------------------------------|
| Douglas McFarland <sup>(1)</sup> | 68  | Chief Executive Officer and Director             | 2012                                 |
| Chene Gardner <sup>(2)</sup>     | 47  | Chairman, Chief Financial Officer, and Secretary | 2012                                 |
| Robert Howie <sup>(3)</sup>      | 68  | Director   | 2009                                 |
| Paul Donaldson <sup>(4)</sup>    | 67  | Director   | 2012                                 |
| Glen Zinn <sup>(5)</sup>         | 71  | Director   | 2012                                 |

(1) Mr. McFarland was appointed to the Board of Directors on February 9, 2012 and as Chief Executive Officer on February 15, 2012.

(2) Mr. Gardner was appointed as Chief Financial Officer on April 10, 2010 and as a member of the Board of Directors and Secretary of the Company on February 9, 2012.

(3) Mr. Howie was appointed to the Board of Directors on November 9, 2009.

(4) Mr. Donaldson was appointed to the Board of Directors on February 15, 2012.

(5) Mr. Zinn was appointed to the Board of Directors on February 23, 2012

Each of our directors is serving a term which expires at the next annual meeting of shareholders and until his successor is elected and qualified or until he resigns or is removed. Our officers serve at the will of our Board of Directors. There are no family relationships among our officers or directors.

The following information summarizes the business experience of each of our officers and directors for at least the last five years:

*Douglas McFarland.* Mr. McFarland is the Chief Executive Officer of the Company and a member of the Company's Board of Directors, being appointed to these roles on February 15 and February 9, 2012, respectively. Mr. McFarland is a registered Geologist, certified Engineering Geologist, and Licensed Hydrologist with the State of Washington. He is also a member of the American Institute of Professional Geologists, Society of Exploration Geophysicists, and Association of Engineering Geologists. Since 2009, he has been a consulting geologist with various mining clients (including the Company) in respect of projects located in the Philippines, Mexico, and the U.S.. From 2007 to 2009, he was employed as a consulting geologist with North American Oil & Minerals, Inc., a Canadian mining exploration company, in respect of mining properties located in Colorado. In 2007, he was a contract geophysicist for Williamson Associates, Inc. where he performed a complex resistivity survey to locate shallow marine illmenite deposits in the Indian Ocean near Richard's Bay, South Africa. Prior to his association with Williamson Associates, he has provided a variety of geological and geophysical consulting services for a number of clients, and has served as an executive officer of various small mining companies. Mr. McFarland holds a B.A. and a B.S. in Geology from Eastern Washington State College, where he undertook graduate studies in geophysics and geochemistry prior to studying economic at Colorado School of Mines.

*Chene Gardner.* Mr. Gardner is Chairman, Chief Financial Officer, and Secretary of the Company. He was appointed as CFO on April 15, 2010 and was appointed to the Board of Directors as its Chairman and as Secretary of the Company on February 9, 2012. Mr Gardner is also an executive officer and director of Nano Dimensions, Inc. (“NDI”) a filer of reports with the Commission under the Exchange Act. Mr. Gardner was appointed as CEO, CFO and as a director of NDI in July 2007, May 2004, and August 2004, respectively. Mr. Gardner also serves as an executive officer and director of Secure Networks, Inc., a filer of reports with the Commission under the Exchange Act, and has served in these capacities since March 2004. Mr. Gardner has served as the Financial Controller of SportsNuts, Inc., also a filer of reports with the Commission under the Exchange Act, since March, 2001. Previously, Mr. Gardner served as the Chief Financial Officer of Synertek Incorporated from March, 2001 until December, 2005. Prior to his association with SportsNuts, from January, 1997 to September, 1999, Mr. Gardner served as Financial Manager for Aluminum Builders, Inc., a producer of various home improvement items. Mr. Gardner also has five years of auditing and accounting experience with the firm of Deloitte & Touche LLP from June 1990 to August, 1995, serving clients in the banking, manufacturing, and retail industries. Mr. Gardner holds Bachelor and Master of Accounting degrees from Weber State University.

*Robert Howie.* Mr. Howie has served as a member of the Company’s Board of Directors since November 9, 2009. Mr. Howie brings a lifetime of technical experience, having started his career in mining spanning more than 40 years. From 1964 to 2006, Robert has worked at various mining companies such as Wilder and Associates, Scepter Resources Ltd. and Mexican Hunter S.A. de C.V and in various countries such as Australia, Mexico, USA, Costa Rica and West Africa. Mr. Howie’s technical expertise includes mine planning, design and layout (underground, open pit and dredging), hard-rock mining plant fabrication and installation, placer mining plant fabrication and operation, and geophysical survey design and execution. Robert’s management experience includes ground acquisition and exploration program planning and managing large work-forces in foreign countries..

*Paul Donaldson.* Dr. Donaldson was appointed to the Company’s Board of Directors on February 15, 2012. Mr. Donaldson is currently Professor Emeritus of Geophysics at Boise State University where, during a 30 year tenure, he served 9 years as Chairman of the Department of Geosciences and 3 years as Director of the research Center for Geophysical Investigation of the Shallow Subsurface. His primary teaching duties included courses in theoretical and applied geophysics and economic geology. Prior to his academic/research career he worked for the U.S Geological Survey and in the private sector for various mineral and energy resource companies including Amoco Production Company, Kennecott Exploration Inc. and Earth Resources Inc. Overlapping his academic career he has completed more than 50 proprietary commissioned geological and geophysical reports for private sector mineral and energy resource companies large and small. Dr. Donaldson holds a PhD in geophysics with a minor emphasis in economic geology from the Colorado School of Mines. His pre-doctoral studies were completed at Stanford University and the University of Utah. He is a member of the Society of Exploration Geophysicists and a Registered Professional Geologist/Geophysicist in the state of Idaho.

*W. Glen Zinn.* Mr. Zinn was appointed to the to the Company’s Board of Directors on February 23, 2012. Mr. Zinn has 45 years of senior executive for mining and minerals exploration companies around the world. Since 2010, Mr. Zinn has been an independent management and operation consultant for various U.S. natural resource companies. From 2004 to 2010, he was Chairman, CEO, and President of Bell Copper Corporation, an international copper exploration development and production company. From 1986 to 1993, he was an executive with Hecla Mining Company,

serving as the the Vice President of Corporate Development & Exploration from 1990-1993. In 1980, Mr. Zinn was appointed by Secretary of the Interior William Clark to the National Strategic Materials and Minerals Program Advisory Committee to provide advice in respect of mineral needs and resources for purposes of national security. From 1971 to 1986, he worked as Chief Geophysicist and served in management positions with the minerals division of Union Oil. He also worked as Chief Geophysicist and served in various management positions with Molycorp when it was acquired by Union Oil. Mr. Zinn holds a Bachelor of Science degree in Geological Engineering with a minor in Geophysics from the Michigan College of Mining & Technology.

From 1966-1971, he worked for the Anaconda Company as an Exploration and District Geophysicist. Mr. Zinn also holds various postgraduate certificates from MIT, Stanford, and Northwestern.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

To our knowledge, during the fiscal year ended November 30, 2011, based solely upon a review of such materials as are required by the Securities and Exchange Commission, no officer, director or beneficial holder of more than ten percent of our issued and outstanding shares of Common Stock failed to timely file with the Securities and Exchange Commission any form or report required to be so filed pursuant to Section 16(a) of the Exchange Act of 1934.

### **Code of Ethics**

We have not yet adopted a written Code of Ethics; however, we believe our executive officers conduct themselves honestly and ethically with respect to our business affairs. As the Company is still in the process of organizing its formal corporate governance structure, we plan to adopt a formal Code of Ethics in the near future.

### **Changes in Procedures by which Security Holders May Recommend Nominees to the Board**

Any security holder who wishes to recommend a prospective director nominee should do so in writing by sending a letter to the Board of Directors. The letter should be signed, dated and include the name and address of the security holder making the recommendation, information to enable the Board to verify that the security holder was the holder of record or beneficial owner of the company's securities as of the date of the letter, and the name, address and resume of the potential nominee. Specific minimum qualifications for directors and director nominees which the Board believes must be met in order to be so considered include, but are not limited to, management experience, exemplary personal integrity and reputation, sound judgment, and sufficient time to devote to the discharge of his or her duties. There have been no changes to the procedures by which a security holder may recommend a nominee to the Board during our most recently ended fiscal year.

### **Audit Committee**

Presently, we have no standing audit committee or designated audit committee financial expert.





**ITEM 11. EXECUTIVE COMPENSATION.**

The following table summarizes the total compensation for the two fiscal years ended November 30, 2011 of our executive officers at the end of our last fiscal year (the “Named Executive Officers”). Our company did not award cash bonuses, stock awards, stock options or non-equity incentive plan compensation to any Named Executive Officer during the past two fiscal years, thus these items are omitted from the table below:

**Summary Compensation Table**

| Name and Principal Position                                 | Year | Salary                  | Stock Awards | All Other Compensation | Total    |
|---|------|-------------------------|--------------|------------------------|----------|
| Mark Klok<br>Chief Executive Officer <sup>(1)</sup>         | 2011 | \$92,500                | \$ —         | \$ —                   | \$92,500 |
|   | 2010 | \$48,000                | \$ —         | \$ —                   | \$48,000 |
| Chene Gardner<br>Principal Financial Officer <sup>(2)</sup> | 2011 | \$60,000 <sup>(4)</sup> | \$ —         | \$ —                   | \$60,000 |
|   | 2010 | \$32,000                | \$ —         | \$ —                   | \$32,000 |
| Randall Appel<br>Chief Executive Officer <sup>(3)</sup>     | 2011 | \$59,200                | \$ —         | \$ —                   | \$59,200 |
|   | 2010 | \$—                     | \$ —         | \$ —                   | \$—      |

(1) Appointed November 9, 2009. Resigned on September 19, 2011. Re-appointed on November 5, 2011 and dismissed on February 9, 2012

(2) Appointed April 15, 2010

(3) Appointed September 19, 2011 and dismissed on November 5, 2011.

(4) \$37,000 remains unpaid as of November 30, 2011.

Our current Chief Executive Officer, Douglas McFarland, is entitled to a salary of \$1.00 per year plus reimbursement of expenses and the allocation of stock options and bonuses as determined by the Board of Directors. Our Chief Financial Officer, Chene Gardner, is entitled to a fee of \$5,000 per month payable in arrears.

**Outstanding Equity Awards at Fiscal Year-End**

Our Named Executive Officers did not have any unexercised options or stock awards that have not vested outstanding at the end of our last fiscal year. We did not grant any equity awards to our Named Executive Officers or directors during 2009 or 2008.

### **Director Compensation**

Members of our Board of Directors do not receive fees in respect of their roles as directors. In the past, we have compensated our directors with grants of restricted stock on an ad-hoc basis. We intend to shortly adopt an equity incentive plan or stock option plan to compensate our directors for their efforts and to provide additional incentives to our executive officers, advisors, and key personnel. Other than the foregoing, there is no other arrangement or understanding between the directors and officers of the Company and any other person pursuant to which any director or officer was or is to be selected as a director or officer.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

As of February 15, 2012, there are a total of 4,891,756,208 shares of our common stock outstanding, 14,000,000 shares of our Series A Preferred Stock outstanding (“Series A Preferred Stock”), 100,000 shares of Series B Preferred Stock outstanding (“Series B Preferred Stock”), and 300,000 shares of Series C Preferred Stock outstanding. Holders of our Series A Preferred Stock are able to convert into an aggregate of 56,000,000 shares of common stock and are able to vote together with holders of our common shares on an as-converted basis. Holders of our Series B Preferred Stock are not able to convert into common stock but hold, in the aggregate, 15,000,000,000 voting rights and are able to vote together with holders of our common shares on all matters upon which our common stockholders may vote. Holders of our Series C Preferred Stock are not able to convert into common stock but hold, in the aggregate, 30,000,000,000 voting rights and are able to vote together with holders of our common shares on all matters upon which our common stockholders may vote. The following table describes the ownership of our voting securities by: (i) each of our officers and directors; (ii) all of our officers and directors as a group; and (iii) each shareholder known to us to own beneficially more than 5% of our common stock. Unless indicated otherwise, the address for each officer, director, and 5% shareholder is c/o the Company, 11650 South State Street, Suite 240, Draper, UT 84020.

| Name of<br>Beneficial Owner                       | (including Series B & C Preferred Voting Rights)   | Percent of Class <sup>(2)</sup> | (excluding Series B & C Preferred Voting Rights)   | Percent of Class <sup>(4)</sup> |
|---|--|---------------------------------|--|---------------------------------|
|   | Number of Shares Beneficially Owned <sup>(1)</sup> |                                 | Number of Shares Beneficially Owned <sup>(3)</sup> |                                 |
| Douglas McFarland <sup>(5)</sup>                  | 30,000,000,000                                     | 85.98%                          | —  | *                               |
| Chene Gardner <sup>(6)</sup>                      | 3,333,333  | *                               | 3,333,333  | *                               |
| Robert Howie <sup>(7)</sup>                       | 20,133,333   | *                               | 20,133,333   | *                               |
| Paul Donaldson <sup>(8)</sup>                     | —  | *                               | —  | *                               |
| Mark Klok <sup>(9)</sup>                          | 15,056,000,000                                     | 75.48%                          | 56,000,000   | *                               |
| All officers and directors as a group (4 persons) | 30,020,466,666                                     | 86.05%                          | 23,461,666   | *                               |

\* - less than one percent

(1) With respect to determining voting rights of each shareholder above and including voting rights of Series B and C Preferred Shares which are issued and outstanding, the number of shares beneficially owned includes: (i) all shares of common stock deemed beneficially held; (ii) all common stock deemed beneficially held subject to options, warrants, and/or conversion rights held by the shareholder that are currently exercisable or exercisable within 60 days; and (iii) all other instruments deemed beneficially held by the shareholder (such as Series B and C Preferred Shares) that are not convertible into common stock but have rights that enable such shareholder to vote such instruments together with holders of our common stock on all matters upon which common stockholders may vote.

(2) With respect to calculating percentage of beneficial ownership and including voting rights of Series B and C Preferred Shares which are issued and outstanding, the calculation is based upon 4,891,756,208 shares of common stock outstanding as of February 15, 2012, and: (i) shares of common stock subject to options, warrants and/or conversion rights deemed beneficially held by the shareholder that are currently exercisable or exercisable within 60 days, and (ii) all other instruments deemed beneficially held by the shareholder (such as Series B and C Preferred Shares) that are not convertible into common stock but have rights that enable such shareholder to vote such instruments together with holders of our common stock on all matters upon which common stockholders may vote. The percentage ownership of any shareholder is determined by assuming that the shareholder has exercised all options, warrants, and conversion rights to obtain additional securities, has exercised all applicable voting rights, and that no other shareholder has exercised such rights. Except as otherwise indicated below, the persons and entity named in the table have sole voting and investment power with respect to all shares of common stock and voting rights shown as beneficially owned by them, subject to applicable community property laws.

(3) With respect to determining beneficial ownership of each shareholder above and excluding voting rights of Series B and C Preferred Shares which are issued and outstanding, the number of shares beneficially owned includes: (i) all shares of common stock deemed beneficially held; and (ii) all common stock deemed beneficially held subject to options, warrants, and/or conversion rights held by the shareholder that are currently exercisable or exercisable within 60 days.

(4) With respect to calculating percentage of beneficial ownership and excluding voting rights of Series B and C Preferred Shares which are issued and outstanding, the calculation is based upon 4,891,756,208 shares of common stock outstanding as of February 15, 2012, and shares of common stock subject to options, warrants and/or conversion rights deemed beneficially held by the shareholder that are currently exercisable or exercisable within 60 days. The percentage ownership of any shareholder is determined by assuming that the shareholder has exercised all options, warrants, and conversion rights to obtain additional securities and that no other shareholder has exercised such rights. Except as otherwise indicated below, the persons and entity named in the table have sole voting and investment power with respect to all shares of common stock and voting rights shown as beneficially owned by them, subject to applicable community property laws.

(5) Chief Executive Officer. Mr. McFarland does not own any shares of common stock, whether directly or indirectly. With respect to beneficial ownership that includes voting rights of Series B and C Preferred Shares, Mr. McFarland is the trustee of a voting trust that holds 300,000 shares of Series C Preferred Stock which, although not convertible into common stock, collectively hold 30,000,000,000 voting rights and are entitled to vote together with holders of common stock on all matters upon which common stockholders may vote.

(6) Chief Financial Officer, Secretary, and Chairman of the Board of Directors of the Company. Includes 3,333,333 shares of common stock held directly. Excludes 100,000 shares of Series C Preferred Stock that are held in a voting trust that is controlled by Mr. Douglas McFarland, the Chief Executive Officer of the Company.

(7) Director of the Company. Includes 10,133,333 shares of common stock held directly by Mr. Howie and 10,000,000 shares of common stock held by Mexican Hunter S.A. de C.V., a corporation in which Mr. Howie serves as a principal. Excludes 100,000 shares of Series C Preferred Stock that are held in a voting trust that is controlled by Mr. Douglas McFarland, the Chief Executive Officer of the Company.

(8) Director of the Company.

(9) Former Chief Executive Officer and Director, and current principal voting shareholder of the Company. Includes 14,000,000 shares of Series A Preferred Stock held by Opiuchus Holdings, Inc., a New York corporation owned and controlled by Mr. Klok. The Series A Preferred Stock is convertible into an aggregate of 56,000,000 shares of common stock. With respect to beneficial ownership that includes voting rights of Series B and C Preferred Shares, includes 100,000 shares of Series B Preferred Stock which, although not convertible into common stock, collectively hold 15,000,000,000 voting rights and are entitled to vote together with holders of common stock on all matters upon which common stockholders may vote.

## **Changes in Control**

On February 9, 2012, the Company issued an aggregate of 300,000 shares of Series C Preferred Stock (hereafter, the “Series C Preferred Stock”) in equal amounts to Robert Howie, Chene Gardner, and Douglas McFarland, each members of the Board of Directors. The Preferred Stock contains no economic rights whatsoever, including no rights to participate in dividends, distributions, or the net assets of the Company upon liquidation, as well as no right to convert such shares into common stock or other securities of the Company. Each share of Preferred Stock does, however, possess 100,000 votes per share and is entitled to vote together with holders of the company’s common stock on all matters upon which common stockholders may vote. The Series C Preferred Stock was placed in a voting trust, of which Douglas McFarland, the Chief Executive Officer of the Company and a member of the Board of Directors, serves as trustee. As a result of the issuance and the creation of the voting trust, Mr. McFarland may unilaterally determine the election of the Board of Directors and the direction of the Company.

## **Securities Authorized for Issuance Under Equity Compensation Plans**

None.

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**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

**Certain Relationships and Related Transactions**

On February 10, 2010, the Company experienced a change of control. Opiuchus Holdings, Inc., a New York Corporation owned and controlled by Mark Klok, an executive officer and director of the Company, purchased 48,000,000 shares of restricted common stock from an existing shareholder of the Company in a private transaction giving Mr. Klok voting control of the Company. As a result of this purchase Opiuchus Holdings and Mr. Klok held, on the date of such acquisition, a beneficial interest in 48,000,000 shares of the Company’s common stock, representing 60.24% of all common shares then outstanding.

On March 3, 2010, we converted and exchanged all 48,000,000 shares of common stock held by Opiuchus Holdings, Inc., into 14,000,000 shares of Series A Preferred Stock (“Series A Preferred Stock”). The Series A Preferred Stock is convertible into 56,000,000 shares of common stock at the discretion of the holder. Based upon the number of shares outstanding at March 12, 2010, Opiuchus Holdings and Mark Klok held a beneficial interest in 56.08% of the outstanding voting securities of the Company on an as-converted basis.

On March 12, 2010, we acquired the Los Tres Machos and Zuna gold and silver mining concessions in Mexico (collectively, the “Concessions”). In exchange for these Concessions, we undertook to provide certain exploration services and to facilitate the production of a NI 43-101 or equivalent valuation report regarding the same. In addition, we issued 10,000,000 shares of restricted common stock to Mexican Hunter Exploration S.A. (“MHE”), the previous owner of the concessions. MHE is a corporation organized under the laws of the Republic of Mexico and is owned and controlled by Robert Howie and Mark Klok, each of whom were, at the time of the acquisition, executive officers and members of the Company’s Board of Directors.

On May 19, 2010, the Company issued 13,333,332 shares of its restricted common stock to the following individuals, each of whom was, at the time of issuance, an officer and/or director of the Company, as follows:

| Name             | Title                                | Number of Shares |
|------------------|--------------------------------------|------------------|
| Chene C. Gardner | Chief Financial Officer              | 3,333,333        |
| Lee Rice         | Director                             | 3,333,333        |
| Robert Howie     | Chief Operating Officer and Director | 3,333,333        |
| Whit Tehan       | Director of Corporate Finance        | 3,333,333        |
| TOTAL            |                                      | 13,333,332       |

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On October 15, 2010, the Board of Directors of the Company approved the issuance of 100,000 shares of Series B Preferred Stock ("Series B Preferred Stock") to Opiuchus Holdings, Inc., a corporation owned and controlled by Mark Klok, the former Chief Executive Officer and Chairman of the Company. Each share of Series B Preferred Stock carries 150,000 votes per share and is entitled to vote together with holders of common stock on all matters upon which common stockholders may vote.

On June 20, 2011, the Company issued an aggregate of 13,600,000 shares of common stock, in lieu of director fees, to Lee Rice and Robert Howie, each of whom was, at the time of such issuance, a member of the Company's Board of Directors.

On June 20, 2011, the Company issued an aggregate of 31,600,000 to seven officers of the Company for services rendered.



On February 9, 2012, the Company issued an aggregate of 300,000 shares of Series C Preferred Stock (hereafter, the “Series C Preferred Stock”) in equal amounts to Robert Howie, Chene Gardner, and Douglas McFarland, each members of the Board of Directors. The Series C Preferred Stock contains no economic rights whatsoever, including no rights to participate in dividends, distributions, or the net assets of the Company upon liquidation, as well as no right to convert such shares into common stock or other securities of the Company. Each share of Series C Preferred Stock does, however, possess 100,000 votes per share and is entitled to vote together with holders of the company’s common stock on all matters upon which common stockholders may vote. The Series C Preferred Stock was placed in a voting trust, of which Douglas McFarland, the Chief Executive Officer of the Company and a member of the Board of Directors, serves as trustee. As a result of the issuance and the creation of the voting trust, Mr. McFarland may unilaterally determine the election of the Board of Directors and the direction of the Company.

We have not adopted any policies regarding related party transactions.

### **Director Independence**

Paul Donaldson and Robert Howie, both members of our Board of Directors, are considered by us to be “independent” inasmuch as neither of them are an executive officer of the Company, do not hold a beneficial interest in more than 10% of the Company’s voting securities, and are not related to any executive officer or director of the Company. We have not established any board committees. We hope in the future to add at least one more independent director and establish one or more board committees, especially an audit committee.

### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The following table sets forth fees billed by our independent registered accounting firm, Michael T. Studer CPA, P.C. for the last two fiscal years:

|                    | 2011     | 2010     |
|--------------------|----------|----------|
| Audit Fees         | \$49,600 | \$39,800 |
| Audit Related Fees | -0-      | -0-      |
| Tax Fees           | -0-      | -0-      |
| All Other Fees     | -0-      | -0-      |
| Total Fees         | \$49,600 | \$39,800 |

It is the policy of the Board of Directors, which presently completes the functions of the Audit Committee, to engage the independent accountants selected to conduct our financial audit and to confirm, prior to such engagement, that such independent accountants are independent of the company. All services of the independent registered accounting firm reflected above were pre-approved by the Board of Directors.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

The following exhibits are filed with or incorporated by referenced in this report:

| Item No. | Description   |
|----------|---|
| 3.1      | Amended and Restated Articles of Incorporation (incorporated by reference from our Current Report on Form 8-K filed on December 5, 2011). |
| 3.2      | Amended and Restated Bylaws (incorporated by reference to our Current Report on Form 8-K filed on February 14, 2012)                      |
| 31.1*    | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Douglas McFarland.</u>                                     |
| 31.2*    | <u>Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Chene Gardner.</u>   |
| 32.1*    | <u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Douglas McFarland.</u>                                     |
| 32.2*    | <u>Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Chene Gardner.</u>   |

\* filed herewith

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ALTO GROUP HOLDINGS, INC.

/s/ Douglas McFarland

Dated:

February By: Douglas McFarland, Chief Executive Officer  
15, 2012

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

/s/  
Douglas Chief Executive Officer February 15, 2012  
McFarland  
Douglas and Director  
McFarland

/s/ Robert Director February 15, 2012  
Howie  
Robert  
Howie

/s/ Chene Chief Financial Officer February 15, 2012  
Gardner  
Chene and Director  
Gardner

/s/ Paul Director February 15, 2012  
Donaldson

Paul  
Donaldson

/s/ Glen     Director  
Zinn  
Glen Zinn

February 15, 2012

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